2017 REGISTRATION DOCUMENT

ANNUAL FINANCIAL REPORT 2016

SOCIETE GENERALE

BUILDING TEAM SPIRIT TOGETHER

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Abbreviations used:
Millions of euros: EUR m
Billions of euros: EUR bn
FTE: Headcount in Full-Time Equivalents

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AMF

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Lorenzo Bini Smaghi
Societe Generale Chairman

Frédéric Oudéa
Societe Generale Chief Executive Officer

MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Societe Generale Group achieved a sound commercial and financial performance in 2016, marking a new milestone in its transformation. Operating in an uncertain environment, the Group benefited from its well-balanced banking model, built on three major, diversified areas of activity that have established strong synergies. Moreover, the Bank enjoyed the trust of its clients and the commitment of its employees.

Our various businesses experienced strong momentum in terms of new client growth. We fully played our role of financing the economies in which we are established.

The Group also demonstrated operational discipline and strengthened its financial solidity. The very low level of our Cost of Risk attests to the structural quality of our credit portfolio and of our risk management. We have also successfully strengthened our capital ratio with a CET1 of 11.5% at end-2016, which positions us well above regulatory requirements.

On the whole, our good performance in 2016 allows us to report positive results for these last three years of transformation. In an economic environment that was less favourable and much more restrictive from a regulatory viewpoint, we simplified our model, optimised capital allocation, and continued to invest in the businesses of the future – in keeping with our commitments set out in the 2014-2016 strategic plan. In line with the trajectory of the financial targets we set ourselves, we demonstrated our potential for growth and operational excellence, and our structural profitability saw significant improvements.

At the same time, the Group has strengthened its Corporate Social Responsibility policies. One year after making firm climate commitments for COP21, the Group announced that it is stopping dedicated coal financing and increased its support for renewable energies, thereby helping its clients towards a low-carbon economy. In addition, the Group signed new commitments related to diversity in the workplace and continued its community service initiatives, in particular through its Corporate Foundation for Solidarity, which celebrated its 10^{th} anniversary in 2016. In keeping with our determination to be a world-leading banking player in terms of CSR and transparency, we were able in 2016 to strengthen our positioning within the first quartile of banks participating in the RobecoSam extra-financial assessment.

Committed to a proactive approach to strengthen the relationship of trust which we maintain with our stakeholders, we launched a Culture & Conduct programme in early 2017 for all our employees. Based on our shared values, the programme is dedicated to guiding our daily behaviour and to setting ourselves apart through positive actions.

Drawing on these strong foundations and this positive momentum, and under the aegis of the Board of Directors, Societe Generale will prepare a new stage in its development and transformation in 2017, for the benefit of its clients and in the best interests of all its stakeholders.

Lorenzo Bini Smaghi
Chairman of Societe Generale

Frédéric Oudéa
Chief Executive Officer of Societe Generale

145,700 employees across 67 countries serving our clients for more than 150 years

Our values: team spirit, innovation, responsibility, commitment

"In a complex and rapidly changing banking sector, what will set us apart is our culture, our ways of working better together, and bringing to life our values for the benefit of our clients."

Frédéric Oudéa, Chief Executive Officer

Our ambition

To be the relationship-focused bank, a reference in its markets, close to its clients and chosen for the quality and commitment of its teams

1

HISTORY AND PROFILE OF SOCIETE GENERALE

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1. HISTORY

On 4th May 1864, Napoleon III signed Societe Generale's founding decree. Founded by a group of industrialists and financiers driven by the ideals of progress, the Bank's mission has always been "fostering business and industrial growth".

Since its beginnings, Societe Generale has worked to modernise the economy, following the model of a diversified bank at the cutting edge of financial innovation. Its branch network grew rapidly throughout the French territory, increasing from 46 to 1,500 branches between 1870 and 1940. During the interwar period, it became the leading French credit institution in terms of deposits.

At the same time, Societe Generale began to build its international reach by financing infrastructure essential to the economic development of a number of countries in Latin America, Europe and North Africa. This expansion was accompanied by the establishment of an international retail network. In 1871, the Bank opened its London branch. On the eve of World War I, Societe Generale already had a presence in 14 countries, either directly or through one of its subsidiaries, in particular in Russia. This network was then expanded by opening branches in New York, Buenos Aires, Abidjan and Dakar, and by acquiring stakes in financial institutions in central Europe.

Societe Generale was nationalised by the French law of 2nd December 1945 and played an active role in financing the reconstruction of the French territory. The Bank thrived during the prosperous post-war decades and contributed to the increased use of banking techniques by launching innovative products for businesses, including medium-term discountable credit and lease financing agreements, for which it held the position of market leader.

Societe Generale demonstrated its ability to adapt to a new environment by taking advantage of the banking reforms that followed the French Debré laws of 1966-1967. While continuing to support its partner businesses, the Group lost no time in focusing its business on individual customers. In this way, it supported the emergence of a consumer society by diversifying the credit and savings products it offered households.

In June 1987, Societe Generale was privatised with a successful stock market launch and shares offered to Group employees. In an economic environment undergoing profound transformation, the Societe Generale Group reaffirmed its identity and demonstrated its strength. In France, it expanded its networks by founding Fimatex in 1995, which later became Boursorama, now a leading online bank, and by acquiring Credit du Nord in 1997. Internationally, it established itself in Central and Eastern Europe through Komerčni Banka in the Czech Republic and BRD in Romania, and in Russia with Rosbank, while consolidating its growth in Africa in Morocco, Côte d'Ivoire and Cameroon, among others. The Group has 145,700 employees* active in 67 countries and supports more than 31 million customers[(1)]. It is continuing its process of transformation by adopting a sustainable growth strategy driven by its core values of team spirit, innovation, responsibility and commitment. Firmly focused on the future, it has embraced with conviction the opportunities of the digital age in order to best anticipate the needs of its customers and employees, thereby embodying the bank of the 21st century. Drawing on more than 150 years of expertise and a commitment to developing the real economy, the Group continues to place customer satisfaction at the heart of its business.

* Headcount at end-2016 excluding temporary staff.

(1) Excluding Insurance policyholders.

2. PROFILE OF SOCIETE GENERALE

Societe Generale is one of the leading financial services groups in Europe. Based on a diversified and well-balanced banking model, the Group combines financial strength with a strategy of sustainable growth, putting its resources to work to finance the economy and its clients' plans.

With a solid position in Europe and a presence in countries with strong potential, the Group's 145,700 employees* in 67 countries support 31 million individual customers, large corporates and institutional investors(1) worldwide by offering a wide range of advisory services and financial solutions. The Group is built on three complementary core businesses:

- French Retail Banking, which encompasses the Societe Generale, Credit du Nord and Boursorama brands. Each offers a full range of financial services with multi-channel products at the cutting edge of digital innovation;
- International Retail Banking, Insurance, and Financial Services to Corporates, with networks in developing regions and specialised businesses that are leaders in their markets;
- Corporate and Investment Banking, Private Banking, Asset Management and Securities Services, which offer recognised expertise, key international locations and integrated solutions.

On 7th March 2017, Societe Generale's long-term rating was A (FitchRatings, Standard & Poor's and R&I), A (High) (DBRS), A2 (Moody's).

Societe Generale is included in the main socially responsible investment indices: DJSI (World and Europe), FTSE4Good (Global and Europe), Euronext Vigeo (Europe, Eurozone and France), ESI Excellence (Europe) – Ethibel, in four of the STOXX ESG Leaders indices and in MSCI Low Carbon Leaders Index.

* Headcount at end-2016 excluding temporary staff.

(1) Excluding insurance policyholders.

KEY FIGURES

	2016	2015	2014	2013	2012
Result (in EUR m)					
Net banking income	25,298	25,639	23,561	22,831	23,110
o.w. French Retail Banking	8,403	8,550	8,275	8,235	8,161
o.w. International Retail Banking and Financial Services	7,572	7,329	7,456	8,012	8,432
o.w. Global Banking and Investor Solutions	9,309	9,442	8,726	8,710	8,349
o.w. Corporate Centre	14	318	(896)	(2,126)	(1,832)
Gross operating income	8,481	8,746	7,545	6,432	6,672
Cost/income ratio (excluding the revaluation of own financial liabilities and DVA)	65.6%	67.7%	67.7%	67.4%	67.5%
Operating income	6,390	5,681	4,578	2,380	2,737
Group net income	3,874	4,001	2,692	2,175	774
Equity (in EUR bn)					
Group Shareholders' equity	62.0	59.0	55.2	51.0	49.8
Total consolidated equity	66.0	62.7	58.8	54.1	54.1
ROE after tax	7.3%	7.9%	5.3%	4.4%	1.1%
Total Capital Ratio(1)	**17.9%**	**16.3%**	**14.3%**	**13.4%**	**12.7%**
Loans and deposits (in EUR bn)					
Customer loans	373	358	330	314	327
Customer deposits	397	360	328	320	305

(1) 2014 to 2016 figures based on CRR/CRD4 rules; 2013: proforma figures under Basel 3; 2012: under Basel 2.5.

Note: Figures as published for the respective financial years. Definitions and potential adjustments presented in methodological notes on pages 44-49.

3. A STRATEGY OF PROFITABLE GROWTH, BASED ON A ROBUST UNIVERSAL BANKING MODEL

The Societe Generale Group has built a solid diversified banking model suited to the needs of its 31 million corporate, institutional and individual customers and structured around three complementary pillars enabling the Group to diversify risk and benefit from strong market positions:

- French Retail Banking;
- International Retail Banking and Financial Services;
- Global Banking and Investor Solutions.

The Group plans to pursue its development while maintaining its model's current balance in terms of geographic presence (about 75% of revenues generated in mature markets and 25% in fast-growing emerging markets) and business portfolio (about 60% of revenues and risk-weighted assets in Retail Banking activities, about 20% in Financing and Advisory activities, and limited to 20% in Global Markets activities). In Retail Banking, the Group will be focusing its development in Europe and Africa, where it enjoys a historic presence, extensive knowledge of the markets and prominent positions. In Global Banking and Investor Solutions, its development extends beyond the borders of the EMEA region (Europe, Middle East and Africa) by capitalising on its product expertise and international network in the United States and Asia.

The Group's top strategic priority is to sustain its commercial development through increased efforts in customer satisfaction, quality of service, added value and innovation. Striving for excellence is a goal shared throughout the Group and adapted specifically to each business, customer segment and geographic area. In particular, the Group continues its digital transition by accelerating the transformation of its information systems and the digitalisation of its processes. Furthermore, Societe Generale was awarded third prize in the eCAC40 2016 Trophies, recognising the Group's deep transformation and ranking Societe Generale first among the most digitalised banks and financial institutions.

Organic growth will be stimulated not only by growth in the businesses, but also through the development of internal revenue synergies within and between each of the core businesses (greater cooperation between Private Banking and the Retail Banking networks, cooperation along the entire Investor Services chain, cooperation between the Insurance business line and the French and International Retail Banking networks, etc.).

In an environment sure to remain challenging from both an economic and regulatory standpoint, the Group is committed to maintaining strict, disciplined management of costs (through its ongoing savings programme, close supervision of discretionary costs, increased operating efficiency via the improvement of its information systems and the automation of its processes), risks (keeping up the quality of the loan book, continuing efforts on operational risk, compliance and risk culture, strengthening the balance sheet), and capital allocation.

French Retail Banking is one of the three pillars of the Group's diversified banking strategy.

This activity has undertaken major transformations in its model based on the rapid development of customer behaviour and expectations, which are increasingly focused on a closer approach with greater expertise and customisation.

French Retail Banking continues to build on the complementary nature of its three brands:

- The Societe Generale multi-channel relationship-banking network, which supports a diversified customer base of individuals, professionals, businesses, local authorities and associations;
- Credit du Nord, which develops an original local banking model through its network of community-oriented regional banks;
- Boursorama, the French leader in online banking, which boasts an innovative business model and attractive price positioning.

Through the French Retail Banking division, the Group aims to set the standard in terms of customer satisfaction and protection. In so doing, the Group plans to increase customer loyalty, continue to win new individual customers, and strengthen its positioning as a leading player among corporate customers.

Societe Generale is already recognised as the leading bank for mobile devices and the most responsive bank on Twitter[1]. With more than 900 million contacts in 2016 (+11% over the year), digital has become the bank's main point of entry for its customers.

Boursorama, which continued its very dynamic customer acquisition in 2016, reached the million-customer mark at the very beginning of 2017, and maintains its goal of exceeding 2 million customers by 2020.

The pillar aims to accelerate the operational and relational transformation of its Societe Generale and Credit du Nord brands; and will also continue to build on and enhance its growth drivers:

- new relationship banking model for Societe Generale's professional customers, with the creation of some 100 "pro spaces" rolled out across the entire region, and the ambition to attract 200,000 new "pro" customers by 2020;

(1) Study conducted by Colombus Consulting in the second quarter of 2016. The study published on 3rd November 2016 concerns a panel of 18 retail banks with operations in France, and targets individual customers: Axa Banque, B For Bank, Banque Populaire, BNP Paribas, Boursorama, Caisse d'Epargne, CIC, Crédit Agricole, Credit du Nord, Crédit Mutuel, Fortuneo, Hello Bank!, HSBC, ING Direct, La Banque Postale, LCL, Monabanq, Societe Generale. With a 9-minute response time for Societe Generale, vs. 7 hours on average for banks, the Societe Generale app has the best rating among the daily account management apps of 18 banks selected in the Apple Store.

- SG Entrepreneurs, pooling of expertise from Retail Banking, Private Banking, Corporate and Investment Banking, the Real Estate Division, and flow and international trade specialists;
- new services supplementing the banking products offered by the bank insurance model;
- synergies with Private Banking to meet the expectations of high-net-worth customers.

Operating in 65 countries with nearly 31 million individual, professional and corporate customers, International Retail Banking and Financial Services is the second pillar of the Group's diversified banking strategy.

International Retail Banking and Financial Services is a profitable growth driver for the Group, thanks to its leading positions on high-potential markets, its initiatives for operational efficiency and digital transformation, and its strong synergies. This division has undergone a major transformation over the last few years, by refocusing its portfolio, introducing a more optimised model and strengthening its risk profile.

International Retail Banking activities are mainly located in regions outside of the Eurozone, which benefit (compared with the Eurozone) from greater growth potential and a much more favourable interest rate environment. The Group aims to continue to develop its International Retail Banking activities in Western Europe, Russia and Africa, all areas in which the Group has established positions as a leader with renowned expertise:

- In Central and Eastern Europe, the Group's strategy is to focus its presence in markets where it enjoys leading positions with critical mass. In particular, the Group plans to maintain a solid position, to increase its profitability in the Czech Republic and to continue the recovery of its profitability in Romania. The strategy in this region also involved a more streamlined system, with the divestment in October 2016 of the Georgian subsidiary Bank Republic, and the announcement in December 2016 of an agreement to sell the Croatian subsidiary Splitska Banka;
- In Russia, with its three brands (Rosbank, DeltaCredit and Rusfinance), which together form the No. 2 private banking group financed with foreign capital. In particular, the Group continued to implement the transformation plan for Rosbank's retail businesses and the development of corporate activities;
- In the Africa/Asia/Mediterranean Basin and Overseas region, the Group intends to take advantage of the strong potential for economic growth and bank account penetration on the continent by building on its position as one of the three international banks most present in Africa (leading bank in Côte d'Ivoire and Cameroon, leading privately-owned bank in Algeria, second-largest bank in Guinea and Senegal).

  In addition, it plans to accelerate its development by rolling out a range of digital initiatives and partnerships, in particular a pan-African mobile payment offer.

Financial Services to Corporates enjoyed competitive positions with good profitability. ALD Automotive and Insurance also have dynamic growth potential. Moreover, all of these businesses have committed to proactive digital transformation and innovation programmes.

- In Insurance, the Group will strive to accelerate (i) the roll-out of its bank insurance model across all retail banking markets and all segments (life insurance, personal protection and non-life insurance), and (ii) the implementation of its digital strategy, in particular to enhance the product range.
- In Operational Vehicle Leasing and Fleet Management, the Group's ambition is to enhance its position as a global leader (No. 1 in Europe and No. 3 in the world, excluding captive companies and financial leasing companies) by developing new activities and services in a rapidly changing mobility sector. In the course of 2016, ALD Automotive finalised the acquisition of the Parcours Group, No. 7 in France for operational vehicle leasing with a fleet of 61,500 vehicles. In addition, it strengthened its presence in Central and Eastern Europe with the acquisition of MKB, operating in Hungary and Bulgaria, and in Latin America by establishing partnerships in Central America and Argentina, and with the opening of an office in Peru. On 9th February 2017, the Group announced its intention to float ALD Automotive on the stock market in 2017, subject to market conditions. The Group will remain the controlling shareholder of ALD Automotive and will continue to actively support its subsidiary's growth strategy, in terms of both financing and development of commercial relations.
- Lastly, in Vendor and Equipment Finance, the Group plans to build on its position as leader in Europe and one of the first players worldwide to increase its revenues and improve profitability. The Group aims to become the global benchmark for vendors and customers by relying on a consistently client-centric approach, innovation and expertise.

The Group will also continue to encourage synergies between the division's business lines and with the rest of the Group: with Private Banking, with the regional Corporate and Investment Banking platforms, and by developing its commercial banking services (trade finance, cash management, payment services and factoring).

The Global Banking and Investor Solutions division is the third pillar of the Group's diversified banking strategy.

After developing its activities in line with a customer-oriented model and adapting to regulatory changes, the Global Banking and Investor Solutions division is now well-positioned to strengthen its market share in its core franchises. This is despite a rapidly changing competitive environment where some players are revising their strategy and scaling down their activities. Furthermore, this division has demonstrated its resilience and the relational model of Business-to-Business activities should be less affected by new technologies than the relational model of Business-to-Customer activities. The Group is now able to benefit from growing disintermediation in Europe and the development of new post-trade services.

Accordingly, the Group will continue to support and better serve its broad and diversified customer base (businesses, financial institutions, asset managers, public-sector entities, high-net-worth individuals) by offering high-added-value and tailored solutions at the cutting edge of innovation and digitalisation. In particular, the Group plans to:

- attract new customers in Europe, increase business with financial institutions and broaden its HNWI customer base in Europe;
- invest in the financing of natural resources and structured financing, develop 'originate to distribute' solutions, and support credit disintermediation in Europe by developing primary market activities;
- consolidate its leading positions in Global Markets activities by developing its equity derivatives, structured product and bond distribution activities
- be at the forefront of post-trade services by developing the custody and fund administration platform and Prime Services activities;
- develop Private Banking and Lyxor in European countries. In November 2016, the Group announced the launch of Kleinwort Hambros, its new Private Banking brand in the United Kingdom. The launch of Kleinwort Hambros follows the acquisition of Kleinwort Benson by Societe Generale in June 2016 and the ongoing merger with Societe Generale Private Banking Hambros to consolidate the Private Banking activities of Societe Generale in the United Kingdom. This transaction forms part of Societe Generale Private Banking's strategy to accelerate its development across its core markets in Europe, in particular in Great Britain.

In 2017, the Group will continue its strategy to remain closely focused on its customers' requirements, while ensuring compliance with the new, more demanding regulatory environment, the optimised consumption of scarce resources (capital and liquidity), together with cost control and strict risk management.

Drawing on the quality of its assets, its balanced, diversified and customer-oriented model, and the transformation efforts undertaken over the past several years, the Group is in a strong position to seize growth opportunities.

RECENT DEVELOPMENTS AND OUTLOOK

The macroeconomic context remained uncertain and contrasted in 2016. In the Eurozone, the expansionary monetary policy of the European Central Bank (ECB) and enduring low oil prices all contributed to growth, which nonetheless remained somewhat sluggish. In the United States, after a difficult first half in 2016, activity recovered but still did not realise its full potential. As a result, despite unemployment remaining low, the Fed (US central bank) was obliged to restrict key interest rate rises to a slower rate than in previous monetary tightening cycles. Lastly, the moderate growth rates seen in emerging countries since 2015 were confirmed, as illustrated by the structural slowing of Chinese growth as a result of the shift in its economic model, and the difficulties experienced by Brazil and Russia, which were both faced with insufficient investment. In addition, 2016 was also marked by the sudden resurgence of political risk.

Many of these uncertainties should persist in 2017, which could lead to volatility on the equity and forex markets. In light of this, central banks should continue to support the global economy through accommodating monetary policies, particularly in the Eurozone.

From a regulatory perspective, 2016 saw the further development of the Banking Union, two of the three pillars of which (namely the Single Supervisory Mechanism and the Single Resolution Mechanism) have now entered into effect, thus contributing to the solidity and stability of the European banking sector. Banks also continued to strengthen their equity and began to prepare for the implementation of new liability ratio requirements (MREL – Minimum Requirement for own funds and Eligible Liabilities – and TLAC – Total Loss Absorbing Capacity). Discussions continue regarding the new Basel 4 reforms, and could ultimately entail a review of risk-weighting models.

In 2017, the global economy will be marked by slow improvement in OECD economies and the continued transition of the Chinese economic model.

The Eurozone struggled to recover sustained economic growth in 2016, thus slowing the reduction of public deficits. The ECB should continue its accommodating monetary policy at least until the end of 2017, thereby maintaining market interest rates at low levels, in an environment where inflation should also remain low (although slightly above the rate observed in the region in 2016). In the United States, the Fed should continue its monetary tightening started in 2015, at a pace that will be dependent on the country's growth momentum, which could be strengthened by the first effects of the expansionary economic policy of the new US administration. Despite these diverging monetary policies, we should observe a slight steepening of the yield curve in both Europe and the United States, with a gradual increase in long-term rates.

In emerging countries, growth in 2016 was moderate on the whole, and varied from region to region. This trend should continue in 2017, in particular with the continued shift in the Chinese growth model. However, commodity-producing countries should benefit from a moderate increase in commodity prices. In particular, oil prices should be supported by the production-limiting agreement signed within the OPEC at end-2016.

It is also likely that 2017 will be marked by a highly uncertain geopolitical environment, following on from a certain number of events in 2016. Major elections will be held in several key European Union countries (the Netherlands, France and Germany), and the year will also see the kick-off of Brexit negotiations. In addition, several hotbeds of instability or tension (in the Middle East or the China Sea) could adversely affect the global economy, as could a potential deterioration in relations between certain major world powers (United States, Russia and China).

2017 should also see the stabilisation of the regulatory framework (Basel reforms, IFRS, etc.) and, for most banks, mark the end of the cycle of equity increases that began with the financial crisis. In this context, the challenge facing banks will nonetheless remain the development of a sustainable long-term growth model and the preservation of their capacity to finance the economy. Indeed, the addition of recent regulatory constraints will weigh on the profitability of certain banking activities and thus influence the strategy and development model of certain operators in the sector.

In Europe, due to the various elections to be held this year within the Eurozone, it is likely that 2017 will see little progress towards the third pillar of the Banking Union, regarding the creation of a European deposit guarantee facility. Ultimately, this facility will contribute to the stability and strengthening of the European banking sector, but could entail significant costs for banking players.

Lastly, banks must continue to adapt to a certain number of fundamental shifts, particularly the acceleration of technological changes, requiring them to radically transform their operational and relationship models.

In this context, the Group's priorities for 2017 will be:

- pursuing and accentuating its digital transformation, and in particular the digitalisation of its retail banking networks, both in France and abroad;
- continuing the proactive development of Boursorama, in order to strengthen its position as the leader in online banking in France;
- pursuing its endeavours to adapt to the new market context, in order to strengthen the balanced business model of Global Banking and Investor Solutions;
- increasing the appeal of its operational vehicle leasing and fleet management businesses, and capitalising on their growth potential with the IPO of ALD Automotive, subject to favourable market conditions;
- continuing the development of its integrated bank insurance model, in particular through the acquisition of Aviva France's 50% stake in Antarius, which will allow for a significant strengthening of the positions of the Societe Generale Insurance business line, with additional assets of approximately EUR 15 billion;
- completing the shift towards its client-focused model, through the simplification of its organisation, whilst maintaining strict control of the associated costs and risks;
- deploying its Culture & Conduct programme, which aims to build confidence among the Group's stakeholders, especially its clients, and to develop the Societe Generale culture by placing values, leadership quality and behavioural integrity at the very heart of the Group's transformation.

Moreover, the Group is working on a medium-term strategic plan, which will be disseminated towards the end of 2017.

FRENCH RETAIL BANKING

39,000 employees

12 million customers, including 810,000 corporates, professionals and associations

EUR 185 bn in outstanding loans

SOCIETE GENERALE

Crédit du Nord

Boursorama

INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

73,000 employees

32 million customers,

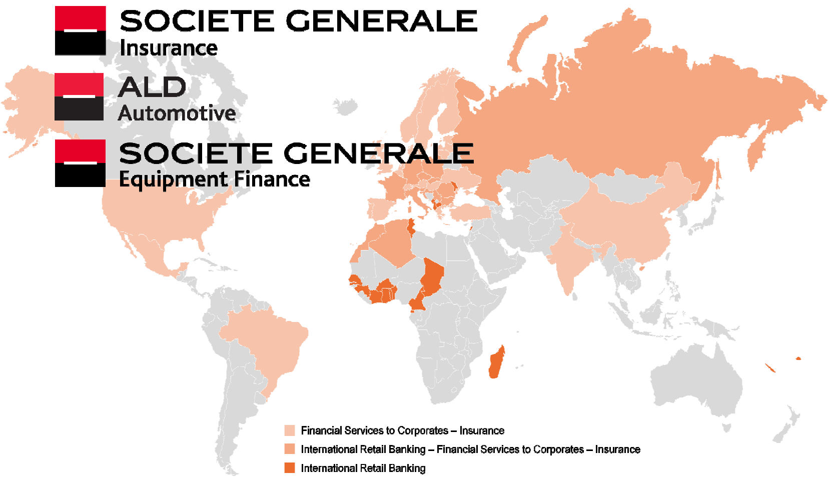
including 1 million corporate customers and 13 million insurance policyholders

EUR 108 bn in outstanding loans

SOCIETE GENERALE Insurance

ALD Automotive

SOCIETE GENERALE Equipment Finance



GLOBAL BANKING AND INVESTOR SOLUTIONS

21,000 employees

Assets under management (Lyxor and Private Banking): EUR 222 bn

Assets under custody: EUR 3,955 bn

Outstanding loans: EUR 149 bn

SOCIETE GENERALE Corporate & Investment Banking

SOCIETE GENERALE Securities Services

SOCIETE GENERALE Private Banking

LYXOR Asset Management GROUPE SOCIETE GENERALE

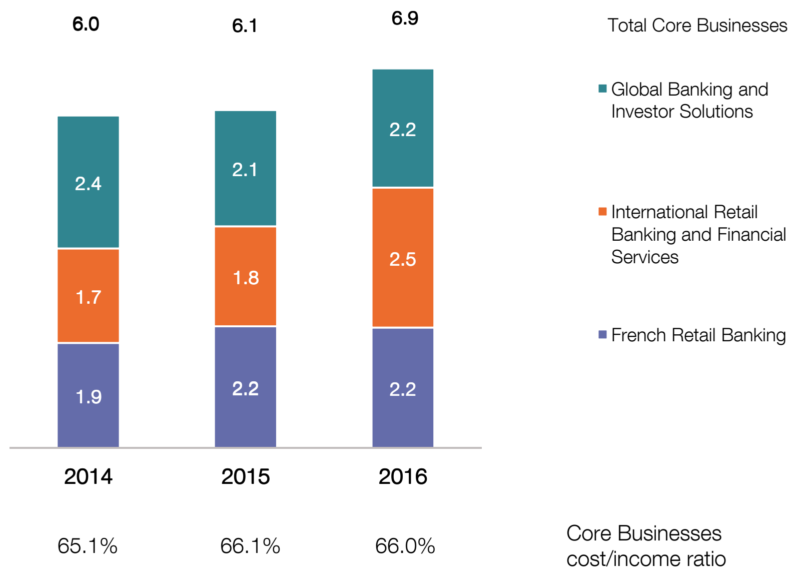
4. THE GROUP'S CORE BUSINESSES

KEY FIGURES FOR THE CORE BUSINESSES

	French Retail Banking			International Retail Banking and Financial Services			Global Banking and Investor Solutions		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Number of employees *(in thousands)*[(1)]	38.8	39.3	39.9	72.6	73.3	78.4	20.5	21.7	19.8
Number of branches	2,993	3,085	3,128	3,583	3,735	3,934	n/s	n/s	n/s
Net banking income *(in EUR M)*	8,403	8,550	8,275	7,572	7,329	7,456	9,309	9,442	8,726
Group net income *(in EUR M)*	1,486	1,417	1,205	1,631	1,077	381	1,803	1,808	1,918
Gross book outstandings[(2)] *(in EUR bn)*	190.4	188.2	178.1	129.3	123.8	121.0	152.2	138.0	124.2
Net book outstandings[(3)] *(in EUR bn)*	184.8	182.6	172.4	107.8	104.5	102.9	149.3	134.9	120.6
Segment assets *(in EUR bn)*	218.0	219.4	201.8	277.6	260.9	255.0	757.1	733.9	744.1
Average allocated capital (regulatory)[(4)] *(in EUR M)*	10,620	9,750	9,963	10,717	9,572	10,190	15,181	14,660	13,060

(1) Headcount at end-2016 excluding temporary staff.
(2) Customer loans, deposits and loans due from banks, lease financing and similar agreements and operating leases. Excluding repurchase agreements. Excluding entities that are reclassified under IFRS 5.
(3) Net book outstandings, excluding operating leases.
(4) 2016: average allocated capital calculated on 11% of risk weighted-assets; 2014 and 2015: data as published in respective financial years (average allocated capital calculated on 10% of RWAs).

OPERATING INCOME FROM BUSINESSES *(IN EUR M)*



FRENCH RETAIL BANKING

French Retail Banking offers a wide range of products and services suited to the needs of a diversified base of 11.5 million individual customers and nearly 810,000 professional and corporate customers and associations.

Drawing on the expertise of a team of nearly 33,600 professionals[1], an efficient multi-channel distribution system, including nearly 3,000 branches, the pooling of best practices and simplification of processes, French Retail Banking combines the strengths of three complementary brands: Societe Generale, the renowned national bank; Credit du Nord, a group of regional banks; and Boursorama Banque, a major online bank. These networks are backed by Global Transaction and Payment Services (GTPS) for the management of flows and payments.

Through its three brands, Societe Generale Group has built up solid positions in the French individual customer deposit and loan market (with market share of more than 7.3% and 7.8% respectively[2]), and in non-financial business customer deposits (about 13.2%) and loans (about 7.4%).

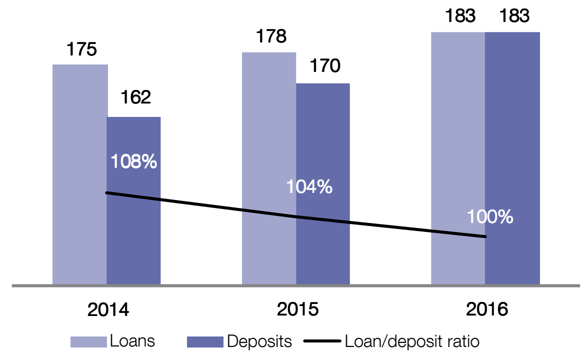
The Retail Banking networks are innovating to build the relationship- focused banking group of tomorrow. French Retail Banking excels in its:

- recognised customer service;
- leading position in online and mobile banking in France;
- sales momentum;
- continual adaptation to its customers' needs and expectations.

French Retail Banking not only strives to improve customer satisfaction across all segments, but also to further develop value-added services and support the international expansion of businesses. To this end, it capitalises on synergies with the specialised business lines, particularly with Insurance, Private Banking and Corporate and Investment Banking. For example, French Retail Banking distributes insurance products from Sogécap and Sogessur, subsidiaries operating within the International Retail Banking and Financial Services division.

Net life insurance inflows amounted to EUR 1.7 billion in 2016. Life insurance assets under management totalled EUR 90.7 billion at end-2016, compared with EUR 88.3 billion at end-2015.

LOANS AND DEPOSITS (IN EUR BN)



* Average quarterly outstandings.

The networks continue to support the economy and help their customers finance their projects, with growth in average outstanding loans from EUR 178 billion in 2015 to EUR 183 billion in 2016. At the same time and amid rife competition for savings inflows, dynamic deposit inflows helped improve the loan-to-deposit ratio to meet regulatory constraints.

Societe Generale Network

Bronze Twitter award in the "Customer service" category

The Societe Generale Network offers solutions suited to the needs of its 8.1 million individual customers and nearly 448,000[3] professional customers, associations and business customers trusting it with their business, drawing on three major strengths:

- nearly 23,000 employees[4] and 2,113 branches located mainly in urban areas where a large portion of national wealth is concentrated;
- a full and diversified range of products and services, from savings vehicles to asset management solutions, including corporate finance and payment instruments;
- a comprehensive and innovative multi-channel system: Internet, mobile, telephone and Agence Directe (online branch).

(1) Headcount in Full-Time Equivalents.

(2) At end-October 2016, sources Societe Generale calculations, Banque de France.

(3) Change in counting method in 2016.

(4) Including IT and network central offices.

TRANSFORMATION OF THE DISTRIBUTION PROGRAMME

At the end of 2015, Societe Generale announced a multi-year transformation plan for its distribution programme, to meet the fundamental changes in customer needs and to be the bank which best combines human with digital.

Customers are looking for more immediacy and service quality on a daily basis, and access to expertise during important times of their life. In this context, Societe Generale pursued the extension of its range of digital services in 2016, particularly via its mobile application: customers can receive alerts to notify them of significant events on their account; they can also manage their bank cards online. The success of the website and mobile app is reflected in the growing number of connections – approximately 900 million in 2016. Moreover, it is now possible to open an account remotely. In addition, customers can carry out the majority of their everyday transactions by calling the Customer relations centres which are open six days a week, until 10 p.m. on weekdays and 8 p.m. on Saturdays.

In 2016, the bank equipped 190 additional branches with self-service areas, accessible seven days a week with extended opening hours. The branch is going to become a place for more personalised interactions, where customers can benefit from expert advice, whether in person or remotely. In 2020, Societe Generale aims to draw on a network of nearly 1,800 branches (2,221 at end-2014, i.e. a 20% reduction) across the country, offering a higher level of expertise to support its customers during key stages of their life.

With nearly 5.8 million current accounts, the individual customer base is a key component of the Societe Generale network portfolio.

Individual customer deposits amounted to EUR 82 billion in 2016 versus EUR 79 billion in 2015. Outstanding loans granted to individual customers came to EUR 77 billion in 2016 compared to EUR 75 billion in 2015. Home loans accounted for 88% of this total.

Since 2014, Societe Generale has strengthened its Private Banking programme and developed a sales programme targeting high net worth individual customers through a partnership with Societe Generale Private Banking, which now has 80 centres in France. Net inflows from the new Private Banking programme are up sharply (+15%) compared with 2015, with assets under management totalling EUR 54 billion.

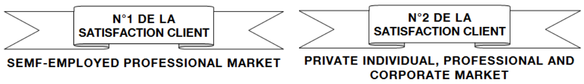
In the corporate market, 2016 was marked by strong sales momentum. At end-2016, the Bank was serving more than 89,000 corporate customers[1] (+3% vs. 2015).

As part of its commitment to support the economy, the Societe Generale network helps its customers finance their investment projects. Business customer deposits (professionals, corporates, associations and the public sector) in 2016 came out at EUR 49 billion and loans at EUR 58 billion, compared with EUR 43 billion and EUR 58 billion respectively in 2015.

In the interest of developing even closer relations with entrepreneurs, it can rely on the Mid Cap Investment Banking (MCIB) platform. MCIB, the Corporate and Investment bank for French SMEs and mid-caps, works in partnership with Global Banking and Investor Solutions to support listed and unlisted mid-cap companies in their development (both internal and external) and transfers (disposals, capital restructuring). It offers them a broad range of integrated Corporate and Investment Banking services (advisory, bank or market financing, private equity). The MCIB team is made up of some 120 professionals based in Paris and in the six regional divisions of the Societe Generale network: Lille, Rennes, Strasbourg, Marseille, Lyon and Bordeaux. This platform complements the Private Banking offer specifically targeting entrepreneurs and rooted in personal attention and responsiveness.

Moreover, since mid-2016, the "SG ENTREPRENEURS" tool – combining the expertise of Retail Banking, Private Banking, Corporate and Investment Banking, the Property Division and experts in international trade and flows of capital – has been developing a comprehensive proposal surrounding the growth and transfer of corporate customers within the Societe Generale network.

Credit du Nord Network



Source: CSA 2016 competitive barometer conducted with the customers of 11 major French banking groups.

The Credit du Nord Group consists of eight regional banks (Courtois, Kolb, Laydernier, Nuger, Rhône-Alpes, Société Marseillaise de Crédit, Tarneaud and Credit du Nord) and an investment services provider, brokerage firm Gilbert Dupont, specialised in the mid-caps segment. It develops a close relationship with its customers based on expertise, innovation and satisfaction. Its customers enjoy the advantages of both a regional bank and a national and international group.

With in-depth knowledge of the local economic market, the Group's banks are structured as veritable SMEs with considerable autonomy in managing their business. As such, they are able to make quick decisions and expediently respond to customer requests.

Nearly 7,800 Credit du Nord Group employees and a network of 880 branches are on hand to serve over 2 million individual customers, 290,000 professional customers and associations, 49,500 corporate and 59,500 institutional customers.

On average in 2016, Credit du Nord's outstanding deposits totalled EUR 39.9 billion (vs. EUR 36.5 billion in 2015) and outstanding loans amounted to EUR 37.8 billion (vs. EUR 36.3 billion in 2015).

(1) Counting method changed in 2016.

Professional customers are one of the priorities. The Credit du Nord network has therefore established a system to meet their specific business requirements in order to assist them on a daily basis and advise them on their plans, with in particular an offer and advisors dedicated to the self-employed. All customers' banking needs, both private and professional, are handled by the same branch and under the authority of the same person.

The excellent quality of the relationships built every day by the banks in this network, which are based on personal attention and advisory services, is reflected in the competition surveys[(1)] conducted by CSA with the customers of major French banking groups. These surveys, conducted in the first quarter of 2016, once again ranked Credit du Nord as a leader in terms of overall satisfaction, and second in terms of its three markets (Individual, Professional and Corporate Customers).

Gilbert Dupont and MCIB (Mid-Cap Investment Banking) regularly work together in the field of capital markets for Societe Generale's SME customers. This cooperation includes initial public offerings, capital increases and secondary placements of securities — either equities or bonds. Gilbert Dupont provides its specialised expertise and strengthens the Societe Generale Group's distribution capacity in terms of Mid-Cap market transactions.

Boursorama

Les Dossiers de l'Epargne – 2016 Edition

A wholly-owned subsidiary of Societe Generale, Boursorama, created in 1995, is a pioneer and leader in its three main activities in France: online banking, online brokerage and online financial information with boursorama.com, the leading portal for economic and stock market news.

With 977,000 customers at end-2016, the acceleration of client acquisition continues, in keeping with the target of reaching more than 2,000,000 customers in France by 2020.

From the device of their choice, Boursorama customers can access a range of banking products and services that is:

- comprehensive (conventional banking products – debit card, savings accounts, mortgage loans, personal loans) and investment products such as UCITS and life insurance vehicles, including the full range of products for investing in the markets (equities, trackers, warrants, certificates, turbos, SRD (deferred settlement service), CFDs, Forex);
- innovative (customers can open an account online in just a few clicks, exclusive money management tools available in their personal banking space, which also offers a free account consolidation and management service (including accounts held with other banks);
- with low and transparent fees (Boursorama Banque was named "Least Expensive Bank in France" for the ninth consecutive year (*Le Monde Argent*, February 2017);
- and offers good service and safety (advisors available until 10 p.m., secure transactions, SMS alerts, etc.).

In 2016, besides the complete overhaul of the banking website and mobile applications, Boursorama expanded its range of products and services with the launch of Welcome, a banking offer available to anyone over the age of 18, with no income or asset conditions.

The Boursorama Group is also present in Spain (online brokerage and banking) through the SelfTrade brand (*www.selftrade.es*).

Global Transaction & Payment Services

Euromoney Magazine - 2016 Global Awards for Excellence	*Global Finance Magazine – Trade Finance and Supply Chain Finance Awards 2017*	*EMEA Finance Magazine Treasury Services Awards 2016*	*FImetrix Finance Awards 2016*

Part of the Group's French Retail Banking division, Global Transaction and Payment Services (GTPS) is Societe Generale's payment and flow banking specialist, serving all the Group's distribution networks and their customers.

Operating commercially in more than 50 countries, GTPS targets all types of customers, including individuals, professionals, associations, businesses and financial institutions.

With nearly 1,900 employees, GTPS is structured around two activities:

- Global Transaction Banking (GTB) offers a range of services to business customers seeking assistance in managing flows (sales and banking) and payments. This range encompasses:
  - cash management;
  - financing services for international trade;
  - correspondent banking;
  - factoring;
  - foreign exchange services associated with these activities.

The expertise of the GTB teams is regularly rewarded: GTB was named "Best cash management service in the EMEA region" (EMEA Finance, 2016), "Best trade finance provider in France" (Global Finance, 2016), "Best factoring institution in the EMEA region" (EMEA Finance, 2016) and "Distinguished Provider of Transaction Banking Services" (FImetrix, 2016).

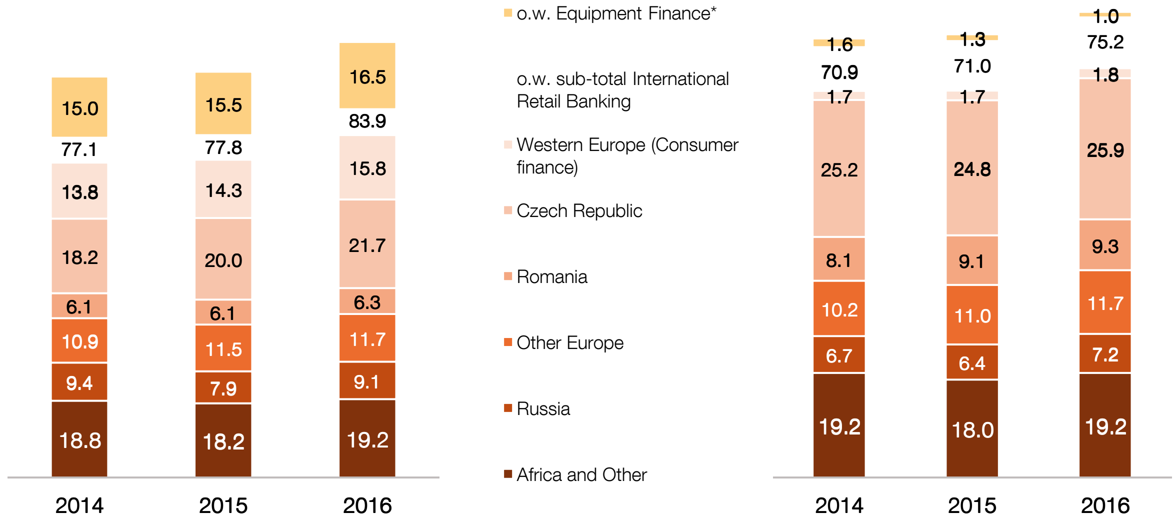
- Global Payment Services (GPS) also provides internal services, which cover the development of payment and cash management products, banking solution engineering (management of projects and developments in the processing system), flow management and transaction processing.

(1) CSA 2016 competitive barometer conducted with the customers of 11 major French banking groups.

INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

LOAN OUTSTANDINGS (IN EUR BN)

DEPOSIT OUTSTANDINGS (IN EUR BN)



* Excluding factoring.

The International Retail Banking and Financial Services (IBFS) division combines:

- International Retail Banking activities, divided into three regions: Europe, Russia, and Africa and Overseas;
- and three specialised businesses (Insurance; Operational Vehicle Leasing and Fleet Management; and Vendor and Equipment Finance).

Through this division, the Group's ambition is to better serve all its individual and corporate customers, by adapting to changes in the economic and social environments and supporting the international growth of the Group's customers by drawing on the strength of its network in fast-growing regions. IBFS bases its strategy on the relationship-focused universal banking model, the enhancement of its customer base through an extended range of products, and the distribution and pooling of expertise aimed at improving revenues while continually seeking to optimise risk management and the allocation of scarce resources.

With almost 73,000 employees[(1)] located in 54 countries and commercial operations in 65 countries, IBFS is dedicated to offering a wide range of products and services to more than 18 million banking clients (individual, professional and corporate customers) and 13 million insurance policyholders.

Boasting a complementary range of expertise, IBFS enjoys solid and recognised positions in its different markets.

International Retail Banking

International Retail Banking combines the services of the International Banking networks and consumer finance activities. These networks are forging ahead with their growth policy and currently hold leading positions in their various regions of operation, such as Europe, Russia, the Mediterranean Basin and Sub-Saharan Africa. They help finance the economies in their different regions of development. In this way, the Group will continue to support the development of its activities through these high-potential geographic regions.

EUROPE

In **Western Europe**, where the Group is established in France, Germany and Italy, predominantly in consumer finance activities, outstanding loans grew by 11% in 2016 to EUR 15.8 billion, mainly due to the strong growth on car finance markets.

In the **Czech Republic**, Komerční Banka (KB) is ranked third in terms of balance sheet size, with outstanding loans of EUR 21.7 billion, nearly 391 branches and 8,128 employees (FTE) as of December 2016. KB, which was created in 1990 and became a subsidiary of Societe Generale in 2001, has developed its universal banking activities for individual customers (including in particular the complete overhaul of its everyday banking offer) and expanded its traditionally significant presence with corporate customers and municipalities. The KB Group also offers a range of consumer loans with ESSOX, mortgage facilities with Modra Pyramida, as well as a range developed in collaboration with Private Banking. In 2016, KB received the "Bank of the year 2016" award from the prestigious advisory consultant company *Fincentrum*.

(1) Headcount at end of period excluding temporary staff.

In **Romania**, BRD is the leading privately-owned banking network in the country, with 810 branches, and the No. 2 bank in terms of balance sheet size, with market share of approximately 14% in deposits and 13% in loans as of September 2016. Societe Generale Group became BRD's main shareholder in 1999. The BRD Group's activity is divided into 3 major business lines: Retail Banking (individual and professional customers, SMEs), Corporate and Investment Banking, and Consumer Finance with BRD Finance. The bank was named "Best Bank of the Year" by *Global Finance* magazine (15th March 2016).

Elsewhere in Europe, Societe Generale operates in eight countries, mainly in the Balkans and in Poland, where it is a major regional player. Both outstanding loans and deposits reached EUR 11.7 billion as of end-December 2016, increasing by 7% and 10% respectively. In Slovenia, Montenegro and Macedonia, SKB Banka, Societe Generale Montenegro and Ohridska Banka were rewarded several times in 2016 in their respective countries by *The Banker*, *Euromoney* and *Global Finance* magazines.

The Group's strategy in the region is to focus its presence in markets where it can be positioned among the leading banks, with critical mass. Accordingly, in 2016, Societe Generale sold its majority stake in its Georgian subsidiary, Bank Republic (93.64%) and announced a definitive agreement to divest its Croatian subsidiary, Splitska Banka.

RUSSIA

The Group is developing its universal banking model and has established itself as the No. 2 banking group financed with foreign capital in Russia based on balance sheet size, with outstanding loans and deposits reaching respectively EUR 9.1 billion and EUR 7.2 billion at the end of 2016. Societe Generale is present in Russia through several banking entities covering the different individual and corporate customer markets: Rosbank, Rusfinance and DeltaCredit entities.

The transformation of the Group in Russia is an ongoing process, with each entity handling its specific area of expertise: DeltaCredit is specialised in home loans, Rusfinance Bank in car loans, and Rosbank is continuing to roll out a more "everyday banking"-oriented range of products and services. The focus for corporate customers is on financing and investment activities (in partnership with SG CIB), targeting Russian and multi-national large corporates in particular. At the same time, in today's persistently challenging environment, operational efficiency and risk reduction are also a primary focus.

Furthermore, the Group operates in Russia through other consolidated entities in the Insurance activity (Societe Generale Insurance) and in corporate financial services.

AFRICA AND OVERSEAS

In Africa, Societe Generale is continuing its commitment and contribution to the development of the banking and financial system through its operations in 18 countries. The Group plans to draw on the region's potential for economic growth and bank account penetration (today's rates being below 20% in many African countries) to speed up its development across the continent.

In the **Mediterranean Basin**, the Group is mainly present in Morocco (since 1913), Algeria (since 1999), and Tunisia (since 2002). Overall, this set-up covers 745 branches with more than 2 million customers. At 31st December 2016, outstanding deposits came to EUR 9.3 billion and outstanding loans to EUR 10.4 billion.

In **Sub-Saharan Africa**, the Group has a historic presence in 14 countries, with solid local positions, particularly in Côte d'Ivoire (leader in loans and deposits), Senegal (No. 2 in loans and deposits), and Cameroon (No. 1 in outstanding loans). The bank has developed its operations over time and recently expanded with new franchises in Togo and Mozambique (2015). In 2016, the region experienced a considerable increase in outstanding loans to EUR 4.7 billion (+9%) and deposits to EUR 6.2 billion (+10%). For the second consecutive year, Societe Generale was granted the "Best Bank" and "Best Investment Bank" awards in Cameroon by *EMEA Finance* magazine. Societe Generale de Banques en Côte d'Ivoire was twice awarded the title of "Best Bank" in Côte d'Ivoire (by *EMEA Finance* magazine and by *Global Finance*).

Overseas, the Group is established in Reunion and Mayotte, the West Indies (Martinique, Guadeloupe), Guiana, French Polynesia and New Caledonia, where it has been present for more than 40 years. In these regions, Societe Generale offers the same services available in mainland France for individual and corporate customers.

Insurance (Societe Generale Insurance)

Societe Generale Group's Insurance business covers the needs of individual, professional and corporate customers for life insurance investment solutions, personal protection, and property and casualty insurance.

The business employs more than 2,200 people[(1)].

In accordance with an integrated bank insurance model, the life and non-life insurance companies of Societe Generale Insurance offer the Group's French and international retail networks a full range of insurance products and services in eight product categories: life insurance investment solutions, retirement savings, personal protection, health insurance, credit life insurance, group life insurance, property and casualty insurance, and various risks insurance.

In 2016, Societe Generale Insurance further developed its offer in all activities while expanding benefits provided to policyholders in France and abroad. Societe Generale Insurance successfully completed the transformation of its business mix by directing savings inflows to unit-linked policies and by accelerating the development of protection in France and abroad.

In life insurance investment solutions, Societe Generale Insurance saw a 4% increase in its outstandings to EUR 98 billion, with the percentage of unit-linked policies going up from 21% in 2015 to 23% in 2016. In personal protection and property and casualty insurance, revenue increased by 10% compared to 2015.

(1) Headcount at end of period excluding temporary staff.

Following the announcement made by the Societe Generale Group in February 2015 that it intended to exercise its option to purchase Aviva France's 50% stake in Antarius, an insurance company dedicated to the Credit du Nord networks and owned jointly by Aviva France and Credit du Nord, the Group has now announced the signing of an agreement with Aviva on the conditions of the acquisition whose actual implementation will take place on 1st April 2017. This acquisition significantly strengthens the positions of the Group's Insurance business.

In 2016, Societe Generale Insurance proved its ability to accelerate the digital transformation of its bank insurance model and its innovation capabilities geared towards its customers, partners and distribution networks. In Personal Protection Insurance, Societe Generale Insurance has supplemented its range with two new innovative solutions to insure and support dependency, with offers addressed to both seniors and caregivers, integrating a full digital package. In the Czech Republic, a new home insurance was launched and is distributed via Komerčni Banka and Modrá Pyramida: this simple 3-in-1 offer (walls, content and liability) is an innovative model in the Czech market.

Financial services to corporates

OPERATIONAL VEHICLE LEASING AND FLEET MANAGEMENT (ALD AUTOMOTIVE)

ALD Automotive offers corporate mobility solutions based on operational vehicle leasing and fleet management for businesses of all sizes in both local and international markets. This activity combines the financial benefits of operational leasing with a complete range of high-quality services, including in particular maintenance, tyre management, fuel consumption, insurance and vehicle replacement. The ALD Group employs approximately 6,000 people.

ALD Automotive has the largest geographical coverage of any leasing company (41 countries), and manages almost 1.4 million vehicles. It has unique knowledge of emerging markets and has established partnerships with Wheels in North America, FleetPartners in Australia and New Zealand, Absa in South Africa, Johnson & Perrot in Ireland, AutoCorp in Argentina, and Arrend Leasing in Central America. Thanks to new partnerships and targeted acquisitions (+76,000 vehicles in 2016), and in particular the acquisition of the Parcours Group (+66,000 vehicles), ALD Automotive is strengthening its customer base in SMEs and is accelerating growth in France and Europe. The business now holds the No. 1 position in Europe in multi-brand operational vehicle leasing and fleet management, and the third position worldwide.

A pioneer in mobility solutions, ALD Automotive is constantly innovating in order to provide the best support to its customers, fleet managers and drivers, with an offer tailored to their needs. The success of this customer-oriented strategy is largely acknowledged. For the ninth year in a row, ALD Automotive France won the "2017 Customer Service" award on the operational vehicle leasing market (Inference Operations-Viséo CI survey conducted from May to July 2016).

Societe Generale intends to float its ALD subsidiary on the stock market in 2017, subject to market conditions, through the disposal of a limited stake. This strategic operation will enable ALD to accelerate its growth and become a leader in the mobility sector. With ALD now benefiting from critical mass and proven growth capacity, its stock market floatation will open up new opportunities for it to accelerate its expansion through new sales channels and partnerships, providing it with the capacity to seize growth opportunities. Societe Generale will retain control of ALD and continue to actively support its subsidiary's growth strategy in the development of commercial relations.

VENDOR AND EQUIPMENT FINANCE (SGEF)

Societe Generale Equipment Finance is specialised in vendor and professional equipment finance. This business is conducted through partnership agreements with vendors (professional equipment manufacturers and distributors), banking networks and also directly. Societe Generale Equipment Finance develops its expertise in three major sectors: transport, industrial equipment and high-tech.

As the leading company in Europe, SGEF operates in 36 countries, employs over 2,200 people[1], and manages a portfolio of EUR 17.2 billion in outstandings. It has a broadly diverse customer base, ranging from large international companies to SMEs, to which it offers a varied range of products (financial leasing, loans, leasing, purchase of receivables, etc.) and services (insurance, truck leasing with services).

Regularly recognised by the leasing industry, Societe Generale Equipment Finance was named "SME European Champion" at the *Leasing Life Awards* held on 24th November 2016 in Paris.

(1) Headcount at end of period excluding temporary staff.

GLOBAL BANKING AND INVESTOR SOLUTIONS

The purpose of Global Banking and Investor Solutions (GBIS) is to provide corporate and investment banking, asset management, private banking and securities services around the world to a select customer base of businesses, financial institutions, investors, wealth managers and family offices, and private clients.

At the hub of economic flows between issuers and investors, the GBIS division supports its customers over the long term, offering them a variety of services and integrated solutions tailored to their specific needs.

GBIS employs almost 18,000 people* in 38 countries, with operations in 53 countries.

Corporate and Investment Banking, Securities Services

These activities group together two commercial brands: Societe Generale Corporate and Investment Banking (SG CIB) and Societe Generale Securities Services (SGSS). With around 15,000 employees* across 36 countries, the brands operate in the main financial markets of the Group's regions of operation, with extensive European coverage and representative offices in Central and Eastern Europe, the Middle East, Africa, the Americas and the Asia-Pacific region. They offer their customers bespoke financial solutions combining innovation, advisory services and quality performance in four areas of expertise: investment banking, financing, market activities and investor services.

They offer issuers (large corporates, financial institutions, sovereigns and the public sector) strategic advice on their development as well as market access to finance this development and hedge their risks. They also offer services for investors managing savings according to set risk/return targets. Whether they are asset managers, pension funds, family offices, hedge funds, sovereign funds, public agencies, private banks, insurance companies or distributors, the bank provides comprehensive access to the equity, fixed income, credit, foreign exchange and commodity markets along with a range of unique cross-asset solutions and advisory services, drawing on leading research expertise. This offer is completed by a full range of investor services.

The Group's ambition is to be among the leading Eurozone corporate and investment banks, adopting a model balanced between business lines and regions, while at the same time continuing to transform its model in order to improve its operational efficiency and risk profile and, as its main objective, to always offer the best customer service.

In order to strengthen its positions and facilitate cross-selling, the division is divided into two business lines:

- **Global Markets and Investor Services** combines in a fully integrated and worldwide platform the global markets offering a multi-product view and optimised cross-asset solutions, and Investor Services.
- **Financing and Advisory** manages and develops global relations with strategic Corporate and Investment Banking clients, mergers & acquisitions advisory services, other corporate finance advisory services, and finance activities (structured financing, fund-raising (debt or equity), financial engineering and hedging solutions for issuers).

GLOBAL MARKETS AND INVESTOR SERVICES

The Global Markets and Investor Services (GMIS) division continues to develop a unique capital markets offering for its customers combining "Fixed Income, Credit, Currencies and Commodities", "Equities", "Prime Services" and "Securities Services" departments. As such, the division combines the strength of a leading financial institution with the customer-oriented approach of a broker positioned as a market leader in its activities. In 2016, Societe Generale won the prestigious "Derivatives House" (IFR) and "Structured Products House of the Year" awards (Risk Awards) in recognition of the excellence of its products and services.

To assist its customers in today's web of increasingly interconnected financial markets, experts (financial engineers, salespeople, traders and specialist advisors) use this entire integrated platform to offer bespoke solutions designed to meet the specific needs and risks of each customer.

FIXED INCOME, CREDIT, CURRENCIES AND COMMODITIES

Fixed income, credit, currencies and commodities (FICC) activities cover a comprehensive range of products and services ensuring the liquidity, pricing and hedging of risks related to the fixed income, credit, forex and commodity activities of SG CIB clients.

- Fixed income, currencies and credit: teams based in London, Paris, Madrid and Milan, as well as the United States and the Asia-Pacific region, offer a wide range of flow and derivative products. Covering a variety of underlyings (forex products, private and sovereign bonds, emerging or very liquid markets, cash or derivatives), they provide their customers with high-quality research, solutions tailored to asset and liability management requirements, in addition to risk management and revenue optimisation requirements, and are also recognised on a regular basis(1).

* Full-time equivalent (FTE) headcount at end of period excluding temporary staff.

(1) "FICC house of the year" by Structured Products Awards Europe 2016 and "#2 Global Corporates" by Euromoney FX survey 2016.

- Commodities: with more than 20 years of experience, SG CIB is a major player on the energy and metals markets, and has developed an agricultural commodities offer targeting producers. SG CIB works alongside businesses and institutional investors, providing them with hedging and investment solutions. In commodities, SG CIB maintains its leading position in the Risk & Energy Risk Commodity 2016 rankings(1).

EQUITIES

Thanks to its historic presence on all of the world's major primary and secondary equity markets and its longstanding tradition of innovation, SG CIB is a leader in a comprehensive range of varied solutions covering all cash, derivative and equity research activities. The Equity department is one of the Group's areas of excellence. For several years, its expertise has been recognised by the industry and its clients. Accordingly, Societe Generale was named "Best Bank for Equity Derivatives" (Global Finance) along with "Best House Equities" (Europe Structured Products & Derivatives Awards) in 2016.

Moreover, Societe Generale's research simplifies the interpretation of market trends, which are subsequently used to develop market strategies, and are regularly acknowledged(2).

PRIME SERVICES

The Prime Services department was created in 2015 following the Group purchase in May 2014 of Credit Agricole's 50% stake in Newedge.

This business combines clearing activities, Prime brokerage and electronic and semi-electronic execution services.

Prime Services proposes a range of expertise that offers global access to a complete cross-asset service in cash and listed derivative instruments. The department provides a single point of access to more than 130 worldwide markets and execution venues with a state-of-the-art follow-the-sun service making it possible to meet customer requirements at all times. This approach was applauded by the industry several times, notably with the title "Best Global Multi-Asset Prime Brokerage" awarded by The Hedge Fund Journal in 2016.

SECURITIES SERVICES

Societe Generale Securities Services (SGSS) offers a comprehensive range of cutting-edge services following the latest trends in the financial markets as well as regulatory changes, including the following:

- a market-leading clearing service range;
- the custody and depository bank activity, covering all asset classes;
- fund administration services for managers of complex financial products;
- issuer services, comprising primarily the administration of stock option plans, employee shares, etc;
- liquidity management services (cash and securities);
- transfer agent activities, providing a full range of services, from support to fund distribution.

With EUR 3,955 billion in assets under custody at 31st December 2016 (versus EUR 3,984 billion at 31st December 2015), SGSS ranks No. 2 among European custodians. It also offers custodian services to more than 3,200 mutual funds and provides valuation services for more than 4,000 mutual funds totalling EUR 602 billion in assets under administration in Europe (vs. EUR 589 billion at 31st December 2015).

In 2016, SGSS was named "European Administrator of the Year" by Funds Europe Awards.

FINANCING AND ADVISORY

This division combines Coverage and Investment Banking and Global Finance activities.

The Coverage and Investment Banking teams offer their customers, which include businesses, financial institutions and the public sector, an integrated, comprehensive and tailored approach based on:

- extensive strategic advisory services, covering mergers and acquisitions and IPO structuring, as well as the secondary offering of shares. SG CIB holds a leading position in the equity capital and equity-related markets, and also in euro-denominated issues for corporate and financial institutions(3). The division received several awards in 2016, notably that of "Overall Most Impressive Bank of Corporate DCM" from Global Capital Bond Awards, and "Most Innovative Equity Linked-House" from The Banker;
- access to optimised fund-raising solutions through the joint venture with the Global Finance and Retail Banking teams.

(1) "#1 Overall Dealer" and "#1 Research"

(2) "#1 Global Economics"; "#1 Global strategy"; "#1 Index Analysis" and "#1 Multi Asset Research" by Extel.

(3) "#6 All International Euro-denominated Bonds" and "#3 All International Euro-denominated Corporate Bonds" by Thomson Reuters.

The Global Finance teams rely on global expertise and sector knowledge to provide issuers with a comprehensive offering and integrated solutions in three key areas: fund-raising, structured financing and strategic hedging of interest rate, foreign exchange, inflation and commodity risks.

The fund-raising (debt or equity) solutions offered by the Group are made possible by its ability to offer issuers access to all of the global markets and to create innovative strategic financing and acquisition or LBO financing solutions.

The business line offers its customers its world-renowned structured financing expertise in many sectors: natural resources and energy – where SG CIB was named "Commodity Finance House of the Year" by Energy Risk in 2016; international trade – with the prestigious title of "Best Export Finance"; and infrastructure and assets. The Bank's project finance teams were also named "Adviser of the Year", hosted by Project Finance International.

Against a backdrop of growing disintermediation and given the new regulations, SG CIB is continuing its repositioning process focused on enhancing distribution capacities and streamlining operations that do not generate significant synergies.

Asset Management and Private Banking

This business line encompasses Asset Management (Lyxor Asset Management) and Private Banking, which operates under the Societe Generale Private Banking brand. The business line employs more than 2,700 people*.

PRIVATE BANKING

Societe Generale Private Banking is a major player in wealth management and offers wealth management services to a domestic and international clientele, drawing on the expertise of its specialist teams in wealth engineering, investment and financing solutions, in accordance with the Tax Code of Conduct as approved by the Board of Directors.

Since January 2014 and in collaboration with the French Retail Banking division, Societe Generale Private Banking has extensively developed its relationship banking model in France, extending its offering to all its individual clients with more than EUR 500,000 in its books. These clients are able to benefit from a service combining increased proximity based on 80 regional franchises and the know-how of Private Banking's teams of experts.

Societe Generale Private Banking has also continued its strategy of refocusing on the Europe, Middle East and Africa region with the strengthening of its commercial operations in Europe (outside of France). Following the disposal of its private banking activities in Asia (2013 and 2014) and the Bahamas (2016), the Bank acquired Kleinwort Benson's private banking business in the United Kingdom and the Channel Islands from Oddo & Cie in June 2016. Following this acquisition, Societe Generale Private Banking created Kleinwort Hambros, a merger of Kleinwort Benson and Societe Generale Private Banking Hambros, with the aim of consolidating its private banking activities and reinforcing its leading position in the region. Societe Generale Private Banking's offer is available in 15 countries.

In 2016, Societe Generale Private Banking's strategy was recognised and the bank was named "Outstanding Private Bank for Customer Relationship Service and Engagement" (Private Banking International). It was also named "Best Private Bank for Entrepreneurs in Western Europe" by Global Finance.

At end-2016, Private Banking's outstanding assets under management totalled EUR 116 billion (vs. EUR 113 billion at end-2015).

LYXOR ASSET MANAGEMENT

Lyxor Asset Management ("Lyxor"), a fully-owned subsidiary of Societe Generale Group, was founded in 1998. It offers an extensive line of innovative and effective investment products and services providing institutional clients with a selection of structured, index and alternative investment solutions.

Driven by expert research, advanced risk management and a passion for client satisfaction, Lyxor's investment specialists strive to deliver sustainable performance across all asset classes.

Among the most experienced players in the market, Lyxor is ranked No. 3 for the supply of exchange-traded funds (ETFs) in Europe (9.9% market share[(1)]. With 220 ETFs listed in 13 financial markets. Lyxor provides investors with flexible investment solutions in order to diversify their allocation across all asset classes (equities, bonds, money markets, commodities). Lyxor received several awards in 2016, in particular that of "Best ETF House" as part of the Europe Structured Products & Derivatives Awards.

At end-2016, outstanding assets under Lyxor's management totalled EUR 106 billion (versus EUR 104 billion at end-2015).

* Full-time equivalent (FTE) headcount at end of period excluding temporary staff.

(1) Source ETFGI, ranking by total assets under management at end-December 2016.

2

GROUP MANAGEMENT REPORT

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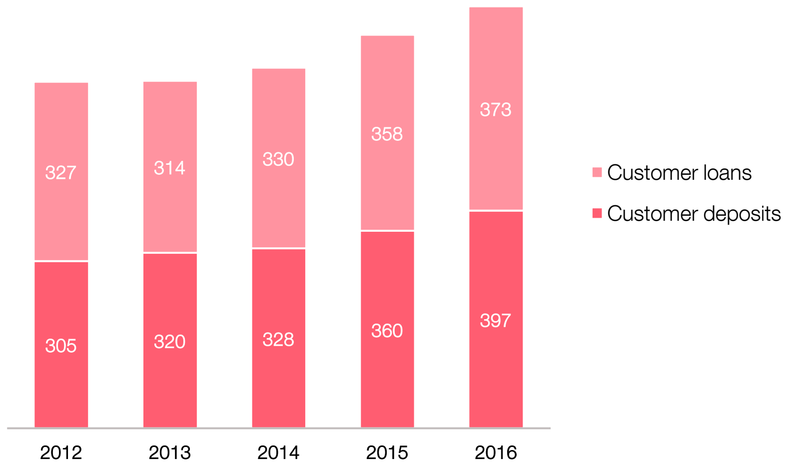
2016 KEY FIGURES

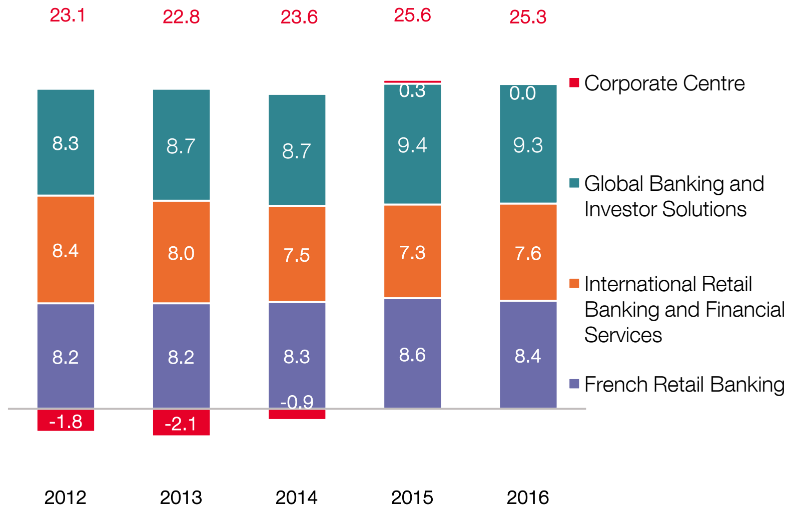
Loans and deposits *(in EUR bn)*



+30%

INCREASE IN CUSTOMER DEPOSITS SINCE 2012

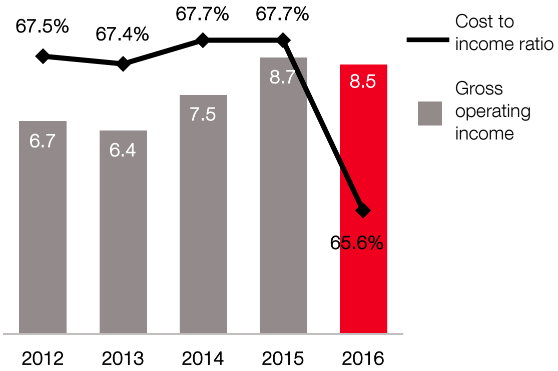
Net banking income *(in EUR bn)*



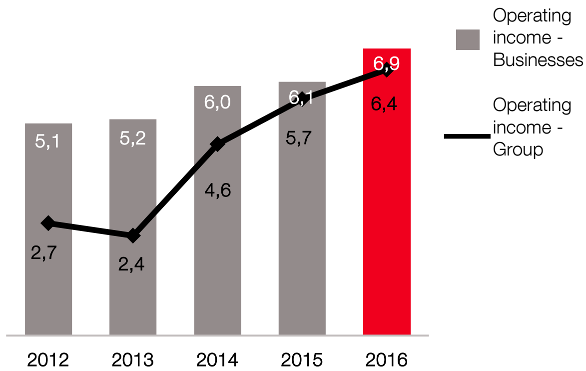
+9.5%

INCREASE IN NET BANKING INCOME SINCE 2012

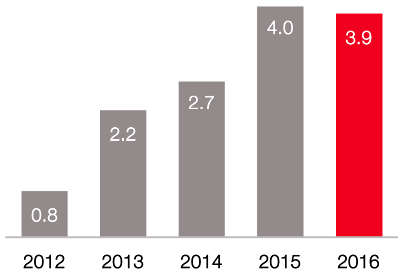
Gross operating income
(in EUR bn)
and cost-to-income ratio *(in %)*



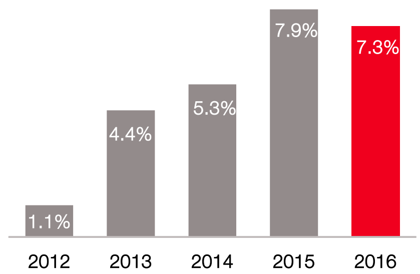
Group operating income and operating income from businesses
(in EUR bn)



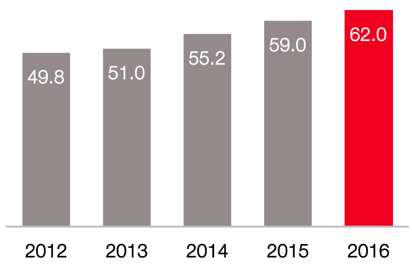
Group net income
(in EUR bn)



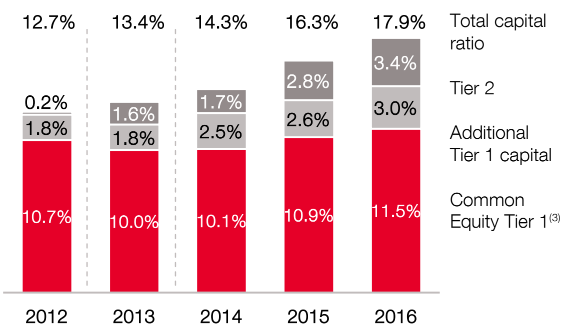
ROE after tax *(in %)*[(1)]



Group shareholders' equity
(in EUR bn)



B.I.S. ratio *(in %)*[(2)]



(1) Group ROE calculated on the basis of average Group shareholders' equity under IFRS (including IAS 32-39 and IFRS 4), excluding unrealised capital losses and gains except for translation reserves, deeply subordinated notes, undated subordinated notes and after deduction of interest payable to holders of these notes.

(2) 2014, 2015 and 2016 data under CRR/CRD4 rules; 2013: proforma Basel 3; 2012: Basel 2.5.

(3) Common Equity Tier 1 capital is defined as Basel 3 Tier 1 capital less Tier 1 eligible hybrid capital.

1. SOCIETE GENERALE GROUP MAIN ACTIVITIES

SOCIETE GENERALE GROUP

Corporate Centre		International Retail Banking and Financial Services (IBFS)	
FRANCE			
> Societe Generale*		> Sogessur	100.0%
> Généfinance	100.0%	> Sogécap	100.0%
> SG Financial SH	100.0%	> CGL Group	100.0%
> Sogéparticipations	100.0%		
		> Temsys	100.0%
> Societe Generale SFH	100.0%		
> Societe Generale SCF	100.0%	> Banque Française Océan Indien	50.0%
> Sogefim Holding	100.0%		
> Genegis I	100.0%		
> Genevalmy	100.0%		
> Valminvest	100.0%		
> Sogemarché	100.0%		
> Sogecampus	100.0%		
EUROPE			
		> Eurobank, *Poland*	100.0%
		> Hanseatic Bank, *Germany*	75.0%
		> Komerčni Banka A.S, *Czech Republic*	60.7%
		> SG Express Bank, *Bulgaria*	99.7%
		> SKB Banka, *Slovenia*	99.7%
		> SG Banka SRBIJA, *Serbia*	100.0%
		> SG-Splitska Banka, *Croatia***	100.0%
		> BRD-Groupe SG, *Romania*	60.2%
		> Rosbank Group, *Russia*	100.0%
		> Fiditalia S.P.A, *Italy*	100.0%
		> ALD Lease Finanz, *Germany*	100.0%
		> SG Equipment Finance Group, *Germany*	100.0%
		> ALD International Group, *France*	100.0%
AFRICA - MEDITERRANEAN			
		> SG Marocaine de Banques, *Morocco*	57.5%
		> SG Algeria	100.0%
AMERICAS			
ASIA - AUSTRALIA			

* Parent company ** Company in the process of divestment at 31.12.2016

Notes:

– the percentages given indicate the percentage of capital held by the Group in the subsidiary;

– groups are listed under the geographic region where they carry out their principal activities.

SOCIETE GENERALE GROUP

French Retail Banking (RBDF) | Global Banking and Investor Solutions (GBIS)

FRANCE

French Retail Banking (RBDF)

> Societe Generale*	
> Credit du Nord	100.0%
> Boursorama	100.0%
> Franfinance	100.0%
> Sogefinancement	100.0%
> Sogelease France	100.0%
> Sogeprom	100.0%

Global Banking and Investor Solutions (GBIS)

> Societe Generale*	
> Inter Europe Conseil (IEC)	100.0%
> Lyxor Asset Management	100.0%
> CALIF	100.0%
> Descartes Trading	100.0%

EUROPE

> Societe Generale Bank&Trust *Luxembourg*	100.0%
> SG Hambros Limited *United Kingdom*	100.0%
> SG Investments Ltd *United Kingdom*	100.0%
> Societe Generale International Ltd *United Kingdom*	100.0%
> SG Effekten, *Germany*	100.0%
> SG Issuer, *Luxembourg*	100.0%
> Kleinwort Benson Bank Ltd *United Kingdom*	100.0%
> SGSS Spa, *Italy*	100.0%
> SG Private Banking, *Switzerland*	100.0%
> SG Private Banking, *Monaco*	100.0%

> Societe Generale* branches in:
London, *United Kingdom*
Milan, *Italy*
Frankfurt, *Germany*
Madrid, *Spain*

AFRICA - MEDITERRANEAN

AMERICAS

> Banco SG Brazil SA, *Brazil*	100.0%
> SG Americas, Inc. *United States*	100.0%
> SG Americas Securities, LLC *United States*	100.0%
> SG Americas Securities Holdings, LLC *United States*	100.0%

> Societe Generale* branches in:
New York, *United States*
Montreal, *Canada*

ASIA – AUSTRALIA

> Societe Generale Ltd, *China*	100.0%
> SG Securities Asia International Holdings Ltd, *Hong Kong*	100.0%
> SG Securities Korea Co Ltd, *South Korea*	100.0%
> SG Securities Japan Limited, *Japan*	100.0%

> Societe Generale* branches in:
Tokyo, *Japan*
Hong Kong
Seoul, *South Korea*
Taipei, *Taiwan*
Singapore
Mumbai, *India*

2. GROUP ACTIVITY AND RESULTS

Definitions and details of methods used are provided on pages 44 and following.

Information followed by an asterisk is indicated as adjusted for changes in Group structure and at constant exchange rates.

ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

(In EUR M)	2016	2015	Change	
Net banking income	**25,298**	**25,639**	**-1.3%**	**-0.5%***
Operating expenses	(16,817)	(16,893)	-0.4%	+0.3%*
Gross operating income	**8,481**	**8,746**	**-3.0%**	**-2.0%***
Net cost of risk	(2,091)	(3,065)	-31.8%	-30.6%*
Operating income	**6,390**	**5,681**	**+12.5%**	**+13.1%***
Net income from companies accounted for by the equity method	129	231	-44.2%	
Net profits or losses from other assets	(212)	197	n/s	
Impairment losses on goodwill	0	0	n/s	
Income tax	(1,969)	(1,714)	+14.9%	
Net income	4,338	4,395	-1.3%	
o.w. non controlling interests	464	394	+17.8%	
Group net income	**3,874**	**4,001**	**-3.2%**	**-1.0%***
Cost-to-income ratio	66.5%	65.9%		
Average allocated capital	46,523	44,889	+3.6%	
ROE after tax	**7.3%**	**7.9%**		
Total Capital Ratio	**17.9%**	**16.3%**		

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

Net banking income

The Group's net banking income totalled EUR 25,298 million in 2016, down -1.3% compared with 2015.

The accounting impact of the revaluation of the Group's own financial liabilities totalled EUR -354 million in 2016, compared with a positive impact of EUR +782 million in 2015. The DVA effect amounted to EUR -1 million for the whole of 2016, compared with EUR -111 million in 2015. These two factors constitute the restated non-economic items in the analyses of the Group's results.

Excluding non-economic items, net banking income amounted to EUR 25,653 million for the year, up +2.7% vs. 2015. It includes the capital gain on the disposal of Visa Europe shares in H1 for EUR 725 million, which was booked in the Corporate Centre. When restated for this non-recurring item, Group net banking income, excluding non-economic items, was generally stable between 2015 and 2016.

- French Retail Banking's (RBDF) net banking income was down -3.5% (excluding PEL/CEL effect) in 2016 vs. 2015. In a low interest rate environment, French Retail Banking stepped up its commercial initiatives, continuing to develop synergies and fee-generating activities.
- International Retail Banking and Financial Services' (IBFS) net banking income rose +2.6% in 2016 vs. 2015. This performance was driven by dynamic Insurance activities (+7.0% for the year) and a good year for Financial Services to Corporates (+10.7% in 2016 vs. 2015), while in International Retail Banking, revenues rose in Africa (+6.4% in 2016 vs. 2015) and recovered in Russia and Romania.
- Global Banking and Investor Solutions (GBIS) revenues were slightly lower (-2.0%) in 2016 vs. 2015 due to less favourable market conditions. Commercial activity remained at a good level, both in Financing and Advisory after a good year in 2015, and in Global Markets and Investor Services, whereas market uncertainty restrained investors in Asset and Wealth Management.

Operating expenses

The Group's operating expenses amounted to EUR -16,817 million in 2016 (-0.4% vs. 2015). Without taking into account the partial refund of the Euribor fine in the Q1 2016 (EUR 218 million), operating expenses for 2016 were generally stable (+0.8%) vs. 2015, in accordance with the Group's commitments. The non-recurring costs associated with the savings plans implemented amounted to EUR -230 million in 2016.

Gross operating income

The Group's gross operating income totalled EUR 8,481 million in 2016 vs. EUR 8,746 million in 2015. Excluding the effect of the revaluation of own financial liabilities and DVA, gross operating income was substantially higher in 2016 at EUR 8,836 million vs. EUR 8,075 million in 2015, primarily due to the capital gain on the disposal of Visa Europe shares (EUR 725 million).

Cost of risk

The Group's net cost of risk was down -31.8% in 2016 vs. 2015, at EUR -2,091 million, reflecting the improvement year after year in the Group's risk profile. The provision for litigation issues totalled EUR 2 billion at end-2016, following an additional net provision of EUR 150 million in Q4 16 (or an additional net provision of EUR 350 million in respect of 2016).

The commercial cost of risk (expressed as a fraction of outstanding loans) continued to decline, to 37 basis points for 2016 (vs. 52 basis points in 2015).

- In French Retail Banking, the commercial cost of risk amounted to 36 basis points for 2016 vs. 43 basis points for 2015.
- At 64 basis points for 2016 (vs. 102 basis points for 2015), International Retail Banking and Financial Services' cost of risk was substantially lower, testifying to the effectiveness of the policies implemented to improve the quality of the loan portfolio. The loan default rate has been reduced by two points in the space of three years (from 8.9% to 6.7%), while the provisioning rate increased by 9 points over the same period (from 68% to 77%).
- More specifically, the cost of risk in Russia and Romania was significantly lower. It declined from 293 basis points in 2015 to 182 basis points in 2016 in Russia and from 185 basis points in 2015 to 98 basis points in 2016 in Romania.
- Global Banking & Investor Solutions' cost of risk was at a low level of 20 basis points for the year (vs. 27 basis points for 2015).

The gross doubtful outstandings ratio declined to 5.0% in 2016 (vs. 5.3% in 2015). The Group's gross coverage ratio for doubtful outstandings stood at 64%, stable vs. 2015.

Operating income

The Group's operating income amounted to EUR 6,390 million for 2016 vs. EUR 5,681 million for 2015. If non- economic items are stripped out, the Group's operating income totalled EUR 6,745 million for 2016 vs. EUR 5,010 million in 2015.

With regard to certain specific risks, oil/gas or minerals/metallurgy sector exposure represents less than 3% and 1.5% respectively of the Group's overall exposure. It does not therefore constitute significant exposure for Societe Generale, which has a diversified portfolio where no business sector represents more than 10% (percentage of exposure to non-financial companies).

With regard to the Group's geographical exposure, the main exposure remains France, which represents 42% of Societe Generale's total exposure. In terms of the exposure to certain countries (China, Turkey) where there has been an economic slowdown, this is insignificant at Group level. The Brexit vote has also had a very relative impact given the Group's limited exposure to the United Kingdom, which represents 5.9% of its commitments, principally on sovereign, large corporate and financial institution exposure. As a reminder, concerning the Group's situation with regard to the consequences of the United Kingdom's scheduled exit from the European Union, the Group's operating infrastructure is based on an organisational set-up split between Continental Europe and the United Kingdom, where it has all the authorisations, licences and infrastructure necessary to carry out its activities. The Group has reiterated its intention to maintain an active presence in the United Kingdom for all its activities, notably Corporate & Investment Banking and Private Banking, where it strengthened its position in 2016 through the acquisition of the private banking activities of Kleinwort Benson in the United Kingdom.

Net income

Group net income amounted to EUR 3,874 million for 2016 (vs. EUR 4,001 million in 2015). It includes non-recurring items: the result of the disposal of Visa Europe shares (EUR 662 million after tax), the disposal of the Croatian subsidiary, amounting to EUR -235 million after tax, and an adjustment of deferred taxes included in balance sheet assets due primarily to changes in the corporation tax rate in France for 2020 (for EUR -286 million).

When corrected for non-economic items (revaluation of own financial liabilities and DVA), Group net income amounted to EUR 4,107 million for 2016 (EUR 3,561 million in 2015), up +15.3% year-on-year.

This increase is underpinned primarily by the businesses' improved earnings, EUR +518 million year-on-year, based on healthy commercial activity, controlled operating expenses, and the decline in the cost of risk related to the structural improvement in the Group's risk profile.

The Group's ROE in 2016 stood at 7.3%, or 7.8% excluding non-economic items, vs. 7.9% (and 7.0% excluding non-economic items) in 2015.

Earnings per share amounted to EUR 4.26, or EUR 4.55 excluding non-economic items for 2016 (vs. EUR 4.49 and EUR 3.94 excluding non-economic items for 2015).

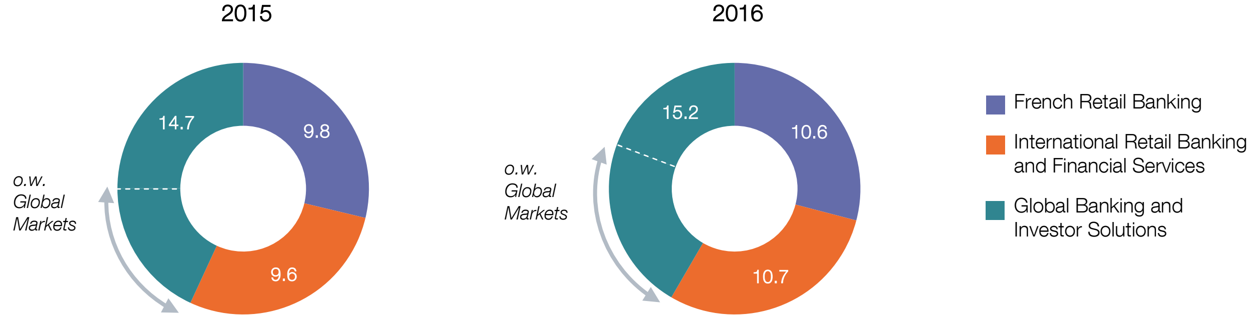
3. ACTIVITY AND RESULTS OF THE CORE BUSINESSES

RESULTS BY CORE BUSINESS

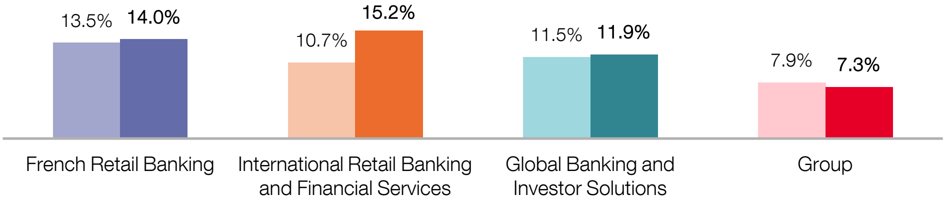
(In EUR M)	French Retail Banking		International Retail Banking and Financial Services		Global Banking and Investor Solutions		Corporate Centre		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net banking income	8,403	8,588	7,572	7,382	9,309	9,502	14	167	25,298	25,639
Operating expenses	(5,522)	(5,486)	(4,273)	(4,307)	(6,887)	(6,940)	(135)	(160)	(16,817)	(16,893)
Gross operating income	2,881	3,102	3,299	3,075	2,422	2,562	(121)	7	8,481	8,746
Net cost of risk	(704)	(824)	(779)	(1,246)	(268)	(404)	(340)	(591)	(2,091)	(3,065)
Operating income	2,177	2,278	2,520	1,829	2,154	2,158	(461)	(584)	6,390	5,681
Net income from companies accounted for by the equity method	51	42	37	71	30	95	11	23	129	231
Net profits or losses from other assets	(12)	(26)	58	(37)	24	97	(282)	163	(212)	197
Impairment losses on goodwill	0	0	0	0	0	0	0	0	0	0
Income tax	(730)	(853)	(697)	(502)	(386)	(482)	(156)	123	(1,969)	(1,714)
Net income	1,486	1,441	1,918	1,361	1,822	1,868	(888)	(275)	4,338	4,395
o.w. non controlling Interests	*0*	*0*	*287*	*250*	*19*	*18*	*158*	*126*	*464*	*394*
Group net income	1,486	1,441	1,631	1,111	1,803	1,850	(1,046)	(401)	3,874	4,001
Cost-to-income ratio	65.7%	63.9%	56.4%	58.3%	74.0%	73.0%	n/s	n/s	66.5%	65.9%
Average allocated capital	10,620	10,690	10,717	10,356	15,181	16,086	10,006*	7,757*	46,523	44,889
ROE	14.0%	13.5%	15.2%	10.7%	11.9%	11.5%	n/s	n/s	7.3%	7.9%

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

CAPITAL ALLOCATION TO THE CORE BUSINESSES (ANNUAL AVERAGE IN EUR BN)



CHANGE IN RONE FOR THE CORE BUSINESSES AND ROE FOR THE GROUP BETWEEN 2015 AND 2016



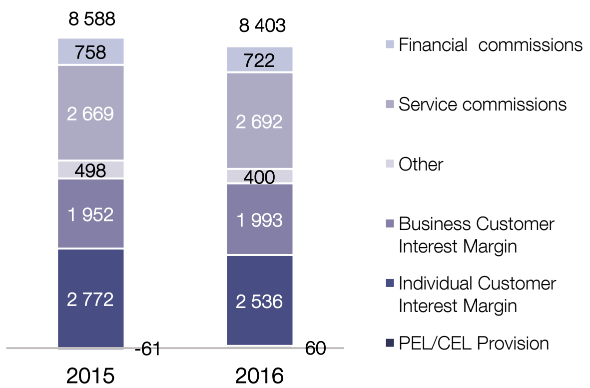
In this graph, the first column represents the year 2015, and the second 2016.

FRENCH RETAIL BANKING

(In EUR M)	2016	2015	Change	
Net banking income	8,403	8,588	-2.2%	-3.5%*
Operating expenses	(5,522)	(5,486)	+0.7%	
Gross operating income	2,881	3,102	-7.1%	-10.8%*
Net cost of risk	(704)	(824)	-14.6%	
Operating income	2,177	2,278	-4.4%	
Net income from companies accounted for by the equity method	51	42	+21.4%	
Net profits or losses from other assets	(12)	(26)	-53.8%	
Impairment losses on goodwill	0	0	n/s	
Income tax	(730)	(853)	-14.4%	
Net income	1,486	1,441	+3.1%	
o.w. non controlling Interests	0	0	n/s	
Group net income	1,486	1,441	+3.1%	
Cost-to-income ratio	65.7%	63.9%		
Average allocated capital	10,620	10,690		

* Excluding the PEL/CEL effect

BREAKDOWN OF FRENCH RETAIL BANKING NBI (IN EUR M)



French Retail Banking enjoyed robust commercial momentum and generated healthy earnings in 2016, in a low interest rate environment.

With three complementary brands (Societe Generale, Credit du Nord and Boursorama), French Retail Banking strengthened its customer base in 2016: with more than 400,000 new customers, the Group had 11.5 million individual customers in 2016 (+4% vs. 2015). With more than 977,000 customers at end-2016, i.e. an increase of +29% vs. 2015, Boursorama, the leading mobile bank in France, pursued its growth strategy and exceeded the 1 million customer mark at end-January 2017.

In the business segment, French Retail Banking established relationships with nearly 4,000 new companies in 2016 (+4% vs. 2015) due to new initiatives in this market. These include the launch of SG Entrepreneurs and the planned creation of “pro corners” (“*espaces pro*”) nationwide. Credit du Nord’s expertise in the professional segment was also recognised in 2016 (No. 1 for customer satisfaction among the liberal professions according to the 2016 CSA study).

French Retail Banking continued to assist individuals and businesses with the financing of their projects. Average outstanding loans rose +2.9% vs. 2015 to EUR 183.3 billion, marked by a sharp increase in housing loans (+4.9%). Housing loan production reached a high level of EUR 18.2 billion in 2016: although down 30% vs. the record level in 2015, the increase was substantial compared to the level in 2014 (+40%). Corporate investment loan production was also healthy: it climbed +8.9% in 2016 to EUR 9.5 billion, leading to a +1.5% rise in average outstandings in 2016.

At EUR 183.2 billion in 2016, average outstanding balance sheet deposits were substantially higher (+7.6%), driven by the robust growth in sight deposits (+16.4%). The average loan/deposit ratio therefore amounted to 100% (vs. 105% in 2015). French Retail Banking posted excellent commercial performances among its growth drivers with, notably, a 22% increase in the net inflow of Private Banking in France (to EUR 3.6 billion) and a +2.1% rise in life insurance outstandings.

The Group's revenues only partially reflect this good commercial momentum since they are hampered by the negative effects of the low interest rate environment and the increase in mortgage renegotiations. After neutralising the impact of PEL/CEL provisions, net banking income came to EUR 8,343 million in 2016, down -3.5% vs. 2015 (a record year in terms of net banking income).

Net interest income (excluding the PEL/CEL provision) was down -5.6% vs. 2015: it reflects the negative impact of low interest rates and loan renegotiations, with the production of higher margin loans and robust deposit inflow only partially mitigating these effects.

French Retail Banking experienced stable commissions in 2016, testifying to the resilience of its commercial activity. Service commissions were up +0.8% in 2016, driven by the gradual increase in the number of products subscribed by new customers and the commercial efforts aimed at professional and corporate customers. Financial commissions were down compared with 2015, penalised by the financial market environment (-4.7% vs. 2015).

French Retail Banking's operating expenses were slightly higher (+0.7%) in 2016 than in 2015. Direct costs remained under control, in line with the efforts undertaken in previous years, with notably rigorous management of the headcount and operating expenses. In parallel, the Group continued with its investments in the digital transformation process and fast-growing businesses. As part of its transformation plan, the Group has notably closed 92 branches in France since the beginning of 2016.

Operating income came to EUR 2,177 million in 2016 (down -4.4% vs. 2015), underpinned by the substantial decline in the net cost of risk reflecting the quality of the portfolio (-14.6% in 2016 compared with 2015).

French Retail Banking enjoyed robust profitability in 2016, with a contribution to Group net income of EUR 1,486 million, up +3.1% vs. 2015. Over the same period, French Retail Banking's RONE stood at 14.0%, up 50 basis points vs. 2015.

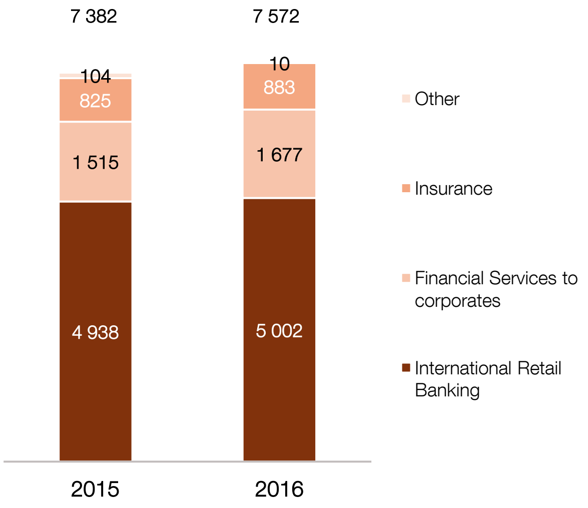
INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

(In EUR m)	2016	2015	Change	
Net banking income	**7,572**	**7,382**	**+2.6%**	**+4.0%***
Operating expenses	(4,273)	(4,307)	-0.8%	+0.7%*
Gross operating income	**3,299**	**3,075**	**+7.3%**	**+8.5%***
Net cost of risk	(779)	(1,246)	-37.5%	-34.8%*
Operating income	**2,520**	**1,829**	**+37.8%**	**+36.6%***
Net income from companies accounted for by the equity method	37	71	-47.9%	-47.1%*
Net profits or losses from other assets	58	(37)	n/s	
Impairment losses on goodwill	0	0	n/s	
Income tax	(697)	(502)	+38.8%	+37.9%*
Net income	1,918	1,361	+40.9%	+39.6%*
o.w. non controlling Interests	287	250	+14.8%	+15.2%*
Reported Group net income	**1,631**	**1,111**	**+46.8%**	**+45.1%***
Cost-to-income ratio	56.4%	58.3%		
Average allocated capital	10,717	10,356		

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

Note: the results presented above for the International Retail Banking and Financial Services pillar include the results for International Retail Banking, Financial Services to Corporates, Insurance and all income and expenses not directly related to the businesses' activities.

BREAKDOWN OF INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES NBI (IN EUR M)



The division's net banking income totalled EUR 7,572 million in 2016, up +2.6% vs. 2015, driven by strong commercial momentum in all regions and businesses. Operating expenses remained under control and amounted to EUR 4,273 million (-0.8%) over the same period. As a result, gross operating income totalled EUR 3,299 million in 2016 (+7.3%). The net cost of risk improved significantly to EUR 779 million in 2016, down -37.5% due to the improvement in the macroeconomic environment and risk management efforts, notably in Europe and Russia. The division's contribution to Group net income totalled EUR 1,631 million in 2016, substantially higher than in 2015 (+46.8%), thanks to the record contribution of Europe and Africa, the positive earnings for the year of SG Russia, and the good performance of Insurance and Financial Services to Corporates.

International Retail Banking

(In EUR m)	2016	2015	Change	
Net banking income	**5,002**	**4,938**	+1.3%	**+3.9%***
Operating expenses	(3,025)	(3,071)	-1.5%	+2.0%*
Gross operating income	**1,977**	**1,867**	**+5.9%**	**+6.9%***
Net cost of risk	(716)	(1,030)	-30.5%	-28.3%*
Operating income	**1,261**	**837**	**+50.7%**	**+48.8%***
Net income from companies accounted for by the equity method	18	17	+5.9%	
Net profits or losses from other assets	46	(11)	n/s	
Impairment losses on goodwill	0	0	n/s	
Income tax	(313)	(189)	+65.6%	
Net income	1,012	654	+54.7%	
o.w. non controlling Interests	271	241	+12.4%	
Reported Group net income	**741**	**413**	**+79.4%**	**+76.9%***
Cost/Income Ratio	60.5%	62.2%		
Average allocated capital	6,371	6,147	+3.6%	

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

At end-December 2016, International Retail Banking's outstanding loans totalled EUR 83.9 billion. This represented an increase of +7.8% (+6.6%*) vs. end-2015, confirming the dynamic activity in Europe, where domestic demand continues to benefit from the European Central Bank's accommodative monetary policy, and in Africa. Deposit inflow was also robust. Outstanding deposits rose +5.9% (+4.9%*) vs. end-2015, to EUR 75.2 billion.

International Retail Banking's revenues were up +1.3% vs. 2015 at EUR 5,002 million, and operating expenses were down -1.5% at EUR 3,025 million. Gross operating income came to EUR 1,977 million, up +5.9% vs. 2015. At EUR 741 million in 2016, International Retail Banking's contribution to Group net income was 79.4% higher than in 2015. This was due primarily to the improved performance in Europe, whose contribution was EUR 551 million with, notably, the rebound in performance in Romania. There was also a considerable improvement in the situation in Russia.

In Western Europe, outstanding loans were up +10.6% vs. end-December 2015 at EUR 15.8 billion at end-December 2016. Car financing remained particularly dynamic over the period. Revenues totalled EUR 693 million and gross operating income EUR 326 million in 2016. The contribution to Group net income came to EUR 154 million, up +23.2% vs. 2015. In the Czech Republic, the Group delivered a solid commercial performance in 2016. Outstanding loans rose +8.7% vs. end-December 2015 to EUR 21.7 billion, driven by dynamic production of loans to individuals and large corporates. Outstanding deposits climbed +4.7% year-on-year to EUR 25.9 billion. Despite this positive volume effect, revenues were stable in 2016 at EUR 1,031 million, given the persistent low interest rate environment. Over the same period, operating expenses remained under control at EUR 541 million and were stable vs. 2015 (+0.4%, -0.6%*). The contribution to Group net income remained high at EUR 210 million, vs. EUR 217 million in 2015.

In Romania, the economic environment continues to improve. Outstanding loans rose +4.3% (+4.7%*) year-on-year to EUR 6.3 billion, primarily due to growth in the individual customer and large corporate segments. Outstanding deposits were 2.0% (2.4%*) higher year-on-year, at EUR 9.3 billion. In this context, net banking income was up +1.5% (+2.5%*) at EUR 528 million in 2016. Rigorous cost control resulted in stable operating expenses (-0.3%, +0.6%*) at EUR 337 million. With the significant improvement in the net cost of risk over the period, the BRD group's contribution to Group net income was EUR 55 million, after EUR 19 million in 2015.

In other European countries, outstanding loans were up +2.3% (+7.4%*) vs. end-2015, at EUR 11.7 billion, principally in the individual customer segment, and with a healthy level of growth in virtually all the operations. Deposit inflow was buoyant, with outstandings up +6.8% (+9.8%*) year-on-year at EUR 11.7 billion. In 2016, revenues rose +1.6% (+3.9%*), while operating expenses were down -1.2% (+1.8%*). The contribution to Group net income came to EUR 132 million.

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

In Russia, the environment continues to normalise. There was further confirmation of healthy corporate activity, while the recovery in loan production for individual customers continued. Car loan and mortgage activities were particularly healthy. When adjusted for changes in Group structure and at constant exchange rates, outstanding loans were down -3.2%* vs. end-2015 at EUR 9.1 billion (+16.2% in absolute terms, given the rouble's appreciation against the euro over the period). Outstanding deposits were down -4.7%* (+11.7% in absolute terms) vs. end-2015, at EUR 7.2 billion. Net banking income for SG Russia(1) fell -5.1% to EUR 688 million in 2016 (+8.3%*). Operating expenses remained under control at EUR 519 million (-13.0% vs. 2015, +0.5%*). Ongoing optimisation of the operating infrastructure over the period resulted, notably, in the closure of 67 branches at Rosbank. Overall, SG Russia made a positive contribution to Group net income of EUR 8 million for 2016. In 2015, SG Russia made a loss of EUR -156 million.

In Africa and other regions where the Group operates, outstanding loans rose +5.8% (+6.3%*) to EUR 19.2 billion in 2016, with a healthy commercial momentum in Africa (outstanding loans up +6.2% or +7.0%* when adjusted for changes in Group structure and at constant exchange rates), notably in the corporate segment. Outstanding deposits were up +6.7% (+7.4%*). Net banking income came to EUR 1,408 million in 2016, an increase vs. 2015 (+3.2%). Over the same period, operating expenses rose +3.2%, in conjunction with the Group's commercial development. The contribution to Group net income came to EUR 223 million in 2016, up +17.4% vs. 2015.

Insurance

(In EUR m)	2016	2015	Change	
Net banking income	**883**	**825**	**+7.0%**	**+7.3%***
Operating expenses	(339)	(327)	+3.7%	+4.0%*
Gross operating income	**544**	**498**	**+9.2%**	**+9.5%***
Net cost of risk	0	0	n/s	n/s
Operating income	**544**	**498**	**+9.2%**	**+9.5%***
Net income from companies accounted for by the equity method	0	0	n/s	
Net profits or losses from other assets	0	(1)	n/s	
Impairment losses on goodwill	0	0	n/s	
Income tax	(174)	(159)	+9.4%	
Net income	370	338	+9.5%	
o.w. non controlling Interests	2	1	+100.0%	
Reported Group net income	**368**	**337**	**+9.2%**	**+9.5%***
Cost-to-income ratio	38.4%	39.6%		
Average allocated capital	1,719	1,655	+3.9%	

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

The Insurance business continued to demonstrate considerable commercial dynamism in 2016, notably in France. Life insurance savings outstandings rose +3.7% vs. end-December 2015, to EUR 98.3 billion. Net inflow amounted to EUR 2.1 billion in 2016, almost entirely generated in unit-linked products (share of unit-linked products represented 99% in 2016 vs. 56% in 2015). In terms of protection (Personal Protection and Property/Casualty insurance), business was also dynamic: premiums climbed +9.4% vs. 2015 on the back of buoyant activity in France and the continued expansion of the business internationally.

The Insurance business turned in a good financial performance in 2016, with net banking income up +7.0% at EUR 883 million and a still low cost-to-income ratio (38.4% in 2016). The business' contribution to Group net income increased +9.2% in 2016 to EUR 368 million.

Following the announcement made by the Societe Generale Group in February 2015 that it intended to exercise its option to purchase Aviva France's 50% stake in Antarius, an insurance company dedicated to the Credit du Nord networks and owned jointly by Aviva France and Credit du Nord, the Group announced as at 9th February 2017 the signing of an agreement with Aviva on the conditions of the acquisition, whose actual implementation will take place on 1st April 2017. This acquisition significantly strengthens the positions of the Group's Insurance business, enabling it to exceed the threshold of EUR 110 billion of outstandings. This transaction has no significant impact on the Group's financial ratios.

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

(1) SG Russia encompasses the entities Rosbank, Delta Credit Bank, Rusfinance Bank, Societe Generale Insurance, ALD Automotive and their consolidated subsidiaries.

Financial Services to Corporates

(In EUR m)	2016	2015	Change	
Net banking income	1,677	1,515	+10.7%	+7.7%*
Operating expenses	(825)	(774)	+6.6%	+2.0%*
Gross operating income	852	741	+15.0%	+13.7%*
Net cost of risk	(58)	(119)	-51.3%	-51.3%*
Operating income	794	622	+27.7%	+26.2%*
Net income from companies accounted for by the equity method	19	55	-65.5%	
Net profits or losses from other assets	0	0	n/s	
Impairment losses on goodwill	0	0	n/s	
Income tax	(230)	(195)	+17.9%	
Net income	583	482	+21.0%	
o.w. non controlling Interests	5	2	x2.5	
Reported Group net income	578	480	+20.4%	+18.8%*
Cost-to-income ratio	49.2%	51.1%		
Average allocated capital	2,497	2,267		

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

Financial Services to Corporates maintained its commercial dynamism in 2016.

Societe Generale intends to float its ALD subsidiary on the stock market in 2017, subject to market conditions, through the disposal of a limited stake. This strategic operation will enable ALD to accelerate its growth and become a leader in the mobility sector.

Wholly-owned by Societe Generale, ALD has experienced strong growth in recent years. It has established itself as a global leader in operational vehicle leasing, No. 1 in Europe and No. 3 in the world (excluding captives and financial leasing companies), managing nearly 1.4 million vehicles with a geographical coverage spanning 41 countries.

On the strength of this leadership position and its innovative capacity in a rapidly changing mobility sector with substantial growth potential (notably through the development of operational vehicle leasing for individuals), ALD is destined to become a global leader in mobility solutions.

With ALD now benefiting from critical mass and proven growth capacity, its stock market floatation will open up new opportunities for it to accelerate its expansion through new sales channels and partnerships, providing it with the capacity to seize growth opportunities.

Societe Generale considers ALD as a high added value business with substantial commercial and financial synergies within the Group. Its future growth, bolstered by the stock market floatation, will continue to create value for the Group. Societe Generale will retain control of ALD and continue to actively support its subsidiary's growth strategy in the development of commercial relations.

ALD has been a recognised issuer since 2012. It will continue with its proprietary issue policy, with Societe Generale maintaining a major role in its refinancing.

Equipment Finance's outstanding loans were up +6.1% (+5.5%*) vs. end-December 2015, at EUR 16.5 billion (excluding factoring), driven by the transport and industrial equipment sectors. New business margins held up well despite an intense competitive environment.

Financial Services to Corporates' net banking income rose +10.7% to EUR 1,677 million in 2016. Operating expenses were higher over the period at EUR 825 million (+6.6% vs. 2015) in conjunction with the business' strong growth. Operating income came to EUR 794 million, up +27.7% vs. 2015, and the contribution to Group net income was EUR 578 million, up +20.4% vs. 2015.

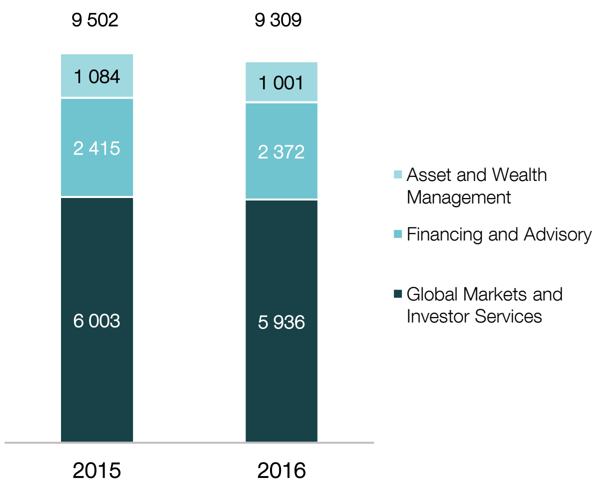
* When adjusted for changes in Group structure and at constant exchange rates.

GLOBAL BANKING AND INVESTOR SOLUTIONS

(In EUR m)	2016	2015	Change	
Net banking income	**9,309**	**9,502**	**-2.0%**	**-0.8%***
Operating expenses	(6,887)	(6,940)	-0.8%	+0.1%*
Gross operating income	**2,422**	**2,562**	**-5.5%**	**-3.3%***
Net cost of risk	(268)	(404)	-33.7%	-33.8%*
Operating income	**2,154**	**2,158**	**-0.2%**	**+2.4%***
Net income from companies accounted for by the equity method	30	95	-68.4%	
Net profits or losses from other assets	24	97	-75.3%	
Impairment losses on goodwill	0	0	n/s	
Income tax	(386)	(482)	-19.9%	
Net income	1,822	1,868	-2.5%	
o.w. non controlling Interests	19	18	+5.6%	
Reported Group net income	**1,803**	**1,850**	**-2.5%**	**+3.4%***
Cost-to-income ratio	74.0%	73.0%		
Average allocated capital	15,181	16,086	-5.6%	

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

BREAKDOWN OF GLOBAL BANKING AND INVESTOR SOLUTIONS NBI (IN EUR M)



Global Banking and Investor Solutions' revenues totalled EUR 9,309 million in 2016 (down -2.0% compared with 2015). The operating expenses were lower, at -0.8% vs. 2015, thanks to the benefit of the partial refund of the Euribor fine paid in 2013 and rigorous control of expenses, helping to offset the sharp rise in regulatory costs (including the contribution to the Single Resolution Fund) and transformation costs generated by the implementation of the cost savings plans. At end-2016, 75% of the objectives related to the cost savings plans had been achieved: operating expenses, excluding the partial refund of the Euribor fine, settlement of the RMBS litigation, and costs related to the savings plans (EUR -140 million) were lower than in 2015. The cost/income ratio amounted to 74% in 2016.

Gross operating income came to EUR 2,422 million in 2016, down -5.5%.

The net cost of risk was EUR -268 million in 2016 (EUR -404 million in 2015).

The division's operating income totalled EUR 2,154 million in 2016 (stable compared to 2015).

The division's contribution to Group net income came to EUR 1,803 million in 2016. The division's RONE amounted to 11.9% for 2016.

Global Markets and Investor Services

(In EUR m)	2016	2015	Change	
Net banking income	**5,936**	**6,003**	**-1.1%**	**+0.4%***
Operating expenses	(4,390)	(4,566)	-3.9%	-2.4%*
Gross operating income	**1,546**	**1,437**	**+7.6%**	**+9.3%***
Net cost of risk	(4)	(66)	-93.9%	-93.9%*
Operating income	**1,542**	**1,371**	**+12.5%**	**+14.3%***
Net income from companies accounted for by the equity method	4	6	-33.3%	
Net profits or losses from other assets	0	0	n/s	
Impairment losses on goodwill	0	0	n/s	
Income tax	(327)	(361)	-9.4%	
Net income	1,219	1,016	+20.0%	
o.w. non controlling Interests	14	14	+0.0%	
Reported Group net income	**1,205**	**1,002**	**+20.3%**	**+22.1%***
Cost-to-income ratio	74.0%	76.1%	-2.8%	
Average allocated capital	8,609	9,243	-6.9%	

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

In an environment marked by political and economic uncertainty, Global Markets and Investor Services' net banking income proved resilient, at EUR 5,936 million in 2016 (-1.1% vs. 2015), providing further confirmation of the agility of our business model and the successful transformation implemented for several years. The business' expertise was recognised again in 2016, with the title of "Derivatives House of the Year", awarded by IFR.

Equities' net banking income totalled EUR 2,099 million in 2016, down -16.7% vs. 2015. After a decline in H1 2016 vs. a very good H1 2015, H2, traditionally less favourable, experienced a healthy commercial momentum. The business managed to capitalise on its recognised positions in structured products to respond to increased client demand. This good performance helped offset the drop in volumes, despite rising markets, notably on cash activities, where the Group confirmed its leadership position (No. 3 globally based on Euronext Global volumes).

At EUR 2,556 million, **Fixed Income, Currencies & Commodities'** net banking income was up +16.2% in 2016 vs. 2015. In a buoyant environment, both for flow and structured products, the business benefited from the restructuring implemented to strengthen its commercial presence in its key franchises, driven by dynamic activity on rate products and commodities. The increased revenues were driven by rate activities, commodities and structured products, which benefited in the second part of the quarter from renewed volatility and more pronounced investor appetite.

Prime Services' net banking income totalled EUR 621 million in 2016, up +4.5% vs. 2015, reflecting increased commercial activity and market share gains.

Securities Services' revenues were down -4.1% in 2016 vs. 2015, adversely affected by the decline in H1. The sharp rise in commissions in H2 reflects robust commercial dynamism, in an ongoing unfavourable rate environment. Securities Services' assets under custody amounted to EUR 3,955 billion at end-December 2016, down -0.7% year-on-year. Assets under administration climbed +2.2% to EUR 602 billion.

Financing and Advisory

(In EUR m)	2016	2015	Change	
Net banking income	2,372	2,415	-1.8%	+0.1%*
Operating expenses	(1,539)	(1,533)	+0.4%	+3.9%*
Gross operating income	833	882	-5.6%	-6.1%*
Net cost of risk	(247)	(312)	-20.8%	-21.1%*
Operating income	586	570	+2.8%	+2.0%*
Net income from companies accounted for by the equity method	(2)	(6)	-66.7%	
Net profits or losses from other assets	28	98	-71.4%	
Impairment losses on goodwill	0	0	n/s	
Income tax	(53)	(58)	-8.6%	
Net income	559	604	-7.5%	
o.w. non controlling Interests	3	3	+0.0%	
Reported Group net income	556	601	-7.5%	-8.1%*
Cost-to-income ratio	64.9%	63.5%		
Average allocated capital	5,581	5,685	-1.8%	

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

Financing & Advisory delivered another good performance in 2016, with revenues of EUR 2,372 million, down -1.8% vs. the high level in 2015. Capital market activities continued on the same trend as at the beginning of the year and maintained a good level of revenues, driven by a healthy commercial momentum, both on acquisition and leveraged finance. Activity was also dynamic in Debt Capital Markets.

Asset and Wealth Management

(In EUR m)	2016	2015	Change	
Net banking income	**1,001**	**1,084**	**-7.7%**	**-9.9%***
Operating expenses	(958)	(841)	+13.9%	+7.2%*
Gross operating income	**43**	**243**	**-82.3%**	**-68.3%***
Net cost of risk	(17)	(26)	-34.6%	-34.6%*
Operating income	**26**	**217**	**-88.0%**	**-72.4%***
Net income from companies accounted for by the equity method	28	95	-70.5%	
Net profits or losses from other assets	(4)	(1)	n/s	
Impairment losses on goodwill	0	0	n/s	
Income tax	(6)	(63)	-90.5%	
Net income	44	248	-82.3%	
o.w. non controlling Interests	2	1	+100.0%	
Reported Group net income	**42**	**247**	**-83.0%**	**-62.7%***
Cost-to-income ratio	95.7%	77.6%		
Average allocated capital	991	1,158	-14.4%	

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

The net banking income of the Asset and Wealth Management business line totalled EUR 1,001 million in 2016 (down -7.7% vs. 2015), in an uncertain market environment with a low level of activity.

In Private Banking, 2016 was a transition year, marked by the continuation of our strategy of refocusing on our core geographical markets, with the acquisition of Kleinwort Benson and the repositioning of our franchise in Switzerland. Private Banking's assets under management amounted to EUR 116 billion at end-December 2016, up +2.7% vs. end-2015, with dynamic inflow in France. Net banking income was down -7.1% in 2016, at EUR 208 million, in a market still in "wait-and-see" mode. The gross margin remained at a healthy level.

Lyxor's assets under management came to EUR 106 billion, up +2.4% vs. end-2015, underpinned by rising markets and strong inflow in structured product segments and ETFs. Lyxor consolidated its No. 3 ETF ranking in Europe, with a market share of 9.9% (at end-2016 – source ETFGI). Revenues amounted to EUR 161 million in 2016, down -11.5% vs. 2015, in an unfavourable market environment in H1.

CORPORATE CENTRE

(In EUR m)	2016	2015	Change
Net banking income	14	167	-91.6%
Operating expenses	(135)	(160)	-15.6%
Gross operating income	(121)	7	n/s
Net cost of risk	(340)	(591)	-42.5%
Operating income	(461)	(584)	-21.1%
Net income from companies accounted for by the equity method	11	23	-52.2%
Net profits or losses from other assets	(282)	163	n/s
Impairment losses on goodwill	0	0	n/s
Income tax	(156)	123	n/s
Net income	(888)	(275)	n/s
o.w. non controlling Interests	158	126	+25.4%
Reported Group net income	(1,046)	(401)	n/s

The Corporate Centre includes:

- the property management of the Group's head office,
- the Group's equity portfolio,
- the Treasury function for the Group,
- certain costs related to cross-functional projects and certain costs incurred by the Group and not re-invoiced to the businesses.

The Corporate Centre's net banking income totalled EUR 14 million in 2016 (EUR 167 million in 2015), and EUR 368 million excluding the revaluation of the Group's own financial liabilities (EUR -615 million in 2015). The Corporate Centre's gross operating income was EUR -121 million in 2016 vs. EUR 7 million in 2015.

When restated for the revaluation of own financial liabilities, gross operating income came to EUR -233 million in 2016 (vs. EUR -775 million in 2015). This variation can be attributed principally to the recording in Q2 16 of the capital gain on the disposal of Visa shares. Excluding the Visa capital gain, gross operating income excluding non-economic items was EUR -492 million in 2016.

The net cost of risk for 2016 includes a EUR 350 million provision for litigation issues, vs. EUR 600 million in 2015, taking the total of this provision to EUR 2 billion.

The Corporate Centre's contribution to Group net income was EUR -1,046 million in 2016 (vs. EUR -401 million in 2015).

DEFINITIONS AND METHODOLOGY ALTERNATIVE PERFORMANCE MEASURES

Framework

The financial information presented in respect of the financial year ending 31st December 2016 has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date.

Note that the information for the 2015 financial year has been restated due to modifications to the rules for calculating normative capital allocation (based on 11% of RWA – risk-weighted assets – since 1st January 2016 vs. 10% previously).

Capital Allocation

In 2016, the allocation of normative capital to the businesses on the basis of their capital consumption was determined in accordance with CRR rules (11% of their risk-weighted assets, supplemented by the consumption of Common Equity Tier 1 capital chargeable to each business, after taking into account non-controlling interests and the adjustment of capital consumption related to the insurance activities). This capital allocation rule therefore applies to the Group's three core businesses (French Retail Banking, International Retail Banking and Financial Services, and Global Banking and Investor Solutions) and allows an evaluation of capital consumption by activity as well as their level of profitability on an autonomous and uniform basis, taking into account the Group's regulatory constraints.

Net Banking Income

Net banking income (NBI) for each core business includes:

- revenues generated by its activity;
- the yield on normative capital allocated to the core businesses, which is calculated on the basis of a long-term rate by currency. In return, in order to facilitate the comparability of performances between the Group's different business lines, book capital is reassigned to the Corporate Centre at the same rate.

Moreover, capital losses and gains generated by the core businesses on the disposal of shares in non-consolidated entities, and income from the management of the Group's industrial and bank equity portfolios, are booked under NBI, as these securities are classified as available-for-sale financial assets.

Operating expenses

Operating expenses for the core businesses correspond to the information reported in Note 8.1 to the Group's consolidated financial statements as at 31st December 2016 (see p. 397) and include their direct expenses, their management overheads, and a share of the head-office expenses, which are in principle almost fully redistributed between the core businesses. The Corporate Centre only books costs relating to its activity, along with certain technical adjustments.

Cost/Income Ratio

The cost/income ratio indicates the operating expenses of a business in relation to its net banking income. This indicator provides a measure of the effectiveness of a system (see glossary).

IFRIC 21 adjustment

The IFRIC 21 adjustment corrects the result of the charges recognised in the accounts in their entirety when they are due (generating event) so as to recognise only the portion relating to the current quarter, i.e. a quarter of the total. It consists in smoothing the charge recognised accordingly over the financial year in order to provide a more economic idea of the costs actually attributable to the activity over the period analysed. By applying the IFRIC 21 adjustment, the expense – previously recognised progressively if the obligating event occurs over a period of time – is now recognised once in its entirety.

Non-economic items

Non-economic items correspond to the revaluation of the Group's own financial liabilities and the debt value adjustment on derivative instruments (DVA). These two factors lead to the recognition of self-generated earnings reflecting the market's evaluation of the counterparty risk related to the Group. They are also restated in respect of the Group's net banking income and earnings to measure its activity while excluding these self-generated earnings. Furthermore, these items are excluded from prudential ratio calculations.

Other adjustments

The Group may need to adjust its earnings and expenses for an easier understanding of its actual performance. In particular, for French Retail Banking, the Group reports net banking income excluding PEL/CEL (cost/income ratio, gross operating income and operating income), i.e. adjusted for the provisions covering commitments specific to regulated savings. Other ad hoc adjustments may be applied depending on the non-recurring nature of certain earnings and expenses for the period. These items are indicated in the tables below.

In EUR m

2016	Net Banking Income	Operating Expenses	Other	Cost of Risk	Group Net Income	
Revaluation of own financial liabilities*	(354)				(232)	Corporate Centre
Accounting impact of DVA*	(1)				(1)	Group
Accounting impact of CVA**	54				37	Group
Euribor fine refund		218			218	Global Banking and Investor Solutions
Capital gain on Visa disposal	725				662	Corporate Centre
Review of DTAs			(286)		(286)	Corporate Centre
Splitska Banka disposal			(235)		(235)	Corporate Centre
Provision for disputes				(350)	(350)	Corporate Centre
PEL/CEL provision	60				39	French Retail Banking
RMBS litigation		(47)			(47)	Global Banking and Investor Solutions

In EUR m

2015	Net Banking Income	Operating Expenses	Other	Cost of Risk	Group Net Income	
Revaluation of own financial liabilities*	782				513	Corporate Centre
Accounting impact of DVA*	(111)				(73)	Group
Accounting impact of CVA**	22				15	Group
PEL/CEL provision	(61)				(38)	French Retail Banking
Provision for disputes				(600)	(600)	Corporate Centre
Capital gain on Amundi disposal			165		147	Corporate Centre

* Non-economic items.

** For information purposes. This data is not included in adjustments taken into account at Group level, notably to calculate underlying ROE.

Cost of Risk

Net cost of risk is charged to each core business so as to reflect the cost of risk inherent in their activity during each financial year. Impairment losses concerning the whole Group are booked by the Corporate Centre.

Societe Generale's commercial net cost of risk is expressed in basis points. It is calculated by dividing the net allocation to provisions for commercial risks by average outstanding loans as at the end of the four quarters preceding the closing date. This indicator makes it possible to assess the level of risk of each of the pillars as a percentage of balance sheet loan commitments, including operating leases. The key items used in this calculation are indicated in the table below.

		2016	2015
French Retail Banking	Net Cost of Risk (EUR m)	679	773
	Gross loan outstandings (EUR m)	188,049	181,467
	Cost of Risk in bp	36	43
International Retail Banking and Financial Services	Net Cost of Risk (EUR m)	763	1,185
	Gross loan outstandings (EUR m)	118,880	115,982
	Cost of Risk in bp	64	102
Global Banking and Investor Solutions	Net Cost of Risk (EUR m)	292	365
	Gross loan outstandings (EUR m)	148,223	136,344
	Cost of Risk in bp	20	27
Societe Generale Group	Net Cost of Risk (EUR m)	1,723	2,316
	Gross loan outstandings (EUR m)	465,773	443,613
	Cost of Risk in bp	37	52

The gross coverage ratio for doubtful outstandings

"Doubtful outstandings" are outstandings that are in default within the meaning of the regulations.

The gross doubtful outstandings ratio calculates the doubtful outstandings recognised in the balance sheet with respect to gross loan outstandings.

The gross coverage ratio for doubtful outstandings is calculated as the ratio of provisions recognised in respect of the credit risk to gross outstandings identified as in default within the meaning of the regulations, without taking into account any guarantees provided. This coverage ratio measures the maximum residual risk associated with outstandings in default ("doubtful outstandings").

Net Income from other assets

Net income from other assets essentially comprises capital losses and gains on operating fixed assets, or when the Group ceases to control a consolidated subsidiary, as well as goodwill immediately written down when the Group takes control of an entity and revaluation of potential stakes previously held by the Group in entities fully consolidated during the year.

Impairment Losses on Goodwill

Impairment losses on goodwill are booked by the core business to which the corresponding activity is attached.

Income Tax

The Group's tax position is managed centrally.

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. The difference between the income tax charged to the Group's consolidated companies and the sum of normative taxes of the strategic pillars is assigned to the Corporate Centre.

ROE, RONE

Group ROE is calculated on the basis of average Group shareholders' equity under IFRS.

It excludes:

- unrealised or deferred capital gains or losses booked directly under shareholders' equity excluding conversion reserves;
- deeply subordinated notes;
- undated subordinated notes restated as shareholders' equity.

It deducts:

- interest payable to holders of deeply subordinated notes and of the restated, undated subordinated notes;
- a provision in respect of the dividends to be paid to shareholders.

The net income used to calculate ROE is based on Group net income excluding interest, net of tax impact, to be paid to holders of deeply subordinated notes for the period and, since 2006, holders of deeply subordinated notes and restated, undated subordinated notes.

RONE (Return on Normative Equity) determines the return on average normative equity allocated to the Group's businesses (see "capital allocation" above). The figures relating to the 2015 financial year have been adjusted to take into account the allocation principle in force since 1st January 2016, based on 11% of the businesses' risk-weighted assets.

The key items used in this calculation are indicated in the tables below.

In EUR m

End of period	2016	2015
Shareholders' equity Group share	**61,953**	**59,037**
Deeply subordinated notes	(10,663)	(9,552)
Undated subordinated notes	(297)	(366)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	(171)	(146)
Unrealised gains/losses booked under shareholders' equity, excluding conversion reserves	(1,273)	(1,582)
Dividend provision	(1,759)	(1,593)
ROE equity	**47,790**	**45,798**
Average ROE equity	**46,531**	**44,889**

RONE calculation: Average capital allocated to Core Businesses (in EUR m)

	2016	2015
French Retail Banking	**10,620**	10,690
International Retail Banking and Financial Services	**10,717**	10,357
Global Banking and Investor Solutions	**15,181**	16,085

ROTE

The Group's ROTE is calculated on the basis of tangible capital, i.e. excluding cumulative average book capital (Group share), average net goodwill in the assets, and underlying average goodwill relating to shareholdings in companies accounted for by the equity method.

The net income used to calculate ROTE is based on Group net income excluding the goodwill impairment loss, interest net of tax on deeply subordinated notes for the period (including issuance fees paid, for the period, to external parties and the discount charge related to the issue premium for deeply subordinated notes) and interest net of tax on undated subordinated notes recognised as shareholders' equity for the current period (including issuance fees paid, for the period, to external parties and the discount charge related to the issue premium for undated subordinated notes).

Earnings per Share

For the calculation of earnings per share, in accordance with IAS 33, “Group net income” for the period is adjusted by the amount, net of tax impact, of capital gains/losses on partial buybacks of securities issued and classified as equity and of the interest remunerating said amounts.

Earnings per share is therefore calculated as the ratio of corrected Group net income for the period to the average number of ordinary shares outstanding, excluding own shares and treasury shares, but including:

(a) trading shares held by the Group, and

(b) shares held under the liquidity contract.

The Group also reports its adjusted earnings per share, i.e. corrected for the impact of non-economic items (revaluation of own financial liabilities and DVA (Debit Valuation Adjustment)).

Average number of shares (thousands)	2016	2015
Existing shares	807,293	805,950
Deductions		
Shares allocated to cover stock option plans and free shares awarded to staff	4,294	3,896
Other own shares and treasury shares	4,232	9,551
Number of shares used to calculate EPS	798,768	792,503
Group net income	3,874	4,001
Interest, net of tax on deeply subordinated notes and undated subordinated notes	(472)	(442)
Capital gain net of tax on partial buybacks	0	0
Adjusted Group net income	3,402	3,559
EPS (in EUR)	4.26	4.49
EPS* (in EUR)	4.55	3.94

* Adjusted for revaluation of own financial liabilities and DVA.

Net Asset, Tangible Net Asset Value

Net assets comprise Group shareholders' equity, excluding:

- deeply subordinated notes, undated subordinated notes previously recognised as debt;
- and interest payable to holders of deeply subordinated notes and undated subordinated notes, but reinstating the book value of trading shares held by the Group and shares held under the liquidity contract.

Tangible net assets are corrected for net goodwill in the assets and goodwill under the equity method.

In order to calculate Net Asset Value Per Share or Tangible Net Asset Value Per Share, the number of shares used to calculate book value per share is the number of shares issued, excluding own shares and treasury shares, but including:

- trading shares held by the Group;
- and shares held under the liquidity contract.

End of period	2016	2015
Shareholders' equity Group share	61,953	59,037
Deeply subordinated notes	(10,663)	(9,552)
Undated subordinated notes	(297)	(366)
Interest net of tax payable to holders of deeply subordinated notes and undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	(171)	(146)
Book value of own shares in trading portfolio	75	125
Net Asset Value	50,897	49,098
Goodwill	4,709	4,533
Net Tangible Asset Value	46,188	44,565
Number of shares used to calculate NAPS*	799,462	796,726
Net Asset Value per Share (NAPS)* (EUR)	63.7	61.6
Net Tangible Asset Value (EUR)	57.8	55.9

* The number of shares used is the number of ordinary shares issued as at 31st December 2016, excluding own shares and treasury shares but including trading shares held by the Group.

Prudential capital and solvency ratios

The Societe Generale Group's Common Equity Tier 1 capital is calculated in accordance with applicable CRR/CRD4 rules.

The fully-loaded solvency ratios are presented pro forma for current earnings, net of dividends, for the current financial year, unless specified otherwise.

When there is reference to phased-in ratios, these do not include the earnings for the current financial year, unless specified otherwise.

The leverage ratio is calculated according to applicable CRR/CRD4 rules including the provisions of the delegated act of October 2014.

4. SIGNIFICANT NEW PRODUCTS OR SERVICES

Business Division		New Product or Service
French Retail Banking	SG Opcimmo (February 2016, Societe Generale)	A new real estate savings product available as an ordinary securities account for customers wishing to diversify their portfolio through office real estate in the Paris region (Ile de France) and in Europe, or through companies focusing on real estate, and to collect potential earnings, with an investment horizon of eight years minimum and without any capital guarantee. A portion of the fund is invested in bonds and cash.
	Overhaul of the Jazz international option (March 2016, Societe Generale)	In order to meet our individual customers' expectations in terms of international transactions, we have overhauled the International option of our Jazz everyday banking package with four levels of billing leading to exemptions for payments, withdrawals and transfers outside of the Eurozone.
	Factoring with discretionary management (April 2016, Societe Generale)	The factoring offer has been expanded to include discretionary management (confidential or not), on an invoice-by-invoice basis rather than the total balance of receivables sold. This new management method has been added to the existing offer, allowing customers to fully maintain their relationship with their debtors (deposits, assignment, collections) and to guarantee their receivables via credit insurance. Furthermore, the transactional website allows customers to manage reports and keep track of outstanding receivables in detail.
	Flexibility clauses embedded in our professional customer fixed-rate loan agreements (April 2016, Societe Generale)	At the customer's request, monthly loan instalments may be modified under certain conditions: Payments may be decreased, increased or suspended for amortising loans without any past due payments or claims, with a 12-month minimum period between each modification.
	Multi-risk insurance for professional customers with a "remote surveillance" option (June 2016, Societe Generale, Financial Services to Corporates and Insurance)	This new insurance policy provides comprehensive coverage ■ Protection of professional assets; ■ Third-party liability guarantees (excluding professional liability coverage for regulated professions, which is mandatory and often already provided by their professional organisation); ■ Financial protection of the business (gross profit margin losses, additional costs) or on the value of goodwill; ■ Remote surveillance of the business premises is optional.
	New options under the Discretionary Management offer (July 2016, Societe Generale, Financial Services to Corporates and Insurance)	New options have been added to the Discretionary Management offer for life insurance and endowment policies. Customers may now choose to delegate the management of part of their contract to experts, while maintaining direct control over a selection of vehicles falling outside their discretionary management mandate.
	Sogenactif 2.0 (September 2016, Societe Generale)	A new version of Societe Generale's online payment acceptance service, with responsive web payment pages, an expanded selection of available payment instruments, seven new standard secure payment tools and another 45 optional tools. Sogenactif 2.0 provides a more intuitive management interface offering greater independence to retailers.
	SCPI Pinel Amundi Sélection Logement (September 2016, Societe Generale)	This SCPI (real estate investment company), focused on new residential rental properties, is eligible for the Pinel tax plan, which allows our customers to receive an income tax reduction of 18% of the invested amount over nine years (i.e. 2% a year for nine years). The investment period ranges from 15 to 17 years, and the investment amount from EUR 10,000 to EUR 300,000.

Business Division		New Product or Service
	Dynamic-encryption debit card Amundi Sélection Logement (November 2016, Societe Generale)	A new option available on our Visa debit cards (VPAY, Visa, Visa Premier, Visa Infinite): instead of the usual card verification code (three-digit code on the back of the card), there is a screen that displays a "dynamic" code, which is automatically changed every hour. This provides our customers with additional security without changing their payment habits.
	Credit du Nord joins the *jedeclare.com* platform (February 2016, Credit du Nord)	*jedeclare.com* is an electronic platform for chartered accountants created by the French National Association of Chartered Accountants (*Conseil Supérieur de l'Ordre des Experts Comptables*). Chartered accountants are able to send their account statements electronically on the platform, and in return, the firm sends its customers' tax returns to the Credit du Nord Group.
	Auto insurance, Credit du Nord (December 2016, Credit du Nord, Financial Services to Corporates and Insurance)	The Credit du Nord Group sells car insurance directly to its individual customers.
	New online subscription process (April 2016, Boursorama)	A new process was launched in April to make it easier and faster for customers to sign up online for the entire range of products, from any device, while also improving processing times.
	Life insurance for minors (May 2016, Boursorama)	Boursorama launched a life insurance offer for minors in May: the Boursorama Vie life insurance policy is now available to customers' children, still without entry fees.
	New mobile application (September 2016, Boursorama)	A new mobile application, using the same codes as the new website, designed to offer customers a smooth and consistent experience on all types of devices.
	Welcome (September 2016, Boursorama)	Launch of Welcome, a banking offer available to anyone over 18 years of age, without income or asset conditions, at EUR 1.50 a month with the Visa Classic card.
	Contactless Paylib (May 2016, GTPS)	Contactless Paylib allows customers to pay for any purchases with their mobile, including items over EUR 20, at shops with contactless payment terminals in France and abroad.
	Invoice payment via SEPAmail (October 2016, GTPS)	Based on secure interbank message service SEPAmail, this innovation allows creditors to send an electronic payment request, including the accompanying invoice, to their customers. Their customers are then able to pay the invoice by automatically generated credit transfer by validating the payment with their online bank.
International Retail Banking and Financial Services	Pack Jeune (July 2016, Burkina Faso) (International Retail Banking)	Free of charge, the "Youth package" offers young customers aged 20-25 a current account, a savings account and a GIM UEMOA HIBISCUS bank card to withdraw money from all ATMs within the Societe Generale Burkina Faso network and from partner ATMs within the West African Economic and Monetary Union. Through MESSALIA, a mobile banking network also included in the package, young customers can receive information regarding their bank account from their mobile phone. This offer helps young people become more familiar with banking services.
	Sogepay (March 2016, International Retail Banking)	Since the launch on 7th March 2016 of Sogepay, a mobile payment solution, SGBCI's customers can pay with their mobile phone by debiting their bank account. The technical aspects of Sogepay were developed in association with MTN Côte d'Ivoire. The launched version of the solution lets customers buy MTN airtime credit and check the balance of their bank account. Fully secure and easy to use thanks to USSD technology, the solution will soon develop to allow account-to-account transfers, third-party account transfers, shopping payments and public utilities payments (national power/water suppliers).
	Special banking app for Apple Watch (February 2016, KB – Czech Republic) (International Retail Banking)	This app enables KB clients to check their account balance, access their most recent transactions and find the nearest ATM.

Business Division	New Product or Service
Contactless cards and stickers (March 2016; SGME – Montenegro) (International Retail Banking)	Contactless technology lets consumers pay for goods and services without entering a PIN code, for amounts below EUR 15. The MasterCard sticker, issued to customers who have a MasterCard Debit or MasterCard Debit Gold card, is another product using the same technology. Stickers allow contactless transactions and work in the same way as contactless cards.
New voucher solution backed by a credit card (March 2016; Hanseatic Bank, Germany) (International Retail Banking)	In partnership with OptioPay, a Berlin-based FinTech, the German bank added a voucher platform to its customer advantage portal, "Vorteilswelt" (world of benefits). On this platform, Hanseatic Bank or co-branded credit card holders can choose vouchers for a wide range of shops such as Amazon, Ikea, Adidas, Esprit or iTunes, worth up to double the price the customer is paying.
"Vip mobile" (September 2016; SGS, Serbia) (International Retail Banking)	Societe Generale Srbija (SGS) and Vip mobile, the No. 3 mobile network operator in Serbia, signed a partnership based on an innovative concept: authorising the opening of SGS bank accounts at Vip mobile sales outlets. At the same time, all Vip mobile customers who transfer their accounts to SGS will benefit from discounts of up to 5,000 Serbian dinars (EUR 40) on any mobile phone they would like to buy.
"MOJA BANKA mobile app" (October 2016; OBSG, Macedonia) (International Retail Banking)	This highly secured and interactive mobile banking application enables customers to use their mobile devices as a virtual branch of Ohridska Banka. Customers can check their balance and transactions on all their accounts, cards, loans and deposits, wherever they are and from any device. They can also make different kinds of payments, FX conversions, review exchange rates, locate branches and ATMs, and contact the branch offices.
"Digitalisation of FX operations for corporate clients" (December 2016; SGEB, Bulgaria) (International Retail Banking)	Societe Generale Expressbank (SGEB) has implemented a new functionality in its e-banking platform, "Bank On Web Pro". This innovative solution lets customers request and receive a preferential exchange rate for foreign exchange spot deals in real time.
"Tax payment" (July 2016; SGMA, Morocco) (International Retail Banking)	Societe Generale Morocco (SGMA) has opened a tax payment service on its Automated Teller Machines (ATMs). It allows customers to enjoy a new, electronic and simplified service, as they are now able to pay their taxes without having to wait at the tax office.
"First health insurance policy for civil servants" (December 2016; SG Cameroon) (International Retail Banking)	Societe Generale Cameroon enriched its Civil Servants Pack by launching, in partnership with Allianz Cameroon, the very first health insurance policy dedicated to this customer segment: 80% of the civil servant's medical expenses will be covered by Allianz Cameroon (up to a ceiling of FCFA 500,000).
ALD free (March 2016; ALD Automotive Holland) (Financial Services to Corporates and Insurance)	ALD Automotive launches ALD free, a platform that will enable employees to shape their mobility packages by combining different modes of transport.

Business Division		New Product or Service
	My ALD application (May 2016; ALD Automotive) (Financial Services to Corporates and Insurance)	MY ALD is a unique & comprehensive mobile application for drivers to access all ALD Automotive services. With the My ALD mobile app, company car drivers can: ■ Find petrol stations, car parks and other useful services quickly using the geo-tracking functionality. ■ Request assistance with one click. ■ Swiftly check all information pertaining to their contract, vehicle and other useful documents. ■ Never miss a new service again thanks to personalised alerts.
	"ALD choice" (September 2016; ALD Automotive, Netherlands) (Financial Services to Corporates and Insurance)	ALD Choice is a mobility solution in which ALD Automotive takes over the full operational management of the customer's fleet. It aims to help companies cut expenses and offer their lease drivers absolute freedom of choice. This offer applies to all kinds of vehicles: new lease cars, low-mileage pre-owned vehicles, or vehicles with low additional tax liability.
	"ALD sharing" (October 2016; ALD Automotive Finland) (Financial Services to Corporates and Insurance)	This product provides businesses with corporate car sharing solutions. The purpose is to manage professional mobility more intelligently. ALD Automotive takes care of all maintenance tasks, repairs, tyre changes, and even car washes. It is also flexible: the car can be returned after six months if no longer required.
	"Digital registration service" (November 2016; SGEF Scandinavia) (Financial Services to Corporates and Insurance)	SGEF Norway was the first company in Norway to launch a digital registration service linked to Norway's state registration office. This service enables the instant online public registration of leasing contracts related to equipment/objects with a registration number (all vehicles and machinery on wheels).
	Exchange Traded Fund (ETF) unit-linked life insurance contract (June 2016; Oradéa Vie, Unep et Lyxor) (Financial Services to Corporates and Insurance)	A new contract, called "Unep Selection Trackers", where indexing, popular with institutional investors, is made available to individuals for the first time. This contract, provided by Oradéa Vie, is sold by Independent Financial Advisers (IFAs) distributing Unep contracts. It includes a list of Lyxor ETFs (between 50 and 100) that are freely accessible but also driven by Lyxor, in which customers delegate the power to arbitrate between ETFs at Lyxor based on three themes: Europe, worldwide, or 50% worldwide and 50% Europe.
	Protect Invest (February 2016, SOGELIFE Bulgaria and Societe Generale Expressbank) (Financial Services to Corporates and Insurance)	The first insurance product entirely dedicated to Societe Generale Expressbank's (SGEB) "Prestigious Customers", Protect Invest is a long-term investment solution that lets customers benefit from the performance of financial markets while enjoying the protection of insurance coverage. This product supplements the bank's savings offer by proposing an alternative to deposits where interest rates are currently very low and that promises good prospects for growth in the unit-linked account market.
	Personal Protection Insurance: Senior Independent Living Coverage and Assisted Living Coverage (October 2016, Sogécap) (Financial Services to Corporates and Insurance)	These insurance offers are designed to support and accompany seniors and their caregivers in assisted living circumstances. The offers are intended for individual customers of the French retail banking networks.

Business Division		New Product or Service
	"New 3-in-1 property insurance – My Home Insurance" (July 2016; Komercni Pojistovna (KP), Czech Republic) (Financial Services to Corporates and Insurance)	This 3-in-1 package offer combines coverage of the building, its contents and third-party liability. This product is unique in the Czech market where these guarantees are usually offered through three different policies.
Global Banking and Investor Solutions	SG Smart Low Volatility Index (June 2016) (Global Markets and Investor Services)	The SG Smart Low Volatility Index aims to replicate a long position in the iSTOXX Low Variance Adjusted Beta Index associated with a short position in the STOXX Europe 600 Gross Return Index, i.e. the Benchmark. The long/short strategy makes it possible to extract the outperformance of the iSTOXX Low Variance Adjusted Beta Index vs. its Benchmark. The composition of the index is reviewed monthly. At each revision date, the eligible securities are classified based on their volatility over the last six months. The 120 securities with the weakest volatility and matching the liquidity filter are retained to constitute the index.
	SGI Cross Asset Dual Momentum Strategy Index (March 2016) (Global Markets and Investor Services)	The SGI Cross Asset Dual Momentum Strategy Index provides exposure to the hypothetical performance of a systematic and rules-based cross-asset strategy which seeks to generate returns via exposure to various indices linked to equities and futures contracts on financial instruments and physical commodities, based on a quantitative model designed by Mizuho Alternative Investments, LLC. The Model is based on long/short trends following a systematic arbitrage strategy that uses the most liquid listed instruments across a universe comprised of indices on equities, fixed income, foreign exchange and commodities. It aims to track repetitive trends following price movement trends across markets and time horizons. It seeks to take advantage of hypothetical profit opportunities on both the long and short sides of the markets.
	Lyxor's Enhanced Architecture Program (January 2016, Lyxor)	LYXOR has been selected to create, manage and administer a EUR 2.5bn investment vehicle to cover the pension liabilities of the ENGIE Group via its insurance policies. ENGIE's insurers primarily sought a modern, open-architecture, multi-fund investment solution that delivers efficient management of both performance and costs. This dedicated multi-fund solution offers responsive portfolio management, improved risk management through a holistic approach and access to a wide array of active, passive and alternative strategies. Starting with ENGIE's pension assets in France, the mechanism is intended to reach international scale.
	"Lyxor AM – Growing and Responsible Investment Index" (July 2016, Lyxor)	The Lyxor AM – Growing and Responsible Investment Index is designed to capture the performance of a leveraged basket of shares, advised by Lyxor Asset Management, net of a synthetic dividend. The Index Advisor ranks European equities based on a combination of scores such as growth, valuation and sustainability indicators. Each equity allocation will be determined following a risk budgeting methodology. The aim of said methodology is to obtain a diversified and risk-balanced portfolio.
	"T42" (September 2016, Societe Generale Securities Services)	T2S is a technical platform enabling access to 23 main custodians by providing core, borderless and neutral settlement services. Markets are migrating progressively to the platform in five waves. In this context, the T42 project aims to position Societe Generale Securities Services (SGSS) as one of the key players in this new paradigm. By becoming a regional post-trade partner for our clients in all T2S markets, SGSS will help simplify clients' custodian networks. The regional settlement and custody hub solution is being rolled out in several stages until 2020.
	"Lyxor Evolution Fixed Income fund" (September 2016, Lyxor)	Launch of the Lyxor Evolution Fixed Income fund (Evolution), the first alternative multi-manager fixed income fund with daily liquidity in a UCITS format. Evolution enables investors to harness new performance drivers in order to generate returns in an environment of near-zero interest rates. Evolution provides investors with access to a wide range of bespoke alternative strategies, all involving exclusively Fixed Income, Credit and Forex underlyings, and managed by the industry's leading players. This combination of strategies offers investors exposure to a mix of diversified and new performance drivers, thereby providing them with a solution tailored to the asymmetric risk universe.

Business Division		New Product or Service
	"Lyxor/Kingdon fund" (September 2016, Lyxor)	Partnership with Kingdon Capital Management L.L.C. (Kingdon) to launch the Lyxor / Kingdon Global Long-Short Equity Fund (the "Fund"), thus continuing to expand its Alternative UCITS offering with the addition of Kingdon as the first global equity manager with daily liquidity on its UCITS platform. The Fund focuses on improving the equity diversification of investors' portfolios by maintaining a portfolio invested across different regions and industries, using a combination of long and short investments and actively managing the Fund's market exposure. The Fund seeks to achieve attractive risk-adjusted returns with lower volatility than equity markets.
	"DocBox, EZcash, Call2Dist" (September 2016, Societe Generale Securities Services)	Three innovative offers allow investors to benefit from better returns than those available on the fixed income markets, through investments in the Private Equity, Real Estate or Loan sectors, which have been generating both higher returns and double-digit growth over the past few years: ■ "DocBox", a module for managing investment data and documentation in SGSS Gallery; ■ "EZcash", a credit line to speed up the Private Equity deal closing phase; ■ "Call2Dist", an advanced capital call service for Private Equity;
	"SGI Cross Asset Trend Following Index" (October 2016) (Global Markets and Investor Services)	The SGI Cross Asset Trend Following Index implements a systematic strategy that aims to capture trends in Fixed Income, Equity, Forex and Commodity markets. An absolute momentum method across various timeframes is used to take long, short or neutral positions in 50 underlyings. The index provides a defensive risk profile during market downturns alongside upside potential in bullish markets. It is a liquid and more transparent alternative to CTA investments with lower fees (50bps per annum).
	"SG Japan Quality Income Index" (October 2016) (Global Markets and Investor Services)	The SG Japan Quality Income Index – developed jointly with Societe Generale Global Quantitative Equity Research and Financial Engineering teams – measures the performance of companies with both attractive and sustainable dividends, recognising the fact that the profitability of dividends outperforms equity returns.

5. ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

ASSETS

(in EUR bn)	31.12.2016	31.12.2015
Cash, due from central banks	96.2	78.6
Financial assets at fair value through profit or loss*	514.7	519.6
Hedging derivatives	18.1	16.5
Available-for-sale financial assets	139.4	134.2
Due from banks	59.5	71.7
Customer loans	426.5	405.3
Revaluation differences on portfolios hedged against interest rate risk	1.1	2.7
Held-to-maturity financial assets	3.9	4.0
Tax assets	6.4	7.4
Other assets*	84.8	69.1
Non-current assets held for sale	4.2	0.2
Investments accounted for using the equity method	1.1	1.4
Tangible, intangible fixed assets	21.8	19.4
Goodwill	4.5	4.4
Total	**1,382.2**	**1,334.4**

* Amounts restated relative to the financial statements published in 2015, following a modification in the presentation of commodity inventories.

LIABILITIES

(in EUR bn)	31.12.2016	31.12.2015
Due to central banks	5.2	7.0
Financial liabilities at fair value through profit or loss	455.6	455.0
Hedging derivatives	9.6	9.5
Due to banks	82.6	95.5
Customer deposits	421.0	379.6
Debt securities issued	102.2	106.4
Revaluation differences on portfolios hedged against interest rate risk	8.5	8.1
Tax liabilities	1.4	1.6
Other liabilities	94.2	83.1
Non-current liabilities held for sale	3.6	0.5
Underwriting reserves of insurance companies	112.8	107.3
Provisions	5.7	5.2
Subordinated debt	14.1	13.0
Shareholders' equity	62.0	59.0
Non-controlling Interests	3.7	3.6
Total	**1,382.2**	**1,334.4**

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

The main changes in the scope of consolidation at 31st December 2016, compared with the scope applicable at 31st December 2015, are as follows:

PARCOURS

- On 3rd May 2016, ALD Automotive acquired the Parcours Group, a subsidiary of Wendel, located in Europe and mainly in France. This acquisition allowed ALD Automotive to strengthen its position with SMEs and VSBs, and to accelerate its growth in the French long-term leasing business.

KLEINWORT BENSON

- On 6th June 2016, Societe Generale Hambros Ltd. acquired Kleinwort Benson Bank Limited and Kleinwort Benson Channel Islands Holdings Limited. The two entities were acquired as part of the Group's growth strategy in Private Banking in its core markets, in alignment with its ambition to be the relationship-focused private bank of reference.

BANK REPUBLIC

- On 20th October 2016, the Group sold its majority stake in Bank Republic (93.64%), its Georgian subsidiary, to TBC Bank Group PLC, the second-largest bank in Georgia. Societe Generale now holds a limited minority stake in TBC Bank Group PLC.

CHANGES IN MAJOR CONSOLIDATED BALANCE SHEET ITEMS

At 31st December 2016, the Group's consolidated balance sheet totalled EUR 1,382.2 billion, an increase of EUR 47.8 billion (+3.6%) compared to 31st December 2015 (EUR 1,334.4 billion).

Cash, due from central banks (EUR 96.2 billion at 31st December 2016) increased by EUR 17.6 billion (+22.4 %) compared to 31st December 2015.

Financial assets at fair value through profit or loss decreased by EUR 4.9 billion (-0.9%) compared to 31st December 2015, while **liabilities at fair value through profit or loss** increased by EUR +0.6 billion (+0.1%).

Financial instruments at fair value through profit or loss mainly comprise:

- debt and equity instruments;
- trading derivatives;
- securities sold under repurchase agreements and securities purchased under resale agreements;
- securities lending agreements and amounts payable on borrowed securities.

Financial assets and liabilities at fair value through profit or loss are flat compared to 31st December 2015.

Customer loans, including securities purchased under resale agreements recognised at amortised cost, increased by EUR 21.2 billion (+5.2%) compared to 31st December 2015, reflecting higher demand for real estate loans, cash facilities, other loans, authorised overdrafts and securities purchased under resale agreements.

Customer deposits, including securities sold under repurchase agreements recognised at amortised cost, increased by EUR 41.4 billion (+10.9%) compared to 31st December 2015, mainly due to the growth in our regulated savings accounts inflows, demand deposits and term deposits in most geographic areas.

Due from banks, including securities purchased under resale agreements recognised at amortised cost, decreased by EUR 12.2 billion (-17%) relative to 31st December 2015, sparked by the decrease of securities purchased under resale agreements.

Due to banks, including securities sold under repurchase agreements recognised at amortised cost, decreased by EUR 12.9 billion (-13.5%) versus 31st December 2015, mainly due to the decrease of securities sold under repurchase agreements and of term deposits.

Other assets and **other liabilities** increased respectively by EUR 15.7 billion (+22.8%) and EUR 11.1 billion (+13.3%) compared to 31st December 2015 due to an increase in guarantee deposits.

Group shareholders' equity amounted to EUR 62 billion at 31st December 2016 versus EUR 59 billion at 31st December 2015. This increase was attributable primarily to the following items:

- net income for the financial year at 31st December 2016: EUR +3.9 billion;
- dividend payment in respect of financial year 2015: EUR -2.3 billion;
- one deeply subordinated note issue: EUR +1.3 billion.

After taking into account non-controlling interest (EUR 3.7 billion), Group shareholders' equity came to EUR 65.7 billion at 31st December 2016.

6. FINANCIAL POLICY

The objective of the Group's financial policy is to optimise the use of shareholders' equity in order to maximise short- and long-term return for shareholders, while maintaining a level of capital ratios (Common Equity Tier 1, Tier 1 and Total Capital ratios) consistent with the market status of Societe Generale and the Group's target rating.

Since 2010, the Group has launched a major realignment programme, strengthening capital and focusing on the rigorous management of scarce resources (capital and liquidity) and proactive risk management in order to apply the regulatory changes related to the implementation of new "Basel 3" regulations.

GROUP SHAREHOLDERS' EQUITY

Group shareholders' equity totalled EUR 62 billion at 31st December 2016. Net asset value per share was EUR 63.66 and net tangible asset value per share was EUR 57.77. Book capital includes EUR 10.7 billion in deeply subordinated notes and EUR 0.3 billion in perpetual subordinated notes.

At 31st December 2016, Societe Generale possessed, directly or indirectly, 8.3 million Societe Generale shares, representing 1.02% of the capital (excluding shares held for trading purposes).

In 2016, the Group acquired 8.9 million Societe Generale shares under the liquidity contract concluded on 22nd August 2011 with an external investment services provider. Over this period, Societe Generale also transferred 8.9 million Societe Generale shares via the liquidity contract.

The information concerning the Group's capital and shareholding structure is available in Chapter 7 of this Registration Document, page 495 and following.

SOLVENCY RATIOS

As part of managing its capital, the Group ensures that its solvency level is always compatible with its strategic targets and regulatory obligations.

Moreover, the Group ensures that its Total Capital Ratio (Common Equity Tier 1 + hybrid securities recognised in additional Tier 1 and Tier 2) offers a sufficient safety buffer for unsecured senior lenders, in particular with a view to implementing resolution rules (see Chapter 4.3, page 169).

The Common Equity Tier 1[(1)] ratio stood at 11.5% at 31st December 2016, versus 10.9% at 31st December 2015. At 31st December 2016, the Group's phased-in Common Equity Tier 1 ratio amounted to 11.8%, compared to 11.4 at end-December 2015.

The leverage ratio, calculated according to the CRR/CRD4 rules integrating the Delegated Act of October 2014, reached 4.2% as at 31st December 2016, versus 4.0% at end-December 2015. It was thus in line with the projected progression, under which target ratio level of 4-4.5% had been set for end-2016.

The Tier 1 ratio is 14.5%, up +101 basis points compared with end-2015. The Total Capital Ratio amounted to 17.9% at end-2016, up +158 basis points in one year.

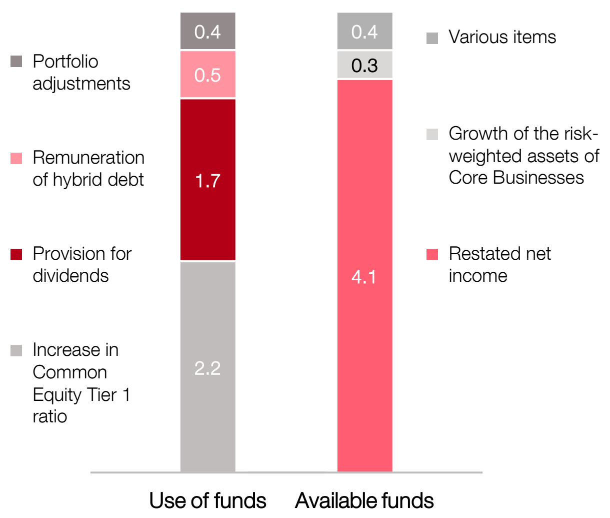
The projected TLAC ratio stood at 21.1% at end-2016. The Group plans to comply with the future TLAC regulatory requirement (19.5% from 1st January 2019), thanks in particular to the issuance of non-preferred senior instruments.

French Act no. 2016-1691 of 9th December 2016, published in the French Official Journal (*Journal Officiel*) issue 0287 of 10th December 2016, modified the creditor hierarchy that applies in cases of compulsory liquidation of French credit institutions, by introducing a new category of debt securities intended to cover liquidation losses, positioned after subordinated instruments and before preferred debt instruments. Contracts for issues falling into this new category will have to include a specific indication of this ranking in the creditors' hierarchy. The new category allows for the issuance of TLAC and MREL eligible securities.
Further details on the regulatory framework governing TLAC and MREL are provided in Chapter 4.1, Risk factors, item 11, p. 163.

Detailed information on capital management, together with the regulatory framework, is provided in Chapter 4 of this Registration Document, page 169 and following.

In 2016, the Group's capital generation made it possible to finance growth in risk-weighted assets, and developments in its operations portfolio (specifically the year's disposals and acquisitions), while maintaining sufficient margin to ensure dividend distribution and hybrid coupons payment, and strengthening the capital ratios in compliance with the strategy defined.

CREATION AND USE OF THE GROUP SHAREHOLDERS' EQUITY IN 2016



In 2016, the changes in Common Equity Tier 1 capital were as follows:

Available funds (EUR 4.8 billion):

- restated net income of EUR 4.1 billion;[(2)]
- growth in the risk-weighted assets of Core Businesses of EUR 0.3 billion;
- various items of EUR 0.4 billion.

Use of funds (EUR 4.8 billion):

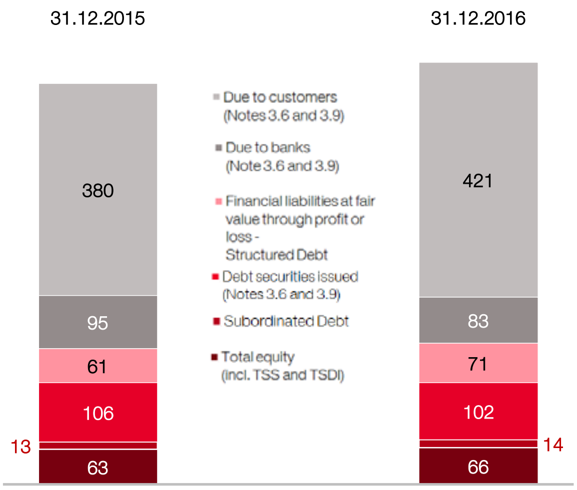
- portfolio adjustments of 0.4 billion;
- remuneration of hybrid debt booked in equity for EUR 0.5 billion;
- a EUR 1.7 billion dividend provision;
- the EUR 2.2 billion difference between available funds and use of funds strengthens the Common Equity Tier 1 capital ratio.

(1) Solvency/leverage ratios calculated according to CRR/CRD4 rules, without the benefit of transitional provisions (fully-loaded), unless indicated otherwise. They are presented pro forma of retained earnings, net of dividend provisions, for the current financial year.

(2) Net income restated for prudential purposes: adjustments related to goodwill impairments, revaluation of own financial liabilities, and adjustments to the Group Core Businesses' portfolio (especially acquisitions over the year).

GROUP DEBT POLICY*

FUNDING STRUCTURE



The Group's funding structure is broken down as follows:

- undated subordinated notes (representing EUR 11.1 bn as of 31st December 2016 and EUR 10.0 bn as of 31st December 2015);
- debt securities issued by the Group, of which:
  - dated subordinated debt (EUR 14.5 billion at end-2016 and EUR 13.0 billion at end-2015),
  - long-term vanilla senior non-preferred debt (EUR 1 billion at end-2016, inaugural issue of the new type of debt, eligible for MREL and TLAC ratios, following the promulgation of the Sapin 2 law in December 2016),
  - long-term vanilla senior preferred debt (EUR 31.3 billion at end-2016 and EUR 33.9 billion at end-2015),
  - covered bonds issued through the following vehicles: SGSCF (EUR 7.6 billion at end-2016 and EUR 8.9 billion at end-2015); SGSFH (EUR 9.3 billion at end-2016 and EUR 9.7 billion at end-2015); and CRH (EUR 6.6 billion at end-2016 and EUR 7.1 billion at end-2015),
  - securitisations and other secured debt issues (EUR 4.9 billion at end-2016 and EUR 4.4 billion at end-2015),
  - conduits (EUR 10.1 billion at end-2016 and EUR 9.0 billion at end-2015),
  - financial liabilities reported at fair value through P&L, including debt securities issued reported in the trading book, and debt securities issued measured using fair value option through P&L.
- amounts due to customers, in particular deposits.

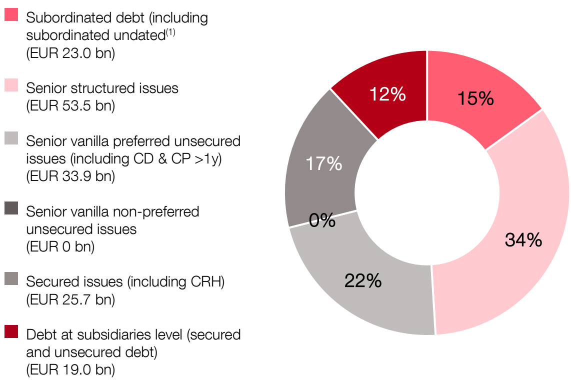
Funding resources also include funding via securities lending/borrowing transactions and securities sold under repurchase agreements measured at fair value through P&L totalling EUR 171.1 billion at 31st December 2016, versus EUR 178.5 billion at 31st December 2015 (see Note 3.1 of the consolidated financial statements), which are not included in this graph.

The Societe Generale Group's debt policy is designed not only to ensure financing for the growth of the core businesses' commercial activities and debt renewal, but also to maintain repayment schedules that are compatible with the Group's ability to access the market and its future growth.

The Group's debt policy is based on two principles:

- firstly, maintaining an active policy of diversifying the Societe Generale Group's sources of refinancing in order to guarantee its stability;
- secondly, adopting a Group refinancing structure that consistently matches the maturities of its assets and liabilities.

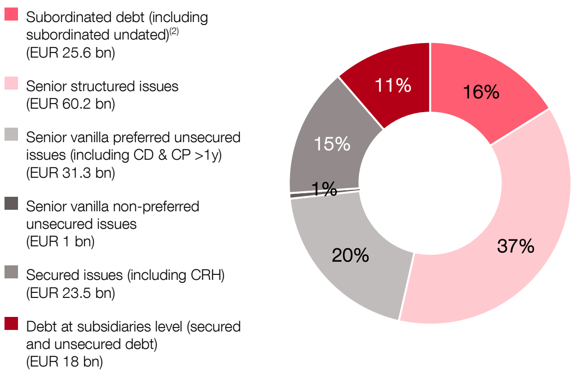
GROUP LONG-TERM DEBT AT 31ST DECEMBER 2015: EUR 155.1 BN*



* Group short-term debt totalled EUR 35.9 billion as of 31st December 2015, of which EUR 9.0 billion issued by conduits.

(1) Of which EUR 10.0 billion accounted as "other equity instruments" (see consolidated financial statements, changes in shareholders' equity).

GROUP LONG-TERM DEBT AT 31ST DECEMBER 2016: EUR 159.6 BN*



* Group short-term debt totalled EUR 39.3 billion as of 31st December 2016, of which EUR 10.1 billion issued by conduits

(1) Of which EUR 11.1 billion accounted as "other equity instruments" (see consolidated financial statements, changes in shareholders' equity).

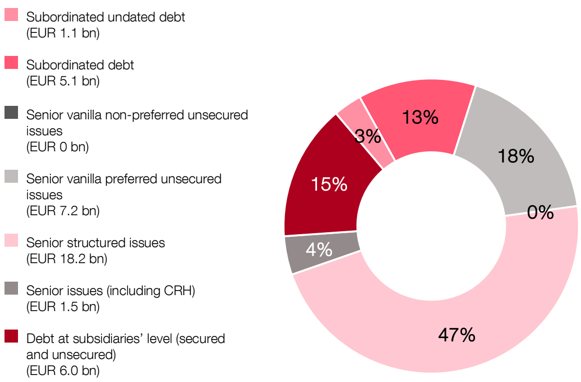
* Additional information about the Group liquidity risk management is available in Chapter 4 of this Registration Document, on page 225 and following, and in Note 4.3 to the consolidated financial statements on page 376.

Accordingly, **the Group's long-term financing plan**, implemented gradually and in a coordinated manner during the year based on a non-opportunistic issuance policy, is designed to maintain a surplus liquidity position over the medium and long term.

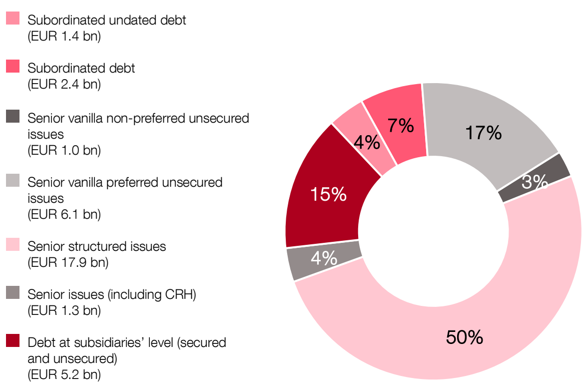
At end-2016, the liquidity raised under the 2016 financing programme amounted to EUR 35.3 billion in senior and subordinated debt. The liquidity raised at the parent company level amounted to EUR 30.1 billion at 31st December 2016.

Refinancing sources broke down as EUR 6.1 billion in senior vanilla preferred unsecured issues, as EUR 1 billion in a senior vanilla non-preferred unsecured issue, EUR 17.9 billion in senior structured issues, EUR 1.25 billion in secured issues (SG SFH), EUR 2.4 billion in subordinated Tier 2 debt, and EUR 1.4 billion in subordinated Additional Tier 1 debt. At the subsidiary level, EUR 5.2 billion had been raised at 31st December 2016.

2015 FINANCING PROGRAMME: EUR 39.1 BN



2016 FINANCING PROGRAMME: EUR 35.3 BN



LONG-TERM RATINGS, SHORT-TERM RATINGS, COUNTERPARTY RATINGS AND CHANGES OVER THE FINANCIAL YEAR

The table below summarises Societe Generale's counterparty ratings and senior long-term and short-term ratings as at 31st December 2016:

	DBRS	FitchRatings	Moody's	R&I	Standard & Poor's
Long-term/short-term counterparty assessment	AA/R-1 (High)	A	A1(CR)/P-1(CR)	N/A	N/A
Long-term senior rating	A (High) (Stable)	A (Stable)	A2 (Stable)	A (Stable)	A (Stable)
Short-term senior rating	R-1 (Middle)	F1	P-1	N/A	A-1

Over the course of financial year 2016, the long-term senior ratings from DBRS (A High), FitchRatings (A), Moody's (A2), R&I (A) and Standard & Poor's (A) were all maintained with a "Stable" outlook.

Short-term ratings assigned by all four agencies remained unchanged over the period at R-1 (Middle), F1, P-1 and A-1 for DBRS, FitchRatings, Moody's and S&P respectively.

Rating agencies have been progressively implementing a counterparty rating system. At this stage, the agencies having adopted a counterparty rating/assessment are DBRS, FitchRatings and Moody's, respectively of AA/R-1 (High), A and A1 (CR)/P-1(CR).

7. MAJOR INVESTMENTS AND DISPOSALS

The Group maintained a targeted acquisition and disposal policy in 2016, in line with its strategy focused on its core businesses and the management of scarce resources.

Business division	Description of investments
2016	
International Retail Banking and Financial Services	Acquisition of the Parcours Group (operational vehicle leasing in France).
Global Banking and Investor Solutions	Acquisition of the Kleinwort Benson Group (private banking in the United Kingdom and Channel Islands).
2015	
International Retail Banking and Financial Services	Acquisition of a 65% stake in MCB Mozambique.
French Retail Banking	Acquisition of a 20.5% stake and exclusive control of Boursorama. Acquisition of a 49% stake and exclusive control of Selftrade Bank in Spain.
2014	
International Retail Banking and Financial Services	Acquisition of a 7% stake in Rosbank, increasing the Group's stake to 99.4%.
Global Banking and Investor Solutions	Acquisition of 50% and exclusive control of Newedge.
French Retail Banking	Increase from 55.3% to 79.5% of the Group's stake in Boursorama following a tender offer and a squeeze-out.
Corporate Centre	Acquisition of a 3% stake in Euronext NV.

Business division	Description of investments
2016	
International Retail Banking and Financial Services	Disposal of 93.6% of Bank Republic in Georgia.
Corporate Centre	Disposal of the Group's stake in Visa Europe.
Corporate Centre	Disposal of the 8.6% stake in Axway.
2015	
International Retail Banking and Financial Services	Disposal of consumer credit activities in Brazil.
Global Banking and Investor Solutions	Disposal of the entire stake in Amundi (20%) at the time of the company's stock market listing.
Corporate Centre	Disposal of treasury shares (1% of Societe Generale's total shares) Disposal of the 7.4% stake held by Geninfo in Sopra Stéria.
2014	
Global Banking and Investor Solutions	Disposal of Private Banking operations in Asia (Hong Kong and Singapore).
Global Banking and Investor Solutions	Sale of 5% of Amundi to Crédit Agricole, bringing the Group's stake to 20%.

8. PENDING ACQUISITIONS AND MAJOR CONTRACTS

Financing of the main ongoing investments

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

Pending acquisitions

On 27th February 2015, Societe Generale announced that it was to unwind the life insurance partnership between Aviva France and Credit du Nord, managed through Antarius, and thus exercise its option to purchase Aviva France's 50% stake in Antarius. Implementation of the acquisition will take place on 1st April 2017.

Ongoing disposals

On 21st December 2016, the Group announced that it had entered into a definitive agreement with the group OTP Bank to sell Splitska Banka (SGSB), its fully-owned subsidiary in Croatia. The transaction is subject to the approval of all relevant authorities.

On 9th December 2016, the Group announced that, through Boursorama, it had agreed to sell the entire stake of Boursorama in Onvista AG, its German subsidiary, to Comdirect Bank AG. The sale is expected to close before end of H1 2017, following completion of the necessary regulatory authorisations.

On 9th February 2017, the Group announced its intention to float its ALD subsidiary on the stock market in 2017, subject to market conditions, through the disposal of a limited stake.

9. PROPERTY AND EQUIPMENT

The gross book value of Societe Generale Group's tangible operating fixed assets amounted to EUR 30.9 billion at 31st December 2016. This figure comprises land and buildings (EUR 5.4 billion), assets leased by specialised financing companies (EUR 20.2 billion) and other tangible assets (EUR 5.3 billion).

The gross book value of the Group's investment property amounted to EUR 0.8 billion at 31st December 2016. The net book value of tangible operating assets and investment property amounted to EUR 20 billion, representing 1.5 % of the consolidated balance sheet at 31st December 2016. Due to the nature of Societe Generale's activities, property and equipment are not material at Group level.

10. POST-CLOSING EVENTS

No post-closing event occurred after 31st December 2016 that could significantly affect the Group's financial or commercial position.

11. INFORMATION ABOUT GEOGRAPHIC LOCATIONS AND ACTIVITIES AS AT 31ST DECEMBER 2016

Article L. 511-45 of the French Monetary and Financial Code modified by Order No. 2014-158 of 20th February 2014, requires credit institutions to communicate information about the locations and activities of their entities included in their consolidation scope, in each State or territory.

Societe Generale publishes below staff-related and financial information by country or territory.

The list of locations is published in Note 8.6 to the consolidated financial statements.

Country	Staff*	NBI*	Earnings before corporate tax*	Corporate tax*	Deferred corporate tax*	Other taxes*	Subsidies*
South Africa	85	12	5	(1)	(1)	(1)	-
Albania	410	26	7	(1)	-	(1)	-
Algeria	1,463	156	92	(23)	(2)	(4)	-
Germany	3,044	756	242	(0)	(21)	(38)	-
Australia	24	14	0	-	1	(0)	-
Austria	38	11	3	(1)	(0)	(0)	-
Belgium	456	155	69	(15)	(3)	(15)	-
Benin	254	18	(17)	(0)	1	(0)	-
Bermuda(1)	-	9	9	-	-	-	-
Brazil	407	123	96	(40)	6	(2)	-
Bulgaria	1,517	124	51	(7)	2	(11)	-
Burkina Faso	284	38	22	(4)	(2)	(1)	-
Cameroon	631	76	13	(12)	8	(5)	-
Canada	72	46	13	1	0	(1)	-
China	490	62	25	0	0	0	-
South Korea	113	129	64	(31)	9	(5)	-
Cote d’Ivoire	1,231	141	69	(15)	(0)	(9)	-
Croatia	1,389	166	63	(11)	(2)	(6)	-
Curacao(2)	-	0	(1)	-	-	(1)	-
Denmark	166	71	44	(7)	(2)	(5)	-
United Arab Emirates	46	3	(3)	-	-	(0)	-
Spain	639	283	112	(19)	1	(20)	-
Estonia	-	-	0	-	-	-	-
United States	2,343	1,602	158	(8)	258	(6)	-
Finland	102	55	39	(2)	(5)	-	-
France	50,609	11,958	1,577	(445)	(798)	(1,058)	-

Country	Staff*	NBI*	Earnings before corporate tax*	Corporate tax*	Deferred corporate tax*	Other taxes*	Subsidies*
Georgia	-	41	20	(2)	(1)	-	-
Ghana	579	84	23	(7)	1	(1)	-
Gibraltar	47	16	0	-	(0)	(0)	-
Greece	38	5	2	(0)	(0)	-	-
Guinea	305	38	17	(6)	0	(1)	-
Equatorial Guinea	298	34	10	(6)	2	(0)	-
Hong Kong	1,068	605	202	(28)	(6)	(0)	-
Hungary	-	-	0	-	-	-	-
Isle of Man	-	(0)	0	-	-	-	-
Guernsey	130	25	(10)	(0)	-	-	-
Cayman Islands(3)	-	-	0	-	-	-	-
British Virgin Islands	-	-	0	-	-	-	-
India(4)	5,642	73	75	(34)	2	(10)	-
Ireland	42	44	31	(4)	-	(0)	-
Italy	2,005	702	258	(56)	8	(30)	-
Japan	300	307	162	(19)	(18)	(3)	-
Jersey	320	76	19	(1)	0	(3)	-
Latvia	-	-	0	-	-	-	-
Lebanon	-	-	23	-	-	-	-
Lithuania	-	-	0	-	-	-	-
Luxembourg	1,458	764	491	(57)	(11)	(29)	-
Macedonia	388	25	7	(1)	0	(1)	-
Madagascar	825	48	23	(5)	0	(3)	-
Malta	-	-	0	-	-	-	-
Morocco	3,750	416	123	(47)	(8)	(6)	-
Mauritius	-	(0)	0	-	-	-	-
Mexico	102	11	3	(1)	(1)	(2)	-
Moldova	718	30	15	(1)	0	(0)	-
Monaco	242	104	41	(14)	-	(0)	-
Montenegro	297	24	8	(1)	0	(3)	-
Norway	325	116	60	(11)	(23)	(1)	-
New Caledonia	301	77	35	(13)	(1)	(0)	-
Netherlands	187	46	16	(0)	2	(0)	-
Philippines(5)	-	-	-	-	-	-	-
Poland	2,955	235	39	(7)	(3)	(19)	-
French Polynesia	290	50	13	(6)	(2)	(1)	-
Portugal	95	16	9	(3)	1	-	-
Czech Republic	8,562	1,200	637	(110)	2	(63)	-
Romania	8 582	622	239	(38)	1	(19)	-
United Kingdom	3,460	1,799	638	(108)	(21)	(173)	-
Russian Federation	16,026	705	108	(37)	3	(6)	-
Senegal	785	70	18	1	(6)	(8)	-

Country	Staff*	NBI*	Earnings before corporate tax*	Corporate tax*	Deferred corporate tax*	Other taxes*	Subsidies*
Serbia	1,301	104	40	(0)	(3)	(5)	-
Singapore	221	136	(24)	(2)	(13)	(0)	-
Slovakia	59	14	5	(2)	0	(0)	-
Slovenia	860	120	80	(13)	(0)	(9)	-
Sweden	150	60	32	(4)	(3)	0	-
Switzerland	613	260	29	(11)	(10)	(3)	-
Taiwan	35	26	9	(3)	0	(0)	-
Chad	218	23	(2)	0	1	(2)	-
Togo	23	4	0	(0)	0	(0)	-
Tunisia	1,246	105	41	(14)	2	(6)	-
Turkey	65	7	(11)	-	(1)	(4)	-
Ukraine	-	-	0	-	-	-	-
Total	130,727	25,298	6,307	(1,313)	(655)	(1,600)	-

* **Staff**: Full-time equivalents (FTE) as at closing date. Staff members of entities accounted for by the equity method are excluded.

NBI: Net banking income by territorial contribution to the consolidated statement, in millions of euros, before elimination of intragroup reciprocal transactions. Net income from companies accounted for by the equity method is directly recorded in earnings before tax; there is no contribution from such companies.

Earnings before tax: Earnings before tax by territorial contribution to the consolidated statement before elimination of intragroup reciprocal transactions.

Corporate taxes: Such as presented in the consolidated statement in accordance with IFRS, distinguishing between current taxes and deferred taxes.

Other taxes: Other taxes include among others payroll taxes, the C3S tax and local taxes. The data arise from the consolidated reporting and from the management report.

Public subsidies received: Non-matching or non-refundable subsidies granted by a public entity on a one-off or renewable basis to complete a clearly defined project.

(1) Revenues from entities located in Bermuda are taxed in the United States and France, respectively.

(2) Revenue from the entity located in Curacao is taxed in France.

(3) Revenues from entities located in the Cayman Islands are taxed in the United States, United Kingdom and Japan, respectively.

(4) Most of the staff located in India is assigned to a shared services centre, the re-invoicing income of which is recorded in general and administrative expenses and not in NBI.

(5) Entity with no activity, winding up in progress.

3

CORPORATE GOVERNANCE

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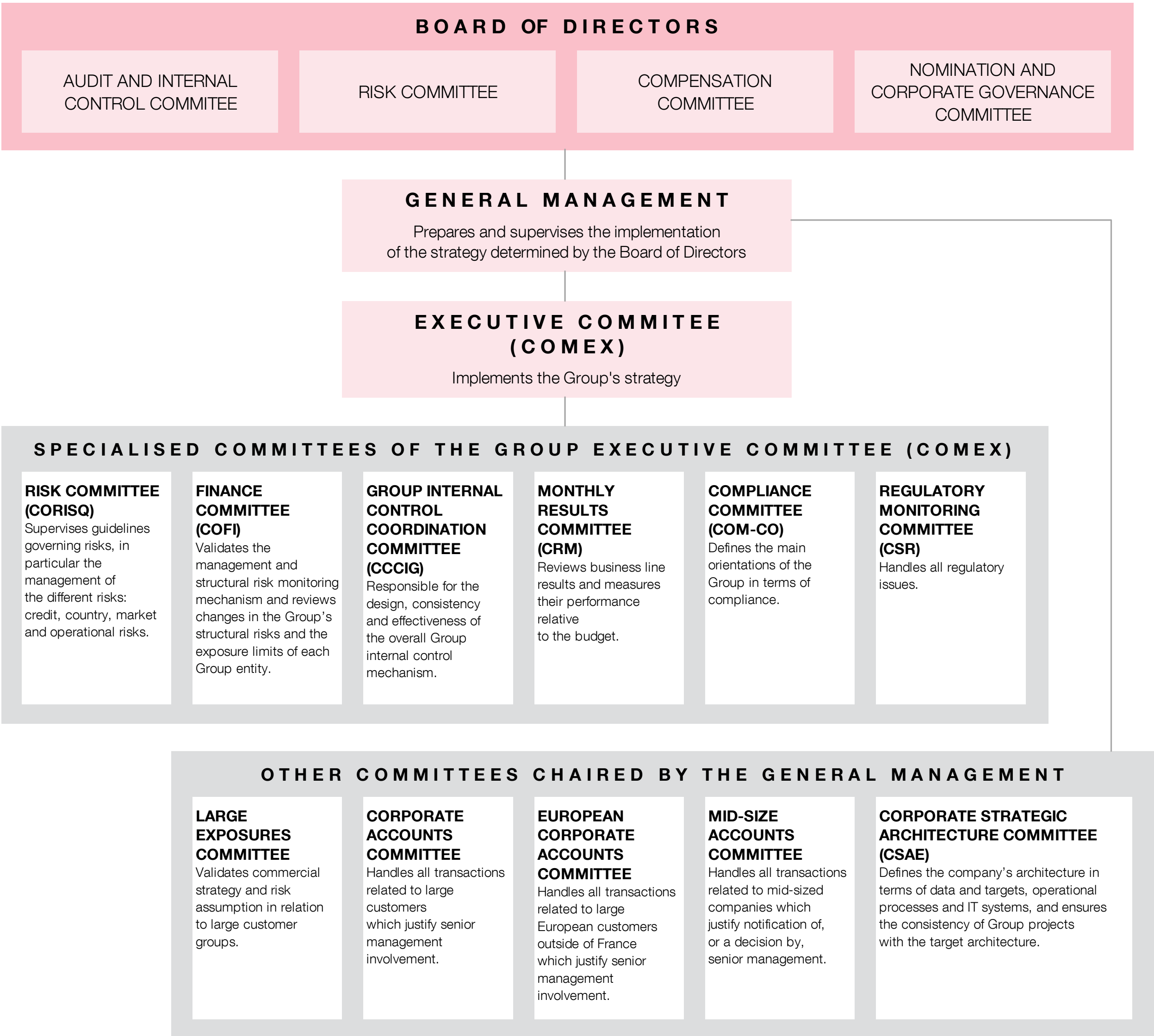
1. CORPORATE GOVERNANCE STRUCTURE AND MAIN BODIES

PRESENTATION OF GOVERNANCE AND STRUCTURE OF SUPERVISION COMMITTEES



The composition of the Board of Directors is presented on pages 69 and following of this Registration Document. The Internal Rules of the Board of Directors defining its powers are provided in Chapter 7, p. 511. The Board's work is presented on page 87.

The composition of the General Management and of the Executive Committee is presented in the respective sections of this chapter (see pages 76, 78 and 79).

The different Board of Directors Committees and their powers, along with their activity reports, are presented in the Chairman's Report on Corporate Governance (p. 81) and in the report of the Chairman on internal control and Risk Management (p. 132), covering in particular the:

- Role of the Chairman of the Board of Directors and the report on his activities, p. 88;
- Audit and Internal Control Committee (CACI), p. 89;
- Risk Committee, p. 91, role of these two committees, p. 138;
- Compensation Committee, p. 92;
- Nomination and Corporate Governance Committee, p. 93.

BOARD OF DIRECTORS

(AT 1ST JANUARY 2017)

Date of birth:
29th November 1956

Year of first appointment: 2014

Term of office expires in: 2018

Holds 2,000 shares

Professional address:

Tours Société Générale

75886 Paris Cedex 18

Lorenzo BINI SMAGHI

Chairman of the Board of Directors

Independent Director

Biography

An Italian national, with a degree in Economic Sciences from the *Université Catholique de Louvain* (Belgium) and a Ph.D in Economic Sciences from the University of Chicago. He began his career in 1983 as an Economist at the Research Department of the Banca d'Italia. In 1994, he was appointed Head of the Policy Division of the European Monetary Institute. In October 1998, he became Director General of International Financial Relations in Italy's Economy and Finance Ministry. He was Chairman of SACE from 2001 to 2005. From June 2005 to December 2011, he was member of the Executive Board of the European Central Bank. From 2012 to 2016, he was Chairman of the Board of Directors of SNAM (Italy). He is currently Chairman of the Board of Directors of Italgas (Italy) and ChiantiBanca (Italy).

Other offices held currently

In foreign listed companies

- *Chairman of the Board of Directors:* Italgas (Italy) (since 4th August 2016).

In foreign unlisted companies

- *Chairman of the Board of Directors:* ChiantiBanca (Italy) (since 11th April 2016).
- *Director:* TAGES Holding (Italy) (since 2014).

Other offices and positions held in other companies in the past five years

- *Chairman of the Board of Directors*: SNAM (Italy) (from 2012 to 27th April 2016).
- *Director:* Morgan Stanley (United Kingdom) (from 2013 to 2014).

Date of birth:
3rd July 1963

Year of first appointment: 2009

Term of office expires in: 2019

Holds:

131,145 shares

1,972 shares through Société Générale Actionnariat (Fonds E)

Professional address:

Tours Société Générale

75886 Paris Cedex 18

Frédéric OUDÉA

Chief Executive Officer

Biography

Frédéric Oudéa is a graduate of the *École Polytechnique* and the *École Nationale d'Administration*. From 1987 to 1995, he held a number of posts in the French senior civil service, Audit Department of the Ministry of Finance, Ministry of the Economy and Finance, Budget Ministry and Cabinet of the Ministry of the Treasury and Communication. He joined Societe Generale in 1995 and went from being Deputy Head to Head of the Corporate Banking arm in London. In 1998, he became Head of Global Supervision and Development of Equities. Appointed Deputy Chief Financial Officer of the Societe Generale Group in May 2002. Appointed Chief Financial Officer in January 2003. Appointed Chief Executive Officer of the Group in 2008. Chairman and Chief Executive Officer of Societe Generale from May 2009 to May 2015. In May 2015, the Board of Directors separated the offices of Chairman of the Board of Directors and of Chief Executive Officer, and appointed Frédéric Oudéa Chief Executive Officer.

Other offices held currently	Other offices and positions held in other companies in the past five years
None.	None.

Robert CASTAIGNE

Company Director

Independent Director, Member of the Audit and Internal Control Committee, Member of the Nomination and Corporate Governance Committee

Biography

Graduated with an engineering degree from the *Ecole Centrale de Lille* and the *Ecole nationale supérieure du pétrole et des moteurs*. He holds a Ph.D in economics. Spent his whole career at Total SA, first as an Engineer, then in various positions. From 1994 to 2008, he was Chief Financial Officer and a Member of the Executive Committee of Total SA.

Date of birth:
27th April 1946

Year of first appointment:
2009

Term of office expires in:
2018

Holds 1,000 shares

Professional address:
Tours Société Générale
75886 Paris Cedex 18

Other offices held currently	Other offices and positions held in other companies in the past five years
In French listed companies ■ *Director:* Sanofi (since 2000), Vinci (since 2007). **In foreign listed companies** ■ *Director:* Novatek (Russia) (since 2015).	None.

Barbara DALIBARD

Chief Executive Officer of SITA Group

Independent Director

Biography

Graduate of the *Ecole Nationale Supérieure* (ENS) of Paris, advanced degree in mathematics, graduate of the *Ecole Nationale Supérieure des Télécommunications*. Held various positions at France Télécom from 1982 to 1998. Then, Managing Director of Alcanet International SAS, subsidiary of the Alcatel-Lucent group, then Head of the “Business” market for Orange France and Vice-Chairwoman of Orange Business. From 2003 to 2006, Head of the “Corporate Solutions” division, then Head of the “Corporate Communication Services” division for France Télécom. From 2006 to 2010, Executive Director of Orange Business Services. In 2010, she joined SNCF Group, where she was member of the Group Management Committee and Head of SNCF Voyages. In 2014, she was appointed Chief Executive Officer of SNCF Voyageurs. Since July 2016, she is Chief Executive Officer of SITA Group.

Date of birth:
23rd May 1958

Year of first appointment:
2015

Term of office expires in:
2019

Holds 1,000 shares

Professional address:
26 Chemin de Joinville
Po Box 31
1216 Cointrin
Genève (Switzerland)

Other offices held currently	Other offices and positions held in other companies in the past five years
In French listed companies ■ *Member of the Supervisory Board:* Michelin (since 2008). **In foreign unlisted companies** ■ *Member of the Board of Directors:* SITA Group (Switzerland) (since 1st July 2016).	■ *Chairwoman:* VSC Groupe (from 2010 to 1st May 2016). ■ *Member of the Supervisory Board:* Wolters Kluwer (Netherlands) (from 2009 to 2015). ■ *Director:* Eurostar International Limited (United Kingdom) (from 2010 to 1st May 2016), NTV (Nuovo Trasporto Viaggiatori S.p.A.) (Italy) (from 2009 to 2015).

Kyra HAZOU

Company Director

Independent Director, Member of the Audit and Internal Control Committee, Member of the Risk Committee

Biography

A British and US national, graduated with a J.D. from Georgetown University Law Center in Washington (USA). She was Managing Director and Regional General Counsel for Salomon Smith Barney/Citibank from 1985 to 2000, after acting as a lawyer in London and New York. From 2001 to 2007, she was a non-executive Director and a member of the Audit Committee and Risk Committee at the Financial Services Authority in the United Kingdom.

Date of birth:

13th December 1956

Year of first appointment:
2011

Term of office expires in:
2019

Holds 1,000 shares

Professional address:

Tours Société Générale

75886 Paris Cedex 18

Other offices held currently

None.

Other offices and positions held in other companies in the past five years

None.

Jean-Bernard LÉVY

Chairman and Chief Executive Officer of EDF

Independent Director, Chairman of the Compensation Committee, Member of the Nomination and Corporate Governance Committee

Biography

Graduate of the *École Polytechnique* and *Télécom Paris Tech*. From 1978 to 1986, engineer at France Télécom. From 1986 to 1988, technical advisor to the Cabinet of Gérard Longuet, Deputy Minister for the Postal Service and Telecommunications. From 1988 to 1993, Head of Telecommunication Satellites at Matra Marconi Space. From 1993 to 1994, Director of the Cabinet of Gérard Longuet, French Minister for Industry, Postal Service, Telecommunications and Foreign Trade. From 1995 to 1998, Chairman and Chief Executive Officer of Matra Communication. From 1998 to 2002, Chief Executive Officer then Managing Partner responsible for Corporate Finance of Oddo et Cie. Joined Vivendi in 2002 as Chief Executive Officer. Chairman of the Management Board of Vivendi from 2005 to 2012. Chairman and Chief Executive Officer of Thalès from 2012 to 2014. Chairman and Chief Executive Officer of EDF since November 2014.

Date of birth:

18th March 1955

Year of first appointment:
2009

Term of office expires in:
2017

Holds 1,000 shares

Professional address:

22-30 avenue de Wagram

75008 Paris

Other offices held currently

In French listed companies

- *Chairman and Chief Executive Officer:* EDF* (since 2014).

In French unlisted companies

- *Director:* Dalkia* (since 2014), EDF Energie Nouvelles* (since 2015).

In foreign listed companies

- *Chairman of the Board of Directors:* Edison S.p.A* (Italy) (since 2014).

In foreign unlisted companies

- *Chairman of the Board of Directors:* EDF Energy Holdings* (United Kingdom) (since 2015).

* EDF Group

Other offices and positions held in other companies in the past five years

- *Chairman and Chief Executive Officer:* Thalès (from 2012 to 2014), SFR (2012).
- *Chairman of the Management Board:* Vivendi (from 2005 to 2012).
- *Chairman of the Supervisory Board:* Viroxis (from 2007 to 2014), Groupe Canal+ (from 2008 to 2012), Canal + France (from 2008 to 2012).
- *Chairman of the Board of Directors:* JBL Consulting & Investment SAS (from 2012 to 2014), Activision Blizzard, Inc (USA) (from 2008 to 2012), GVT (Brazil) (from 2009 to 2012).
- *Vice-Chairman of the Supervisory Board:* Maroc Telecom (Morocco) (from 2007 to 2012).
- *Director:* Vinci (from 2007 to 2015), DCNS (from 2013 to 2014).

Date of birth:

5th August 1950

Year of first appointment: 2011

Term of office expires in: 2019

Holds 1,000 shares

Professional address:

Tours Société Générale

75886 Paris Cedex 18

Ana-Maria LLOPIS RIVAS

Founder, Chairwoman and Chief Executive Officer of Global Ideas4all, S.L.

Independent Director, Member of the Nomination and Corporate Governance Committee

Biography

A Spanish national, spent 11 years in the Spanish banking sector (Banesto and Santander Group) where she notably founded an online bank and brokerage firm. She was Executive Chairwoman of Razona, a financial consulting firm, then Executive Vice-Chairwoman of Financial and Insurance Markets of the consultancy Indra. At the same time, she was a Non-Executive Director and member of the Audit Committee of Reckitt-Benckiser, then a member of the Supervisory Board of ABN-AMRO. She is currently the founder, Chairwoman and Chief Executive Officer of Global Ideas4all, S.L. as well as Non-Executive Chairwoman of the Board of Directors of DIA Group SA.

Other offices held currently

In foreign listed companies

- *Chairwoman of the Board of Directors:* DIA Group SA (Spain) (since 2011).

In foreign unlisted companies

- *Founder, Chairwoman and Chief Executive Officer:* Global Ideas4all, S.L. (Spain) (since 2008).

Other offices and positions held in other companies in the past five years

- *Director:* AXA Spain (Spain) (from 2013 to 2015), Service Point Solutions (Spain) (from 2009 to 2012), R&R Music (United Kingdom) (from 2012 to 2014).

Date of birth:

1st April 1949

Year of first appointment: 2015

Term of office expires in: 2019

Holds 1,200 shares

Professional address:

1 place Samuel-de-Champlain

Faubourg de l'Arche

92930 Paris La Défense

Gérard MESTRALLET

Chairman of the Board of Directors of ENGIE

Independent Director, Chairman of the Nomination and Corporate Governance Committee, Member of the Compensation Committee.

Biography

Graduate of the *Ecole Polytechnique* and the *Ecole Nationale d'Administration*. He held different positions in the French Administration before joining the Compagnie Financière de Suez in 1984 as a Special Advisor to the Chairman, then as Senior Executive Vice-Chairman in charge of industrial affairs. In 1991, he was appointed Executive Director of Societe Generale de Belgique. In July 1995, he became Chairman and Chief Executive Officer of Compagnie de Suez, then in June 1997, Chairman of the Management Board of Suez Lyonnaise des Eaux and, finally, in 2001, Chairman and Chief Executive Officer of Suez. From July 2008 to May 2016, he was Chairman and Chief Executive Officer of ENGIE (previously GDF SUEZ). Since May 2016, Chairman of the Board of Directors following the separation of the functions of Chairman and Chief Executive Officer.

Other offices held currently

In French listed companies

- *Chairman of the Board of Directors:* ENGIE* (since 2008), SUEZ* (since 2008).

In foreign listed companies

- *Member of the Supervisory Board:* Siemens AG (Germany) (since 2013).

* ENGIE Group

Other offices and positions held in other companies in the past five years

- *Chairman of the Board of Directors:* Electrabel* (Belgium) (from 2010 to 26th April 2016), ENGIE Energy Management Trading* (Belgium) (from 2010 to 18th March 2016), Engie Energie Services* (from 2005 to 2nd May 2016), GDF SUEZ Rassembleurs d'Energies S.A.S* (from 2011 to 2014), GDF SUEZ Belgium* (Belgium) (from 2010 to 2014).
- *Vice-Chairman of the Board of Directors:* Aguas de Barcelona (Spain) (from 2010 to 2015).
- *Director:* International Power* (United Kingdom) (from 2011 to 1st May 2016), Saint-Gobain (from 1995 to 2015), Pargesa Holding SA (Switzerland) (from 1998 to 2014).

Date of birth:

10th March 1953

Year of first appointment: 2016

Term of office expires in: 2020

Holds 1,500 shares

Professional address:

Tours Société Générale

75886 Paris Cedex 18

Juan Maria NIN GENOVA

Company Director

Independent Director, Member of the Risk Committee and of the Compensation Committee

Biography

A Spanish national and graduate of the University of Deusto (Spain), the London School of Economics and Political Sciences (United Kingdom), he is a lawyer and economist who began his career as a Program Manager in the Spanish Ministry for relations with the European Community. He worked as General Manager of Santander Central Hispano from 1980 to 2002, before becoming an advisor of Banco Sabadell until 2007. In June 2007, he was appointed Chief Executive Officer of La Caixa. In July 2011, he became Vice-Chairman and Deputy Advisor of Caixa bank until 2014.

Other offices held currently

In foreign listed companies

- *Director:* DIA Group SA (Spain) (since 2015).

In foreign unlisted companies

- *Director:* Grupo de Empresas Azvi S.L.* (Spain) (since 2015), Azora Capital S.L.* (Spain) (since 2014).

* Grupo de Empresas Azvi, S.L

Other offices and positions held in other companies in the past five years

- *Chairman of the Board of Directors:* VidaCaixa Assurances (Spain) (2014), SegurCaixa Holding SA (Spain) (from 2007 to 2014).
- *Vice-Chairman and Deputy Advisor:* Caixabank SA (Spain) (from 2011 to 2014).
- *Member of the Supervisory Board:* ERSTE Group Bank AG (Austria) (from 2009 to 2014), Grupo Financiero Inbursa (Mexico) (from 2008 to 2014), Banco BPI (Portugal) (from 2008 to 2014).
- *Director:* Naturhouse (Spain) (from 2014 until July 2016), Grupo Indukern* (Spain) (from 2014 until July 2016), Gas Natural (Spain) (from 2008 to 2015), Repsol SA (Spain) (from 2007 to 2015).

Date of birth:

7th April 1957

Year of first appointment: 2008

Term of office expires in: 2020

Holds 2,048 shares

Professional address:

Tours Société Générale

75886 Paris Cedex 18

Nathalie RACHOU

Company Director

Independent Director, Chairwoman of the Risk Committee, Member of the Audit and Internal Control Committee

Biography

HEC graduate. From 1978 to 1999, she held a number of positions within Banque Indosuez and Crédit Agricole Indosuez: foreign exchange dealer, Head of asset/liability management, founder then Chief Executive Officer of Carr Futures International Paris (brokerage subsidiary of Banque Indosuez trading on the Paris Futures Exchange), Corporate Secretary of Banque Indosuez and Global Head of Foreign Exchange and Currency Options at Crédit Agricole Indosuez. In 1999, founded Topiary Finance Ltd., an asset management company based in London. Since 2015, she is Senior Advisor of Rouvier Associés. Foreign Trade Advisor for France since 2001.

Other offices held currently

In French listed companies

- *Director:* Veolia Environnement (since 2012), Altran (since 2012).

In foreign listed companies

- *Director:* Laird PLC (United Kingdom) (since 1st January 2016).

Other offices and positions held in other companies in the past five years

- *Director:* Liautaud & Cie (from 2000 to 2013), Topiary Finance (United Kingdom) (from 1999 to 2014).

Date of birth:

5th September 1958

Year of first appointment: 2013

Term of office expires in: 2017

Holds 1,000 shares

Professional address:

Tours Société Générale

75886 Paris Cedex 18

Alexandra SCHAAPVELD

Company Director

Independent Director, Chairwoman of the Audit and Internal Control Committee, Member of the Risk Committee

Biography

A Dutch national, she is a graduate in Politics, Philosophy and Economics from the University of Oxford (United Kingdom) and holds a Master's degree in Development Economics from Erasmus University Rotterdam (Netherlands). She began her career in the ABN AMRO Group in the Netherlands, where she held various positions in the Investment Banking division from 1984 to 2007, including being in charge of the bank's major corporate clients. In 2008, she was appointed Head of Investment Banking for Western Europe at the Royal Bank of Scotland Group.

Other offices held currently

In French listed companies

- *Member of the Supervisory Board:* Vallourec SA (since 2010).

In foreign listed companies

- *Member of the Supervisory Board:* Bumi Armada Berhad (Malaysia) (since 2011).

In foreign unlisted companies

- *Member of the Supervisory Board:* FMO (Netherlands) (since 2012).

Other offices and positions held in other companies in the past five years

- *Member of the Supervisory Board:* Holland Casino* (Netherlands) (from 2007 to June 2016).

*Foundation

Date of birth:

27th July 1967

Year of first appointment: 2009

Term of office expires in: 2018

Professional address:

Tours Société Générale

75886 Paris Cedex 18

France HOUSSAYE

Director elected by employees

Product and Partnership Coordinator at the Rouen Branch

Member of the Compensation Committee

Biography

Societe Generale employee since 1989.

Other offices held currently

None.

Other offices and positions held in other companies in the past five years

None.

Béatrice LEPAGNOL

Director elected by employees

Union activities advisor at the Agen branch

Biography

Societe Generale employee since 1990.

Date of birth:

11th October 1970

Year of first appointment: 2012

Term of office expires in: 2018

Professional address:

Tours Société Générale

75886 Paris Cedex 18

Other offices held currently	Other offices and positions held in other companies in the past five years
None.	None.

GENERAL MANAGEMENT

(AT 1ST JANUARY 2017)

Date of birth:

3rd July 1963

Holds:

131,145 shares

1,972 shares through Société Générale Actionnariat (Fonds E)

Frédéric OUDÉA

Chief Executive Officer

Biography

See page 69.

Other offices held currently	Other offices and positions held in other companies in the past five years
None.	None.

Date of birth:

21st July 1958

Holds:

62,127 shares

1,420 shares through Société Générale Actionnariat (Fonds E)

Séverin CABANNES

Deputy Chief Executive Officer

Biography

Worked for Crédit National, Elf Atochem, then La Poste Group (1983-2001). Joined Societe Generale in 2001 as Group Chief Financial Officer until 2002. Deputy Chief Executive Office responsible for the Steria Group's strategy and finance, then Chief Executive Officer (2002-2007). Became Societe Generale's Group Head of Corporate Resources in January 2007. Deputy Chief Executive Officer since May 2008.

Other offices held currently	Other offices and positions held in other companies in the past five years
None.	- *Director:* Credit du Nord (from 2007 until 19th May 2016), Amundi Group (from 2009 to 2015), TCW Group (United States) (from 2009 to 2013). - *Member of the Supervisory Board:* Steria Sca Group (from 2007 to 2014).

Date of birth:

9th March 1960

Holds: 47,891 shares

Bernardo SANCHEZ INCERA

Deputy Chief Executive Officer

Biography

A Spanish national. From 1984 to 1992, he was a corporate relationship manager and Deputy Head of the Corporate Business Branch of Crédit Lyonnais La Défense in Paris. From 1992 to 1994, he was Director and Chief Executive Officer of Crédit Lyonnais Belgium. From 1994 to 1996, he was Deputy Director of Banca Jover Spain. From 1996 to 1999, he was Chief Executive Officer of Zara France. From 1999 to 2001, he was Head of International Operations for the Inditex Group, then Chairman of LVMH Mode et Maroquinerie Europe and of LVMH Fashion Group France from 2001 to 2003. From 2003 to 2004, he was Chief Executive Officer of Vivarte France, then in 2004, Executive Managing Director of Monoprix France until 2009. He joined Societe Generale in November 2009, where he has been a Deputy Chief Executive Officer since 1st January 2010.

Other offices held currently

In French unlisted companies

- *Chairman of the Board of Directors:* Boursorama (since 2015), Credit du Nord (since 2014).
- *Director:* Sogécap (since 2010).

In foreign listed companies

- *Director:* BRD – Groupe SOCIETE GENERALE SA (Romania) (since 2011).
- *Member of the Supervisory Board:* PJSC Rosbank (Russia) (since 2010).

In foreign unlisted companies

- *Member of the Supervisory Board:* Societe Generale Marocaine de Banques (Morocco) (since 2010).

Other offices and positions held in other Group companies in the past five years

- *Director:* Societe Generale de Banques au Sénégal (Senegal) (from 2010 to 2015), Societe Generale de Banques au Cameroun (Cameroun) (from 2010 to 2015), Societe Generale de Banques en Côte d'Ivoire (Ivory Coast) (from 2010 to 2015), Compagnie Générale de Location d'Equipements (from 2011 to 2014), Franfinance (from 2010 to 2014), ALD Automotive Group Plc (United Kingdom) (from 2010 to 2014), National Societe Generale Bank (Egypt) (from 2010 to 2013).
- *Member of the Supervisory Board:* Komerční Banka A.S (Czech Republic) (from 2010 to 2015).

SINCE 16TH JANUARY 2017

Date of birth:

15th January 1968

Holds:

18,474 shares

18,248 shares through Société Générale Actionnariat (Fonds E)

Didier VALET

Deputy Chief Executive Officer

Biography

A graduate of the *Ecole Polytechnique*, the *Ecole Nationale de la Statistique et de l'Administration Economique* and the *Société Française des Analystes Financiers*. Analyst within the Economic and Financial Research Department of Banque Indosuez from 1992 to 1996. Joined Dresdner Kleinwort Benson from 1996 to 1999 as Equity Research Analyst. Joined Societe Generale group in 2000 where he held various posts until 2008. Became Chief Financial Officer of the Group in 2008 then Head of Corporate and Investment Banking. From 2013 to 2017, Head of Corporate and Investment Banking, Private Banking, Asset Management and Securities Services. While maintaining his function, is appointed in 2017 Deputy Chief Executive Officer.

Other offices held currently

In French unlisted companies

- *Chairman:* Inter Europe Conseil (since 2010).
- *Director:* Sogécap (since 2013).

Other offices and positions held in other Group companies in the past five years

- *Chairman and Chief Executive Officer:* SG Financial Services Holding (from 2008 to 2012).
- *Chairman of the Board of Directors:* SG Americas Securities Holdings, LLC (United States) (2016).
- *Director*: Société Générale SFH (from 2011 to 2012), Boursorama (from 2011 to 2012), Newedge Group (from 2008 to 2012), Amundi (from 2009 to 2012).
- *Member of the Supervisory Board:* PJSC Rosbank (Russia) (from 2012 to 2016).

ADDITIONAL INFORMATION ABOUT THE CHIEF EXECUTIVE OFFICER, THE DEPUTY CHIEF EXECUTIVE OFFICERS AND THE MEMBERS OF THE BOARD OF DIRECTORS

Absence of conflicts of interest

To the best of the Board of Directors' knowledge:

- there are no potential conflicts of interest between the duties of the Chief Executive Officer, the Deputy Chief Executive Officers and the members of the Board of Directors towards Societe Generale and any other obligations or private interests. If necessary, Article 14 of the Board of Directors' Internal Rules governs conflicts of interest for Directors;
- no arrangements or agreements have been entered into with a shareholder, customer, supplier or other party pursuant to which one of the aforementioned persons has been selected;
- there is no family relationship between the aforementioned persons;
- no restriction other than statutory restrictions shall be accepted by any of the aforementioned persons with regard to the disposal of their stake in Societe Generale's share capital.

Absence of convictions

To the best of the Board of Directors' knowledge:

- no conviction for fraud has been handed down over the past five years against the Chief Executive Officer, any Deputy Chief Executive Officer or any current member of the Board of Directors;
- neither the Chief Executive Officer, nor any Deputy Chief Executive Officer, nor any current member of the Board of Directors has been involved (as a member of the Board of Directors, Management Board or Supervisory Board, or as a manager) in any bankruptcy, receivership or liquidation proceedings over the past five years;
- neither the Chief Executive Officer, nor any Deputy Chief Executive Officer, nor any current member of the Board of Directors, has been the object of any criminal charges and/or official public sanction from state or regulatory authorities;
- neither the Chief Executive Officer, nor any Deputy Chief Executive Officer, nor any current member of the Board of Directors has been prohibited by a court from acting as a member of an administrative, management or supervisory body of an issuer or from taking part in the management or conduct of an issuer's business over the past five years.

EXECUTIVE COMMITTEE

(AT 16TH JANUARY 2017)

The Executive Committee is responsible for the strategic management of the Group, under the authority of the Chief Executive Officer.

NAME	MAIN POSITION WITHIN THE SOCIETE GENERALE GROUP
Frédéric OUDÉA	Chief Executive Officer
Séverin CABANNES	Deputy Chief Executive Officer
Bernardo SANCHEZ INCERA	Deputy Chief Executive Officer
Didier VALET	Deputy Chief Executive Officer
Gilles BRIATTA	General Secretary and Group Chief Compliance Officer
Laurent GOUTARD	Head of Societe Generale French Retail Banking
Caroline GUILLAUMIN	Head of Group Communication
Didier HAUGUEL	Co-Head of International Banking and Financial Services
Philippe HEIM	Group Chief Financial Officer
Édouard-Malo HENRY	Group Head of Human Resources
Françoise MERCADAL-DELASALLES	Group Head of Corporate Resources and Innovation
Diony LEBOT	Group Chief Risk Officer
Jean-Luc PARER	Co-Head of International Banking and Financial Services

GROUP MANAGEMENT COMMITTEE

(AT 16TH JANUARY 2017)

The Group Management Committee, which comprises nearly 60 of the Group's senior executives, meets to discuss Group strategy and other issues of general interest to the Group.

NAME	MAIN POSITION WITHIN THE SOCIETE GENERALE GROUP
Frédéric OUDÉA	Chief Executive Officer
Séverin CABANNES	Deputy Chief Executive Officer
Bernardo SANCHEZ INCERA	Deputy Chief Executive Officer
Didier VALET	Deputy Chief Executive Officer
Gilles BRIATTA	Corporate Secretary and Group Chief Compliance Officer
Laurent GOUTARD	Head of Societe Generale Retail Banking in France
Caroline GUILLAUMIN	Head of Group Communication
Didier HAUGUEL	Co-Head of International Banking and Financial Services
Philippe HEIM	Group Chief Financial Officer
Edouard-Malo HENRY	Group Head of Human Resources
Diony LEBOT	Group Chief Risk Officer
Françoise MERCADAL-DELASALLES	Group Head of Corporate Resources and Innovation
Jean-Luc PARER	Co-Head of International Banking and Financial Services
Hervé AUDREN de KERDREL	Deputy Chief Financial Officer of the Group
Pascal AUGÉ	Head of Global Transaction and Payment Services
Philippe AYMERICH	Chief Executive Officer of Credit du Nord
Alain BOZZI	Head of Group Compliance
Pavel ČEJKA	Chief Operating Officer at International Banking and Financial Services
Marie CHEVAL	Chief Executive Officer of Boursorama
Thierry D'ARGENT	Co-Head of the Coverage and Investment Banking
Véronique DE LA BACHELERIE	Chief Executive Officer of Societe Generale Bank and Trust
Bruno DELAS	Head of Innovation and Information Technology for French Retail Banking
Pierre-Yves DEMOURES	Deputy Head of Human Resources
Frank DROUET	Head of Global Markets
Marie-Christine DUCHOLET	Head of the Equipment and Vendor Finance businesses, Societe Generale Equipment Finance
Claire DUMAS	Chief Financial Officer of Retail Banking in France
Ian FISHER	Head of the Culture and Conduct Programme
Patrick FOLLÉA	Deputy Head of Société Générale Private Banking and Head of Société Générale Private Banking France
Olivier GARNIER	Group Chief Economist

NAME	MAIN POSITION WITHIN THE SOCIETE GENERALE GROUP
Jean-Marc GIRAUD	Head of Inspection and Audit Division
Carlos GONÇALVES	Head of Global Technology Services
Donato GONZALEZ-SANCHEZ	Head of Corporate and Investment Banking, Private Banking, Asset Management, Securities Services and Group Country Head for Spain and Portugal
Jean-François GRÉGOIRE	Deputy Group Chief Risk Officer
Eric GROVEN	Deputy Head of Societe Generale Retail Banking in France
Alvaro HUETE	Deputy Head of Global Finance and Head of GLFI for the United Kingdom
Arnaud JACQUEMIN	Group Deputy General Secretary
Jochen JEHMLICH	Chief Executive Officer of GEFA Group and Deputy Chief Executive Officer of Societe Generale Equipment Finance
William KADOUCH-CHASSAING	Deputy Chief Financial Officer and Head of Group Strategy
Jean-Louis KLEIN	Head of Corporate Accounts for Societe Generale Retail Banking in France
Slawomir KRUPA	Chief Executive Officer for Societe Generale Americas
Albert LE DIRAC'H	Chairman of the Board of Directors and Chief Executive Officer of Komerční Banka and Group Country Head for the Czech Republic and Slovakia
Christophe LEBLANC	Chief Operating Officer, Corporate & Investment Banking, Private Banking, Asset Management, Securities Services
Xavier LOFFICIAL	Head of Transformation, Processes and Information Systems
Anne MARION-BOUCHACOURT	Group Chief Country Officer for China
Mike MASTERSON	Head of the Car Renting and Fleet Management businesses (ALD Automotive)
Laetitia MAUREL	Head of Group Media Relations
Alexandre MAYMAT	Head of the Africa/Asia/Mediterranean Basin & Overseas region, International Banking and Financial Services
Jean-François MAZAUD	Head of Private Banking
Christophe MIANNÉ	Deputy Head, Corporate & Investment Banking, Private Banking, Asset Management, Securities Services
Hikaru OGATA	Chief Executive Officer for Societe Generale Asia Pacific
Dmitry OLYUNIN	Chief Executive Officer of Rosbank
Pierre PALMIERI	Head of Global Finance
Philippe PERRET	Head of the Insurance businesses
Sylvie PRÉA	Director of Corporate Social Responsibility
Bruno PRIGENT	Global Head of Societe Generale Securities Services
Sylvie RÉMOND	Co-Head of Coverage and Investment Banking
Sadia RICKE	Group Country Head for the United Kingdom and Head of Coverage and Investment Banking in the United Kingdom
Giovanni-Luca SOMA	Head of the Europe region, International Banking and Financial Services division
Catherine THERY	Head of Group Internal Control Coordination and "Entreprise Risk Management" (ERM) Program Director
Vincent TRICON	Head of Societe Generale's Mid Cap Investment Banking
Guido ZOELLER	Group Country Head for Germany and Head of Societe Generale Corporate & Investment Banking activities in Germany

2. CHAIRMAN'S REPORT ON CORPORATE GOVERNANCE

STATEMENT ON THE CORPORATE GOVERNANCE REGIME

Societe Generale refers to the AFEP-MEDEF Corporate Governance Code for listed companies (November 2016, hereinafter the "AFEP-MEDEF Code" – document available at *www.afep.com*). In accordance with the "comply or explain" principle, Societe Generale stipulates that it applies all recommendations from the AFEP-MEDEF Code.

The operation of the Board of Directors and the Committees is governed by internal rules (hereinafter the "Internal Rules").

During its meeting on 13th January 2017, the Board of Directors updated the Internal Rules in order to include new rules relating to the allocation of attendance fees and various adaptations related to changes in the regulations (e.g. audit reform) and the AFEP-MEDEF Code.

The Internal Rules and the Company's By-laws are included in the Registration Document (see Chapter 7).

BOARD OF DIRECTORS

1. Organisation of the governance

On 15th January 2015, the Board of Directors decided that the offices of Chairman and Chief Executive Officer would be separated following the General Meeting of 19th May 2015. At that date, Lorenzo Bini Smaghi, who held the position of Second Vice-Chairman of the Board of Directors, became Chairman of the Board, and Frédéric Oudéa remained Chief Executive Officer.

Frédéric Oudéa is assisted by two Deputy Chief Executive Officers:

- Séverin Cabannes (in office since May 2009), who is more specifically responsible for the following activities: Finance, Risk, Resources, Global Banking & Investor Solutions; and
- Bernardo Sanchez Incera (in office since 1st January 2010), who is more specifically responsible for the whole of French Retail Banking, and supervision of International Retail Banking and Financial Services.

On 13th January 2017, the Board of Directors decided to appoint a third Deputy Chief Executive Officer, Didier Valet.

As from 16th January 2017, Bernardo Sanchez Incera has been more specifically responsible for all activities devoted to retail customers (individuals, professionals, SMEs, etc.) and Didier Valet for all large corporate and institutional activities, with Séverin Cabannes specifically monitoring resources, risk, finance and compliance.

2. Limitations imposed on the powers of the Chief Executive Officer

Neither the By-laws nor the Board of Directors impose any specific limitations on the powers of the Chief Executive Officer or Deputy Chief Executive Officers, which are exercised in accordance with the laws and regulations in force, the By-laws, the Internal Rules and the guidelines adopted by the Board of Directors.

Article 1 of the Internal Rules defines the cases in which prior approval of the Board of Directors is required (strategic investment projects exceeding a given amount, etc.). See below, Board's expertise, page 86.

3. Composition of the Board

As at 31st December 2016, the Board comprised eleven Directors appointed by the General Meeting and two Directors representing the employees. A representative of the Works Council attends meetings of the Board of Directors, without voting rights.

The duration of the term of office of Directors appointed by the General Meeting is four years. The expiry of these terms of office is staggered, enabling the renewal or appointment of between two and five Directors every year. The two Directors elected by Societe Generale's employees, France Houssaye and Béatrice Lepagnol, whose mandates were renewed on 19th March 2015, have a three-year mandate (2015-2018).

The average age of Directors is 59.

Nine Directors are members of one or several Board of Directors' committees.

Composition of the Board of Directors as at 31st December 2016

Directors	Gender	Age(1)	Nationality	Initial year of appointment	End of term of office (GM)	Number of years on the Board(2)	Independent Director	Member of a Board committee	Number of terms of offices held in listed companies
Lorenzo BINI SMAGHI Chairman of the Board of Directors	M	60	Italian	2014	2018	3	Yes	-	2
Frédéric OUDÉA Chief Executive Officer	M	53	French	2009	2019	8	No	-	1
Robert CASTAIGNE	M	70	French	2009	2018	8	Yes	CACI(3) CONOM(4)	4
Barbara DALIBARD	F	58	French	2015	2019	2	Yes	-	2
Kyra HAZOU	F	60	British/ American	2011	2019	6	Yes	CACI(3) CR(5)	1
France HOUSSAYE	F	49	French	2009	2018	8	No	COREM(6)	1
Béatrice LEPAGNOL	F	46	French	2012	2018	5	No	-	1
Jean-Bernard LÉVY	M	61	French	2009	2017	8	Yes	CONOM(4) Chairman of the COREM(6)	3
Ana Maria LLOPIS RIVAS	F	66	Spanish	2011	2019	6	Yes	CONOM(4)	2
Gérard MESTRALLET	M	67	French	2015	2019	2	Yes	Chairman of the CONOM(4) COREM(6)	3
Juan Maria NIN GENOVA	M	63	Spanish	2016	2020	1	Yes	CR(5) COREM(6)	2
Nathalie RACHOU	F	59	French	2008	2020	9	Yes	CACI(3) Chairman of the CR(5)	4
Alexandra SCHAAPVELD	F	58	Dutch	2013	2017	4	Yes	Chairman of the CACI(3) CR(5)	3

(1) Age as at 31st December 2016.
(2) As at the date of the next General Meeting, to be held on 23rd May 2017.
(3) Audit and Internal Control Committee.
(4) Nomination and Corporate Governance Committee.
(5) Risk Committee.
(6) Compensation Committee.

Changes in the composition of the Board of Directors in 2016

Director	Departure	Appointment	Renewal	Nationality
Michel CICUREL	18th May 2016			French
Yann DELABRIÈRE	18th May 2016			French
Juan Maria NIN GENOVA		18th May 2016(1)		Spanish
Nathalie RACHOU			18th May 2016	French
Emmanuel ROMAN		18th May 2016		French
Emmanuel ROMAN	1st December 2016			French

(1) Effective as from 1st September 2016.

3.1 EXPERIENCED AND COMPLEMENTARY DIRECTORS

The composition of the Board is designed to achieve a balance between experience, expertise and independence, in accordance with parity. Expertise and experience in the financial world and the management of large international companies are the basic criteria for the selection of Directors. Each year, the balance thus established in the composition of the Board is reviewed by the Nomination and Corporate Governance Committee and the Board of Directors. The analysis of the Directors' expertise shows the complementary nature of their various profiles, which cover the entire spectrum of the Bank's business and the risks associated with its activity.

3.2 DIRECTORS' EXPERTISE

The table below summarises the Directors' main areas of expertise and experience. Their biographies can be found in Chapter 3.1., pages 69 to 75.

DIRECTORS	Banking, Finance	Other business	International	Brief bio
Frédéric OUDÉA	X		X	A biography can be found on page 69
Lorenzo BINI SMAGHI	X		X	Monetary policy/Energy/Economy
Robert CASTAIGNE		X	X	Finance/Accounting/Energy/Management of large international companies
Barbara DALIBARD		X	X	Telecommunications/Digital/Services/Management of large international companies
Kyra HAZOU	X		X	Legal/Banking and financial regulations
Jean-Bernard LÉVY		X	X	Energy/Finance/Management of large international companies
Ana Maria LLOPIS RIVAS	X		X	Retail Banking/Remote banking/Innovation
Gérard MESTRALLET		X	X	Energy/Finance/Services/Management of large international companies
Juan Maria NIN GENOVA	X		X	Banking/Finance/Management of large international companies
Nathalie RACHOU	X		X	Finance/Investment Banking
Alexandra SCHAAPVELD	X		X	Finance/Investment Banking
France HOUSSAYE	X			Retail Banking
Béatrice LEPAGNOL	X			Retail Banking

3.3 A BALANCED REPRESENTATION OF WOMEN AND MEN WITHIN THE BOARD OF DIRECTORS

As at 31st December 2016, the Board of Directors comprised seven women and six men, i.e. 53.8% women or 45.5% if the two Directors representing the employees are excluded from the calculation, in accordance with the provisions of the law of 27th January 2011.

3.4 OVER 90% OF INDEPENDENT DIRECTORS

In accordance with the AFEP-MEDEF Code, and based on the report of its Nomination and Corporate Governance Committee, the Board of Directors conducted an examination of the situation of each of its members as at 31st December 2016 in view of the independence criteria defined in the aforementioned report.

In particular, it examined the banking and advisory relations between the Group and the companies in which its Directors are also executive officers, in order to assess whether these relations were of such significance and nature as to possibly affect the Directors' independence of judgement. This analysis is based on a multi-criteria review integrating several parameters, (the company's overall debt and liquidity, the ratio of bank debt to overall debt the amount of Societe Generale's commitments and the significance of these commitments compared to the total bank debt, advisory offices held, other commercial relations).

This examination was specifically conducted for Jean-Bernard Lévy, Chairman and Chief Executive Officer of EDF, and Gérard Mestrallet, Chairman of ENGIE.

In both these cases, the Committee observed that the economic, financial and other relations between the Directors, the groups they manage and Societe Generale were not of such a nature as to alter the examination conducted in early 2016. Societe Generale's part in financing the debt of their groups appeared compatible with the Committee's assessment criteria (less than 5%). They are therefore considered as independent.

In the case of Barbara Dalibard, who became Chief Executive Officer of SITA in 2016, the Board of Directors confirmed that she satisfies all independence criteria, Societe Generale having no financing relationship with this company.

For all other Directors, with the exception of Frédéric Oudéa and the Directors representing the employees, the independence criteria have been verified (see below).

3.5 DIRECTORS' POSITION IN RESPECT OF THE AFEP-MEDEF CODE'S INDEPENDENCE CRITERIA

Director	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7
Lorenzo BINI SMAGHI	0	0	0	0	0	0	0
Frédéric OUDÉA	X	0	0	0	0	0	0
Robert CASTAIGNE	0	0	0	0	0	0	0
Barbara DALIBARD	0	0	0	0	0	0	0
Kyra HAZOU	0	0	0	0	0	0	0
France HOUSSAYE	X	0	0	0	0	0	0
Béatrice LEPAGNOL	X	0	0	0	0	0	0
Jean-Bernard LÉVY	0	0	0	0	0	0	0
Ana Maria LLOPIS RIVAS	0	0	0	0	0	0	0
Gérard MESTRALLET	0	0	0	0	0	0	0
Juan Maria NIN GENOVA	0	0	0	0	0	0	0
Nathalie RACHOU	0	0	0	0	0	0	0
Alexandra SCHAAPVELD	0	0	0	0	0	0	0

Key:

"0" indicates that an independence criterion has been met according to the AFEP-MEDEF Code's criteria.

"x" indicates that an independence criterion has not been met according to the AFEP-MEDEF Code's criteria.

Criterion 1: over the past five years, status (i) of employee or Chief Executive Officer of the company, a company that the company consolidates, the parent company of the company or a company consolidated by that parent company, or (ii) of director of a company that the company consolidates, the parent company of the company, or a company consolidated by that parent company.

Criterion 2: existence or otherwise of cross-directorships.

Criterion 3: existence or otherwise of significant business relations.

Criterion 4: existence of close family ties with an executive officer.

Criterion 5: not having been a Statutory auditor for the company over the past five years.

Criterion 6: not having been a company Director for more than twelve years.

Criterion 7: representative of major shareholders.

As at 31st December 2016, 10 out of 13 Directors were independent, i.e. 90.9% of the members of the Board of Directors, using the AFEP-MEDEF Code's calculation rule that excludes employee representatives.

This proportion is well above the Board of Directors' objective of complying with the minimum proportion of 50% of independent Directors recommended in the AFEP-MEDEF Code.

3.6 DILIGENT DIRECTORS

In 2016, Lorenzo Bini Smaghi chaired all Board meetings.

The Directors' attendance rates at Board and Committee meetings are very high.

The average attendance rate par meeting is 93% (98% in 2015) for the Board of Directors, 100% (98% in 2015) for the Audit and Internal Control Committee (CACI), 98% (95% in 2015) for the Risk Committee (CR), 91% (88% in 2015) for the Nomination and Corporate Governance Committee (CONOM) and 96% (97% in 2015) for the Compensation Committee (COREM).

ATTENDANCE IN 2016	Board of Directors		CACI		CR		CONOM		COREM	
	Number of meetings	Attendance rate	Number of meetings	Attendance rate	Number of meetings	Attendance rate	Number of meetings	Attendance rate	Number of meetings	Attendance rate
Lorenzo BINI SMAGHI	10	100%								
Frédéric OUDÉA	10	100%								
Robert CASTAIGNE(1)	10	100%	10	100%	7	100%	2	100%		
Michel CICUREL(2)	6	100%					4	100%	4	100%
Barbara DALIBARD	7	70%								
Yann DELABRIÈRE(2)	4	67%								
Kyra HAZOU	10	100%	10	100%	10	100%				
France HOUSSAYE	10	100%							7	100%
Béatrice LEPAGNOL	10	100%								
Jean-Bernard LÉVY	10	100%					6	86%	7	100%
Ana Maria LLOPIS RIVAS(3)	9	90%					2	100%		
Gérard MESTRALLET	8	80%					6	86%	6	86%
Juan Maria NIN GENOVA(4)	2	100%			2	67%			3	100%
Nathalie RACHOU	10	100%	10	100%	10	100%				
Emmanuel ROMAN(5)	3	75%								
Alexandra SCHAAPVELD	10	100%	10	100%	10	100%				
Number of meetings held in 2016	10		10		10		7		7	
Average attendance rate (%)	93%		100%		98%		91%		96%	

(1) Member of the CR until 1st September 2016, Member of the CONOM as from 1st September 2016.

(2) Until 18th May 2016.

(3) Member of the CONOM as from 1st September 2016.

(4) As from 1st September 2016.

(5) From 18th May 2016 to 1st December 2016.

3.7 DIRECTORS REQUIRED TO HOLD A SIGNIFICANT NUMBER OF SOCIETE GENERALE SHARES AND BOUND BY STRINGENT ETHICS RULES

Each Director is required to comply with the ethics rules provided for in the Internal Rules, in particular regarding the regulations relating to insider trading.

Extract from Article 4 of the Internal Rules:

4.3 - Directors shall abstain from intervening on the market of Societe Generale Financial instruments during the 30 calendar days preceding the publication of Societe Generale's quarterly, half-yearly and annual results as well as on the day of the said publication.

They shall refrain from carrying out speculative or leveraged transactions on Societe Generale Financial instruments or those of a listed company controlled directly or indirectly by Societe Generale within the meaning of Article L. 233-3 of the French Commercial Code.

They shall inform the Secretary of the Board of Directors of any difficulty they may encounter in enforcing the above.

In addition, Directors appointed by the General Meeting must hold a minimum of 1,000 shares in accordance with the provisions of the Internal Rules. As at 31st December 2016, all Directors held at least 1,000 Societe Generale shares. The Chairman of the Board of Directors held 2,000 Societe Generale shares.

Article 16 of the Internal Rules:

16.1 - Each Director appointed by the General Meeting (whether in his/her own name or as a permanent representative of a legal entity) must hold the equivalent of at least 1,000 shares. Each Director has a six-month time frame to hold the 600 shares provided for by the By-laws and an additional six-month time frame to increase his/her holding to 1,000 shares.

16.2 - Each Director shall refrain from hedging his/her shares.

Chief Executive Officers are also bound by specific obligations (see page 107 – Societe Generale share ownership and holding obligations).

4. Board's expertise

Societe Generale's Internal Rules define its organisation and operating methods.

The Board of Directors shall deliberate on any matter within its legal and regulatory responsibilities and shall devote sufficient time to fulfil its missions.

The Board of Directors intervenes in particular on the following subjects (see pages 511 and 512 – Article 1 of the Internal Rules):

- Strategic directions and operations: it approves the Group's strategic directions, ensures their implementation and reviews them at least once a year; these directions include the values and the code of conduct of the Group as well as the main thrusts of the policy followed with respect to social and environmental responsibility, human resources, information systems and organisation. It approves the plans for strategic operations, in particular acquisitions or disposals, which may have a significant impact on the Group's earnings, its balance sheet structure or its risk profile.
- Financial statements and communication: it ensures, in particular, the accuracy and truthfulness of the annual and consolidated annual accounts and the quality of the information provided to the shareholders and the market.
- Risk management: it approves the global strategy and the appetite in terms of risks of any kind and controls the related implementation. To this end, it approves and regularly reviews the strategies and policies governing the taking, management, monitoring and reduction of the risks to which Societe Generale is or could be exposed, including the risks created by the economic environment; ensures, in particular, the adequacy and effectiveness of the risk management systems, controls the risk exposure from its activities and approves the overall risk limits; ensures the effectiveness of the corrective measures taken in the event of a default. It decides on the dismissal of the Chief Risk Officer who cannot be removed from his/her functions without the prior consent of the Board of Directors.
- Governance: it notably reviews the governance system, periodically assesses its effectiveness and ensures that corrective measures to remedy potential shortcomings have been taken; ensures, in particular, compliance with the banking regulations with respect to internal control. It also determines the orientations and controls the implementation by the Effective Senior Managers of the oversight systems in order to ensure effective and prudent management of the institution, in particular the avoidance of conflicts of interest. It deliberates at least once a year on its operation and that of its Committees, as well as on the conclusions of the periodic assessment thereof.
- Compensation and wage policy: it distributes the attendance fees; it establishes the compensation policy principles applicable in the Group, in particular regarding the regulated persons, sets the compensation of the chief executive officers, and decides on the allocation of performance shares under the authorisations given by the General Meeting.
- Preventive recovery plan: it establishes the preventive recovery plan that is communicated to the European Central Bank and deliberates on any similar plan requested by foreign supervisory authorities.

5. Functioning of the Board

The Internal Rules govern the functioning of the Board of Directors (see Article 6 of the Internal Rules, page 513). The latter is convened by the Chairman, by any means, or at the request of one-third of the Directors. It meets at least eight times a year, in particular to approve the annual and consolidated annual accounts.

Each Director receives the information required to carry out his or her duties, in particular for the preparation of each Board meeting. The Directors also receive any useful information, including critical information, on significant events for the Company. Each Director receives the training sessions necessary to fulfil his or her mandate.

6. The Board's work

In 2016, the Board held 10 meetings, of which the average duration was three hours. The Directors' attendance rate averaged 93% per meeting (98% in 2015). Outside of these meetings, the Board of Directors held several conference calls on topics of current interest.

As every year, the Board of Directors prepared the annual, half-yearly and quarterly accounts and reviewed the budget. It discussed the disposal/acquisition operations carried out in 2016.

During 2016, the Board continued to monitor the Group's liquidity profile and capital trend in light of regulatory requirements. Similarly, at each meeting, it monitored the developments in major ongoing disputes.

The Board reviewed the strategy of the Group and its main businesses as well as its competitive environment during a one-day seminar.

In 2016, the main topics addressed were the following:

- the Group's code of conduct;
- Corporate and Investment Banking activity;
- International Retail Banking activity;
- Insurance business;
- Securities services;
- CSR (corporate social responsibility) policy;
- information systems and IT security;
- resolution and recovery plans;
- compliance;
- human resources;
- the Group's image.

The Board of Directors was informed of regulatory changes and their consequences on the Group's organisation and its activity (in particular the banking law in France, the Volcker law and the Tarullo regulation in the United States, etc.).

The Board regularly reviewed the Group's status in terms of risks. It discussed the Group's risk appetite and risk mapping. It approved the overall market risk limits. It reviewed the Annual Reports communicated to the French Prudential Supervisory and Resolution Authority (hereinafter "ACPR") on risks and internal control, as well as the responses to the follow-up letters further to inspections by the ACPR and the ECB. It also reviewed the action taken on recommendations from the regulators in the United States.

The Board assessed the performance of the executive officers and set their compensation as well as that of the Chairman. It decided on performance share plans. It also discussed the policy pursued with respect to professional and wage equality. Lastly, it reviewed the allocation of attendance fees (see page 95).

The Board of Directors prepared and approved the resolutions submitted to the Annual General Meeting.

Similarly, it discussed the General Management succession plan.

Each year, the Board conducts a review of its operation. The conclusions of this review in 2016 are indicated in the assessment section of this report (see page 94).

In January 2017, after a recommendation from the Nomination and Corporate Governance Committee, the Board of Directors updated the Internal Rules to include new provisions (e.g. audit reform) and clarify the respective roles of the Board and Committees.

In January 2017, the Board appointed Didier Valet as a Deputy Chief Executive Officer, set his remuneration and authorised the post-employment commitment concerning him (retirement regime).

In January 2017, the Board of Directors carried out the annual review of related-party agreements and commitments entered into and authorised during previous financial years and which continued during the 2016 financial year. These were the pension commitments for Deputy Chief Executive Officers and the non-compete agreement between the Company and Mr. Oudéa. The Board considers that the ongoing pension commitments, which remain justified, must be maintained. In relation to the non-compete agreement and new related-party agreements and commitments, see pages 100 and 101.

Furthermore, it was noted that no new related-party agreements were entered into in 2016, directly or indirectly, between, on the one hand, the Chief Executive Officer or the Chairman of the Board of Directors, a Deputy Chief Executive Officer, a Director or a shareholder holding more than 10% of Societe Generale's voting rights, and, on the other hand, a French or foreign subsidiary in which Societe Generale holds, directly or indirectly, more than half of the share capital. Pursuant to the law, ordinary agreements entered into under normal conditions are excluded from this assessment.

Lastly, the banking supervisors (ECB and ACPR) attended a Board of Directors' meeting. The ECB conducted an investigation into governance with European banks, in which Societe Generale participated. A follow-up letter was sent to the Board of Directors containing recommendations, mainly of a practical nature, which were implemented in 2016. Accordingly, the respective compositions of the Risk Committee and the Audit Committee were differentiated after the General Meeting.

CHAIRMAN OF THE BOARD OF DIRECTORS

1. Role of the Chairman of the Board of Directors

The Board of Directors appointed Lorenzo Bini Smaghi Chairman of the Board of Directors following the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer on 19th May 2015.

The duties of the Chairman are set out in Article 5 of the Internal Rules.

Article 5 of the Internal Rules:

5.1 - The Chairman convenes and chairs the Board of Directors meetings. He/she sets the timetable and agenda of the meetings. He/she organises and manages the work of the Board of Directors and reports on its activities to the General Meeting. He/she chairs the General Meetings of Shareholders.

5.2 - The Chairman ensures the proper functioning of the Company's bodies and the implementation of the best corporate governance practices, in particular as regards the Committees set up within the Board of Directors, which he/she may attend without the right to vote. He/she may submit questions for the consideration of these Committees. He/she is responsible for the Report on corporate governance, internal control and risk management.

5.3 - He/she receives all information relevant to his/her missions. He/she is regularly informed by the Chief Executive Officer and, where applicable, the Deputy Chief Executive Officers, of significant events relating to the life of the Group. He/she may request the disclosure of any information or document that may inform the Board of Directors. For the same purpose, he/she may hear the Statutory Auditors and, after having informed the Chief Executive Officer, any Group senior manager.

5.4 - He/she ensures that the Directors are in a position to fulfil their missions and ensures that they are properly informed.

5.5 - He/she is the only person authorised to speak on behalf of the Board of Directors, except in exceptional circumstances or with a specific mandate entrusted to another Director.

5.6 - He/she devotes his/her best efforts to promote in all circumstances the values and the image of the Company. In consultation with the General Management, he/she may represent the Group in its high-level relations, in particular with major clients, regulators, major shareholders and public authorities, both domestically and internationally.

5.7 - He/she has the material resources necessary for the performance of his/her missions.

5.8 - The Chairman has no executive responsibilities, these responsibilities being exercised by the General Management which proposes and applies the Company's strategy, within the limits defined by law and in compliance with the corporate governance rules and directions set by the Board of Directors.

2. Report on the activities of the Chairman of the Board of Directors

In 2016, the Chairman of the Board devoted at least three days per week to the Group.

He chaired all the Board meetings and the executive session. He also attended the meetings of all the Committees. He met Directors individually, notably with regard to the assessment of the Board of Directors' performance, including the individual assessment of Directors. He oversaw, with the Chairman of the Nomination and Corporate Governance Committee, the procedures for the recruitment of new Directors. He also met the Group's main senior executives (members of the Executive Committee, heads of business lines or functions). He visited certain offices, notably in the retail banking network in France.

On several occasions, the Chairman met with banking regulators in Europe. He participated in the annual meetings of the IMF, and held several meetings with the ECB. The Chairman also participated in numerous public events both within and outside Europe, where he spoke on a range of themes (macro-economy and banking regulations in particular). The Chairman also expressed his views on several occasions in the media, and met with clients, investors and shareholders. As part of the preparation for the General Meeting, he held meetings with the main shareholders and proxies. Lastly, the Chairman participated in a roadshow in New York and Boston in order to present the Group's governance system to investors.

THE BOARD COMMITTEES

The Board of Directors was assisted by four Committees in 2016:

- the Audit and Internal Control Committee;
- the Risk Committee;
- the Compensation Committee;
- the Nomination and Corporate Governance Committee.

Each Committee comprises four members. No Director is a member of more than two Committees. Each Committee comprises at least one male and one female member and at least one foreigner.

One Director representing the employees sits on the Compensation Committee. One Director sits on both the Risk Committee and the Compensation Committee.

Representatives of the ECB attended a Risk Committee and an Audit and Internal Control Committee meeting. The Fed and the ECB also met with the Chairmen of the Risk Committee and the Audit and Internal Control Committee.

The duties of the Board's four Committees are set forth in Articles 10 to 13 of the Internal Rules (see Chapter 7).

1. Audit and Internal Control Committee

Societe Generale has had an Audit Committee since 1995. This Committee became the Audit, Internal Control and Risk Committee in 2010. In January 2015, this Committee was divided into an Audit and Internal Control Committee and a Risk Committee in accordance with the CRD4 Directive.

At 31st December 2016, the Committee comprised four independent Directors: Ms. Hazou, Ms. Rachou, Ms. Schaapveld and Mr. Castaigne. It is chaired by Ms. Schaapveld.

All its members are particularly qualified in the financial and accounting fields, and in the analysis of internal control, as they hold or have held positions as bankers or as bank chief financial officers, auditors, or chief legal officers.

Article 10 of the Internal Rules:
10.1 - The Audit and Internal Control Committee's mission is to monitor issues concerning the preparation and control of accounting and financial information as well as the monitoring of the effectiveness of internal control, measurement, monitoring and risk control systems.
10.2 - In particular, it is responsible for:

a) ensuring the monitoring of the process for the production of the financial information, particularly reviewing the quality and reliability of existing systems, making proposals for their improvement and ensuring that corrective actions have been implemented in the event of a malfunction in the process;
b) analysing the draft accounts to be submitted to the Board of Directors in order to, in particular, verify the clarity of the information provided and assess the relevance and consistency of the accounting methods adopted for drawing up annual accounts and consolidated annual accounts;
c) conducting the procedure for selecting the Statutory Auditors and giving an opinion to the Board of Directors, developed in accordance with the provisions of Article 16 of the regulation (EU) n° 537/2014 dated 16 April 2014, concerning their appointment or renewal as well as their remuneration;
d) ensuring the independence of the Statutory Auditors in accordance with the regulations in force;
e) approving, in accordance with Article L. 822-11-2 of the French Commercial Code and the policy adopted by the Board of Directors, the provision of services other than the certification of accounts after analysing the risks to the Statutory Auditor's independence and the safeguard measures applied by the latter;
f) reviewing the work programme of the Statutory Auditors and, more generally, monitoring the control of the accounts by the Statutory Auditors in accordance with the regulations in force;
g) ensuring the monitoring of the effectiveness of internal control, risk management and internal audit systems, with regard to the procedures for the preparation and processing of the accounting and financial information. To this end, the Committee is responsible in particular for:
   – reviewing the internal control and risk control of the business segments, divisions and main subsidiaries,
   – reviewing the Group's periodic monitoring programme and giving its opinion on the organisation and functioning of the internal control departments,
   – reviewing the follow-up letters from the banking and markets supervisors and issuing an opinion on draft replies to these letters;
h) reviewing the reports prepared in order to comply with the regulations in terms of internal control.

10.3 - It regularly reports to the Board of Directors on the performance of its missions, including the outcomes of the mission of certification of the accounts, how this mission contributed to the integrity of the financial information and the role it played in this process. It informs the Board of Directors without delay of any difficulty encountered.
10.4 - The Statutory Auditors shall be invited to the meetings of the Audit and Internal Control Committee, unless the Committee decides otherwise. They may also be consulted outside these meetings.
10.5 - The Audit and Internal Control Committee or its Chairman also hear the heads of the internal control functions (risk, compliance, internal audit) as well as the Chief Financial Officer and, as necessary, the managers in charge of drawing up the accounts, internal control, risk control, compliance control and periodic control.
10.6 - The Audit and Internal Control Committee is composed of at least three Directors appointed by the Board of Directors, who have the appropriate financial, accounting, auditing or internal control skills. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code.

AUDIT AND INTERNAL CONTROL COMMITTEE (CACI) ACTIVITY REPORT FOR 2016

The Committee met ten times in 2016, with an attendance rate of 100% (98% in 2015).

At each account closing period, the Committee interviewed the Statutory Auditors without the presence of management, before hearing the presentation of the accounts given by the Finance Division. One of the Chief Executive Officers attends some of the meetings dedicated to each account closing, and discusses the highlights of the quarter with the Committee.

More in-depth presentations are given by other managers on certain subjects relating, notably, to balance sheet management, internal control and the financial aspects of planned acquisitions.

The Committee reviewed the draft annual, half-yearly and quarterly consolidated accounts before their presentation to the Board, and submitted its opinion to the Board on these accounts.
It reviews the annual report on internal control.

The Committee devoted several agenda items to matters relating to internal control and the monitoring of remediation plans (anti-money laundering in the United States, control of Libor/Euribor submissions and other benchmarks). The Committee regularly reviewed the work performed by the General Inspection Department and the Internal Control Division. It was informed of significant compliance incidents. It examined the annual report on internal control. It reviewed the schedule for

the General Inspection Department and audits, and the follow-up procedures for audit recommendations. It reviewed the activities of the subsidiaries' Audit Committees within the framework of the rules that the Group has determined in this area.

It was also consulted on the Group's draft replies to the follow-up letters from the ACPR, as well as on draft replies to the ECB and to foreign regulators. It is responsible for regular monitoring of implementation of the ECB's recommendations.

The main topics addressed during the year were as follows:

- review of acquisitions and disposals;
- general organisation of compliance, global framework, roles and responsibilities;
- anti-money laundering;
- Enterprise Risk Management (risk culture);
- recovery and resolution plans;
- tax management;
- customer protection;
- compliance with the Volcker Rule;
- Private Banking/Hambros, Switzerland.

The Committee travelled to Bangalore (see below). It discussed the audit programme and the 2016 budget for the Statutory Auditors' fees.

2. Risk Committee

At 31st December 2016, the Risk Committee comprised four independent Directors: Ms. Hazou, Ms. Rachou, Ms. Schaapveld and Mr. Nin Genova. It is chaired by Ms. Rachou.

All its members are particularly qualified in the financial and accounting fields, and in risk analysis, as they hold or have held positions as bankers or as bank chief financial officers, auditors, or chief legal officers.

Article 11 of the Internal Rules:

11.1 - The Risk Committee advises the Board of Directors on the overall strategy and the appetite regarding all kinds of risks, both current and future, and assists it when it controls the implementation of this strategy.

11.2 - In particular, it is responsible for:

a) preparing the debates of the Board of Directors on documents relating to risk appetite;

b) reviewing the risk control procedures and is consulted for the setting of overall risk limits;

c) undertaking a regular review of the strategies, policies, procedures and systems used to detect, manage and monitor the liquidity risk and communicating its conclusions to the Board of Directors;

d) issuing an opinion on the Group's global provisioning policy, as well as on specific provisions for significant amounts;

e) reviewing the reports prepared to comply with the banking regulations on risks;

f) reviewing the policy concerning risk control and the monitoring of off-balance sheet commitments, especially in the light of the memoranda prepared to this end by the Finance Division, the Risk Division and the Statutory Auditors;

g) reviewing, as part of its mission, whether the prices for the products and services mentioned in books II and III of the French Monetary and Financial Code and offered to clients are consistent with the Company's risk strategy. When these prices do not correctly reflect the risks, it informs the Board of Directors accordingly and gives its opinion on the action plan to remedy the situation;

h) without prejudice to the Compensation Committee's missions, reviewing whether the incentives provided for by the compensation policy and practices are consistent with the Company's situation with regard to the risks to which it is exposed, its capital and its liquidity, as well as the probability and timing of expected benefits;

i) reviewing the enterprise risk management related to the Company's operations in the United States[(1)].

11.3 - It has all information on the Company's risk situation. It may use the services of the Chief Risk Officer or external experts.

11.4 - The Statutory Auditors are invited to the meetings of the Risk Committee, unless the Committee decides otherwise. They may also be consulted outside these meetings.

The Risk Committee or its Chairman hear the heads of the internal control functions (risk, compliance, internal audit) as well as the Chief Financial Officer and, as necessary, the managers responsible for drawing up the accounts, internal control, risk control, compliance control and periodic control.

11.5 - The Risk Committee is composed of at least three Directors appointed by the Board of Directors who have knowledge, skills and expertise concerning risks. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code.

(1) In accordance with the requirements of the U.S. Federal Reserve's Enhanced Prudential Standards Rules, the Risk Committee will hold quarterly meetings to review the Company's operations in the United States. The Risk Committee's obligations in this regard include the review of the enterprise risk management related to the Company's operations in the United States. As such, the Risk Committee must:
a) receive regular reports from the US-based Chief Risk Officer of the Company;
b) review the risk management system for the Company's combined operations in the United States; and
c) review the Company's liquidity risk in the United States.

RISK COMMITTEE ACTIVITY REPORT FOR 2016

The Risk Committee met ten times during the year. The attendance rate for its members was 98% (95% in 2015).

At each meeting, the Chief Risk Officer reports to the Risk Committee on changes in the risk environment and highlights. The Committee examines the documents relating to risk appetite and prepares the decisions on the ICAAP and ILAAP. It regularly reviews:

- the risk overview and risk mapping;
- the risk limits for which it prepares the Board's decisions;
- the liquidity situation of the Group;
- the outcome of stress test exercises;
- the reputation dashboard;
- the compliance dashboard.

In 2016, it devoted several agenda items to matters relating to IT security and information systems. It was informed of the main disputes, including tax disputes. It reviewed the organisation of the Risk Division and the ERM project. It also conducted a review of the Compliance Division. It examined risk areas specific to regulatory projects. It also prepared the Board's work on recovery and resolution plans. It gave the Compensation Committee its opinion on the taking into account of risks in the compensation for regulated employees (market professionals and others).

It examined the risks related to specialised financial services and those related to offshoring. In November, the Committee travelled to Bangalore with the Audit and Internal Control Committee to examine transaction processing systems as well as the operating conditions in the Indian environment. The Committee also met APTP, Accenture's subsidiary, in charge of outsourced investment banking operations, as well as Deutsche Bank and Indian start-ups.

3. Compensation Committee

At 31st December 2016, the Compensation Committee comprised four Directors, including three independent Directors (Messrs. Lévy, Mestrallet and Nin Genova) and an employee (Ms. Houssaye). It is chaired by Mr. Lévy, an independent Director.

Its members have the skills required to assess the compensation policies and practices, in particular with regard to the Group's risk policy.

Article 12 of the Internal Rules:

12.1 - The Compensation Committee prepares the decisions that the Board of Directors adopts concerning compensation, especially those related to the chief executive officers (*dirigeants mandataires sociaux*) as well as those that have an impact on the risk and the management of risks in the Company.

12.2 - It conducts an annual review of:

a) the principles of the Company's compensation policy;

b) the compensation, allowances and benefits of any kind granted to the Company's executive officers (*mandataires sociaux*) as well as the Effective Senior Managers, if they are different;

c) the compensation policy for regulated employees within the meaning of the banking regulations.

12.3 - It controls the compensation of the Chief Risk Officer and the Chief Compliance Officer.

12.4 - It receives all information necessary for its mission and in particular the annual report sent to the European Central Bank.

12.5 - It may be assisted by the internal control services or by external experts.

12.6 - In particular, the Committee:

a) proposes to the Board of Directors, in compliance with the regulations applicable to credit institutions, the principles given by the AFEP-MEDEF Corporate Governance Code and professional standards, the principles of the compensation policy for the chief executive officers (*dirigeants mandataires sociaux*), and especially the criteria for the determination, the structure and the amount of this compensation, including allowances and benefits in kind, insurance or pension benefits, and compensation of any kind received from all the Group companies; it ensures their application;

b) prepares the annual performance assessment of the chief executive officers (*dirigeants mandataires sociaux*);

c) proposes to the Board of Directors the policy for performance shares and stock options allocation and gives an opinion on the list of beneficiaries;

d) prepares the decisions of the Board of Directors concerning the employee savings plan.

12.7 - It is composed of at least three Directors and includes a Director elected by the employees. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Code[1]. Its composition enables it to exercise a competent and independent judgement on the compensation policies and practices with regard to the management of risks, the equity and the liquidities of the Company.

(1) For the calculation of the rate of independents within the Committees, the AFEP-MEDEF Code does not take employees into account.

COMPENSATION COMMITTEE ACTIVITY REPORT FOR 2016

The Compensation Committee met seven times during the financial year. The attendance rate for its members was 96% (97% in 2015).

During its meetings, the Committee prepared the Board's decisions on the status and compensation of the Chief Executive Officers. It prepared the decisions regarding the monitoring of long-term or deferred compensation. In particular, it prepared the decisions relating to the Chairman's compensation. In January 2017, it prepared the decision concerning the compensation of Didier Valet, who has been appointed Deputy Chief Executive Officer.

The Committee prepared the appraisals of the Chief Executive Officers. It recommended annual targets for them to the Board.

In accordance with the CRD4 Directive and its transposition into French law, the Compensation Committee ensured that the Group's compensation policies comply not only with regulations, but also with the company's risk management policy and capital targets.

The Committee reviewed the principles of the compensation policy applicable within the Group, in particular concerning employees whose activities have a significant impact on the Group's risk profile, in accordance with the new regulations in force. It dedicated several meetings to this examination and to ensuring that the structure proposed for regulated employees complies with the new and particularly complex rules. It particularly ensured that the compensation policy effectively takes into account the risks generated by the activities and that employees comply with risk management policies and professional standards, and consulted the Audit and Internal Control Committee and Risk Committee in this regard. The Committee also relied on work by external and internal control bodies. Lastly, it reviewed the annual report on compensation. The compensation policy is described in detail on pages 96 and following.

Lastly, the Committee proposed the share (or share equivalent) allocation plans to the Board.

The Committee prepared the Board's work on gender equality within the company.

4. Nomination and Corporate Governance Committee

At 31st December 2016, the Nomination and Corporate Governance Committee comprised four independent Directors: Ms. Llopis Rivas and Messrs. Castaigne, Lévy and Mestrallet. It is chaired by Mr. Mestrallet.

Its members have the skills required to assess the nomination and corporate governance policies and practices.

Article 13 of the Internal Rules:

13.1 - The Nomination and Corporate Governance Committee:

a) is responsible for making proposals to the Board of Directors for the appointment of Directors and Committees' members as well as on the succession of the executive officers (*mandataires sociaux*), especially in the event of an unforeseeable vacancy, after having carried out necessary studies. To this end, it prepares the selection criteria to be submitted to the Board of Directors, proposes to the Board of Directors an objective to be achieved concerning the balanced representation of women and men on the Board of Directors and develops a policy designed to achieve this objective[1];

b) periodically reviews the structure, size, composition and effectiveness of the Board of Directors' work and submits to the Board of Directors any recommendation relevant to the carrying out of the annual assessment of the Board of Directors and its members;

c) periodically reviews the Board of Directors' policies concerning the selection and appointment of the Effective Senior Managers, the Deputy Chief Executive Officers and the Chief Risk Officer, and makes recommendations in this area;

d) more generally, prepares the review by the Board of Directors of corporate governance issues. It proposes to the Board of Directors the presentation of the Board of Directors in the Registration Document and in particular the list of independent Directors;

e) is informed in advance of any appointment of a member of the Group's Executive Committee and any corporate department head who is not a member of this Committee. It is informed of the succession plan of these senior officers (*dirigeants*).

13.2 - It is composed of at least three Directors. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code. The Chief Executive Officer is involved, as necessary, in the Committee's work.

(1) The objective and policy of the credit institutions, as well as the terms of implementation, are made public in accordance with paragraph 2 (c) of Article 435 of regulation (EU) n° 575/2013 dated 26th June 2013.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE ACTIVITY REPORT FOR 2016

The Nomination and Corporate Governance Committee held seven meetings in 2016. The attendance rate was 91% (88% in 2015).

The Committee prepared the resolutions for the General Meeting. It examined the Board of Directors' proposed update of the Internal Rules. It prepared the nominations of new Directors and submitted the selection to the Board, with the help of an outside firm. To this end, it defined selection criteria and ensured the balanced composition of the Board. Each candidate was received by one or more members of the Committee.

The Committee reported on this selection stage to the Board. In the case of executive officers, the Committee defined a succession plan and submitted a favourable opinion to the Board of Directors concerning the appointment of Didier Valet as a Deputy Chief Executive Officer, as proposed by Frédéric Oudéa. In the case of the appointment of the Chief Risk Officer, the Committee formulated a favourable opinion after having verified the procedure followed. The Chairman of the Committee, together with the Chairman of the Board, oversaw the procedure for appraisal of the Board (see page 94). The appraisal questionnaire was validated by the Committee.

It prepared the Board's review of the Corporate Governance section of the 2016 Annual Report, in particular the section concerning the assessment of Directors' independence.

APPRAISAL OF THE BOARD OF DIRECTORS AND ITS MEMBERS

Each year since 2000, the Board of Directors has devoted part of a meeting to discussing its operation, based on an appraisal performed by a specialised external consultant every three years, and in other years on interviews or questionnaires overseen by the Nomination and Corporate Governance Committee. In this respect, the role of the Nomination and Corporate Governance Committee consists in preparing and commencing the appraisal (in July) and then collecting the conclusions and preparing their presentation (in November) for discussion by the Board of Directors (in January). In both cases, the responses are presented on an anonymous basis in a summary document that serves as a basis for the Board's discussions.

For 2016, the Board decided to commission an external appraisal, which was entrusted to the firm of Spencer Stuart. This appraisal focused on the collective functioning of the Board one year after the change in governance, as well as on the individual appraisal of each Director. This appraisal was based on an interview guide validated by the Nomination and Corporate Governance Committee. For the individual appraisals, each Director was asked to give his/her viewpoint on the contribution of each of the other Directors.

The results of the individual appraisals were discussed with each of the Directors by the Chairman of the Board of Directors.

The collective appraisal was discussed in the Board of Directors' meeting on 13th January 2017. Overall, the Directors expressed their satisfaction with the Board's dynamics and performance, even indicating an improvement since the last external appraisal in 2013.

The areas for improvement highlighted concern a more balanced breakdown of the agenda between regulatory obligations and strategic or business issues and more time allocated to discussions. The work climate and relations between Directors and with General Management are judged very positively. The Board wishes to maintain its current size and balance in composition. A few details regarding the operation of the Board of Directors could be improved (better balance between presentations and discussions, a residential seminar, more discussions on strategic issues, greater importance placed on human resources issues, better structuring of the executive session, more discussions on the choice of new Directors).

Moreover, the increasingly technical nature of the subjects covered justifies the need to provide Directors, and especially Directors representing the employees, with better training.

TRAINING

New Directors receive training at their request and are introduced to staff within the Group. This induction is organised by the Secretary of the Board. It comprises at least one meeting with each of the members of General Management and each of the members of the Executive Committee. In 2016, a training session was organised on market risks. Furthermore, Directors representing the employees also received specific training on the Group's financial communication. Lastly, the annual seminar and certain topics addressed during Board meetings are designed to provide Directors with the training essential to performance of their duties (for example, on changes in the regulatory or competitive environment).

As part of the appraisal of the Board of Directors, it was decided to enhance the training programme of Board members, in particular with regard to accounting rules, risk and compliance. In January 2017, training on anti-money laundering and market risks took place.

SPECIFIC CONDITIONS RELATING TO SHAREHOLDERS' PARTICIPATION IN THE GENERAL MEETING

The By-laws (see Chapter 7) define the conditions for shareholders' participation in the General Meeting. A summary of these rules appears in Chapter 7.3 of the Registration Document.

Any shareholder may participate in the General Meeting online under the conditions indicated in the notice of meeting published in the *Bulletin des Annonces Légales Obligatoires* (French Mandatory Legal Announcements Gazette).

ATTENDANCE FEES PAID TO COMPANY DIRECTORS

The annual amount of the attendance fees was increased from EUR 1,250,000 to EUR 1,500,000 by the General Meeting of 18th May 2016. EUR 1,430,000 of this annual amount was used in respect of the 2016 financial year. This increase is justified by the growing responsibilities of Directors of banking groups and the significant increase in the time spent in carrying out their duties.

The rules governing the allocation of attendance fees between Directors are determined by Article 15 of the Internal Rules (see Chapter 7).

As from 1st January 2016, the amount of attendance fees allocated is reduced by a lump sum of EUR 130,000, divided between the Chairman of the Audit and Internal Control Committee and the Chairman of the Risk Committee.

The balance is divided into 50% fixed, 50% variable. The number of fixed portions per Director is 6.

Additional fixed portions are allocated:

- Chairman of the Audit and Internal Control Committee or of the Risk Committee: 4 portions;
- Chairman of the Nomination and Corporate Governance Committee or of the Compensation Committee: 3 portions;
- Member of the Nomination and Corporate Governance Committee or of the Compensation Committee: 0.5 portion;
- Member of the Audit and Internal Control Committee or of the Risk Committee: 1 portion.

The variable portion of attendance fees is divided up at the end of the year, in proportion to the number of meetings or working meetings of the Board of Directors and of each of the Committees which each Director has attended. However, meetings of the Compensation Committee and the Nomination and Corporate Governance Committee held on the same day are counted as a single unit for members sitting on both Committees. The same applies to the meetings of the Audit and Internal Control Committee and the Risk Committee.

The Chairman and the Chief Executive Officer do not receive any attendance fees.

COMPENSATION AND BENEFITS IN KIND AWARDED TO CHIEF EXECUTIVE OFFICERS, AND DISCLOSURE OF INFORMATION AS PROVIDED FOR IN ARTICLE L. 225-100-3 OF THE FRENCH COMMERCIAL CODE

The information in the Chairman's Report that describes the principles and rules prepared by the Board of Directors to calculate the compensation and benefits in kind awarded to the Chief Executive Officers is included in this Chapter under "Remuneration principles" see page 96.

The section entitled "Information required by Article L. 225-100-3 of the French Commercial Code" is included in Chapter 7, on page 499.

3. REMUNERATION OF GROUP SENIOR MANAGEMENT

POLICY GOVERNING REMUNERATION OF CHIEF EXECUTIVE OFFICERS, SUBJECT TO SHAREHOLDER APPROVAL

The policy governing the remuneration of the Chief Executive Officers, presented below, was defined by the Board of Directors on 8th February 2017 following the recommendations of the Compensation Committee.

In the course of its work, the Compensation Committee relied on studies conducted by the independent firm of Willis Towers Watson. These studies are based on the CAC 40 as well as a panel of comparable European banks providing a benchmark, and enable an assessment of:

- the competitiveness of the Chief Executive Officers' overall remuneration in comparison to a panel of peers;
- Societe Generale's results as compared to the criteria defined by the Group to assess the Chief Executive Officers' performance; and
- the correlation between the Chief Executive Officers' performance and their remuneration.

In accordance with the French Act of 9th December 2016 on transparency, the fight against corruption and modernisation of the economy, known as the "Sapin 2 Act", this policy is submitted to the approval of the General Meeting. If the General Meeting should reject the policy, the Board of Directors will convene within a reasonable time frame and, in the meantime, the principles applied in 2016 will remain in effect.

In addition, as from 2018, variable remuneration, whether annual or exceptional, must be approved by the General Shareholders' Meeting before being paid.

Remuneration principles

The remuneration policy for the Chief Executive Officers aims to ensure that the Company's top-level positions attract the most promising candidates and to cultivate motivation and loyalty on a lasting basis, whilst also ensuring appropriate compliance and risk management. It is also designed to recognise the long-term implementation of the Group's strategy in the interests of its shareholders, clients and staff, in accordance with the principles laid down by the Group's Code of Conduct.

The policy takes into account the completeness of the remuneration components and any other benefits granted when performing an overall assessment of the Chief Executive Officers' compensation. It ensures that these different elements are balanced, in the general interest of the Group. In accordance with the "pay for performance" principle, non-financial aspects are taken into account in addition to financial performance criteria when determining variable remuneration; such non-financial aspects include in particular elements related to corporate social responsibility and compliance with the Group's leadership model. For the purposes of variable remuneration, performance is assessed on an annual and multi-annual basis, taking into account both Societe Generale's intrinsic performance and its performance as compared to its market and competition.

Furthermore, the Chief Executive Officers' remuneration complies with:

- the CRD4 Directive of 26th June 2013, the aim of which is to impose remuneration policies and practices compatible with effective risk management. CRD4 has been transposed into national law and its principles in terms of remuneration have been in effect since 1st January 2014;
- the recommendations of the AFEP-MEDEF Code; and
- the French Act on transparency, the fight against corruption and modernisation of the economy, known as the "Sapin 2 Act".

Remuneration of the Non-Executive Chairman

Lorenzo Bini Smaghi's remuneration has been set by the Board of Directors in light of his experience, reputation and responsibilities, as well as in view of market practices, especially in the banking sector. It amounts to EUR 850,000 gross per year, unchanged since he was appointed Chairman of the Board on 19th May 2015. He does not receive attendance fees.

In order to guarantee total independence in fulfilling his mandate, he receives neither variable compensation, nor securities, nor any compensation contingent on the performance of Societe Generale or the Group.

He is provided with company accommodation for the performance of his duties in Paris.

Remuneration of General Management

BALANCED REMUNERATION TAKING INTO ACCOUNT THE EXPECTATIONS OF THE VARIOUS PARTIES INVOLVED.

The remuneration of Chief Executive Officers is broken down into three components:

- Fixed Remuneration (FR) rewards experience and responsibilities, and takes into account market practices. It accounts for a significant proportion of overall remuneration.
- Annual Variable Remuneration (AVR) rewards performances achieved during the year and the contribution of Chief Executive Officers to the success of the Societe Generale Group.
- Long-Term Incentives (LTIs) aim to strengthen the association between Chief Executive Officers and shareholders' interests, and to provide the former with an incentive to deliver long-term performance. Vesting of LTIs is subject to a condition of presence and is based on the Group's performance as measured against internal and external criteria over periods of four and six years.

Pursuant to CRD4, and further to the authorisation granted by the General Meeting in May 2014, variable compensation (i.e. annual variable remuneration plus long-term incentives) is capped at 200% of fixed remuneration. Furthermore, Chief Executive Officers are prohibited from using hedging or insurance strategies over the vesting and holding periods.

FIXED REMUNERATION

In line with the recommendations of the AFEP-MEDEF Code, fixed remuneration is only reviewed at relatively long intervals, to ensure consistency with events affecting the Company and market practices.

The annual fixed remuneration of Frédéric Oudéa, Chief Executive Officer, amounts to EUR 1,300,000 and that of Séverin Cabannes and Bernardo Sanchez Incera, Deputy Chief Executive Officers, to EUR 800,000. These amounts were set by the Board of Directors on 19th May 2015 and approved by the Joint General Meeting of 18th May 2016.

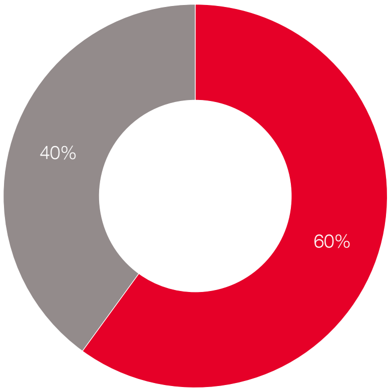
The annual fixed remuneration of Didier Valet, appointed Deputy Chief Executive Officer by the Board of Directors on 13th January 2017, was set at the same level as for other Deputy Chief Executive Officers, i.e. EUR 800,000.

Any modification of these fixed salaries decided by the Board of Directors based on a proposal from the Compensation Committee must be approved by the General Meeting before entering into effect.

ANNUAL VARIABLE REMUNERATION

GENERAL PRINCIPLES

Annual variable remuneration is 60% based on quantitative criteria, and 40% on qualitative criteria, thus combining an evaluation of the Group's financial performance with an assessment of managerial skills, in line with the Group's strategy and leadership model.



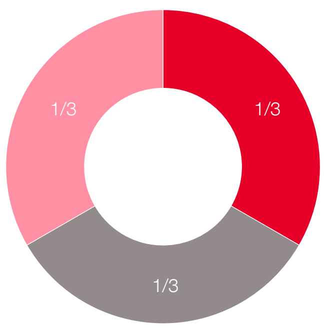
- **Quantitative criteria** based on annual financial performance. Indicators and target achievement levels are set in advance by the Board of Directors, primarily based on the budget targets for the Group and the business lines within each Chief Executive Officer's scope of supervision.
- **Qualitative criteria** based essentially on the achievement of key targets in relation to the Group's strategy, operational efficiency and risk management, as well as the CSR policy.

Quantitative portion

For Frédéric Oudéa and Séverin Cabannes, the quantitative portion is measured according to the achievement of Group targets in terms of earnings per share, gross operating income and cost/income ratio, each indicator being equally weighted. For Deputy Chief Executive Officers Bernardo Sanchez Incera and Didier Valet, the economic criteria concern both the Group as a whole and their specific area of responsibility.

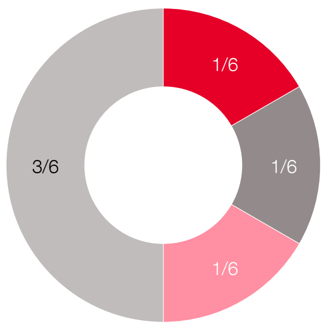
These indicators reflect targets in terms of operational efficiency and risk management over the relevant scope of responsibility, and value creation for the shareholders. Comprising both financial and operational elements, these indicators are directly linked to the Group's strategy and are based on compliance with a predefined budget.

Frédéric Oudéa and Séverin Cabannes



■ Gross operating income ■ Earnings per share ■ Cost/income ratio

Bernardo Sanchez Incera and Didier Valet



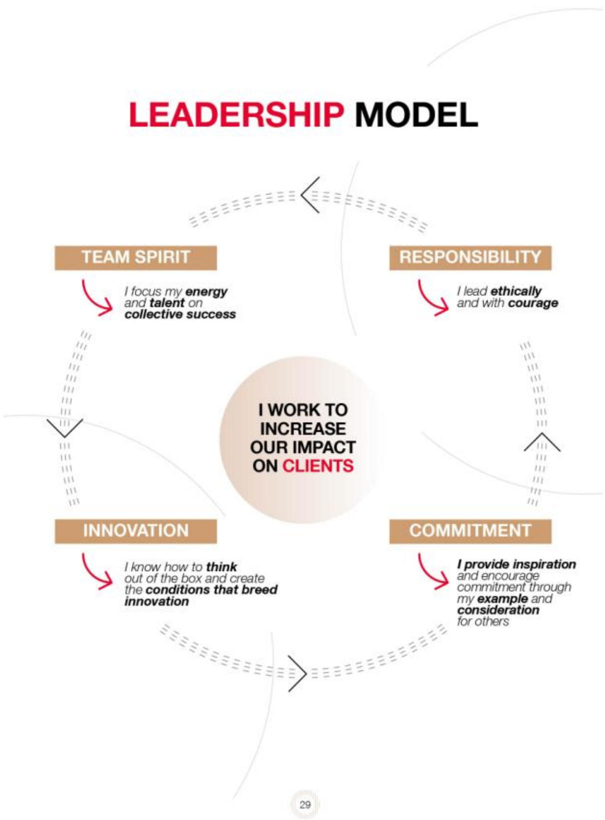
■ Scope of responsibility of each Deputy Chief Executive Officer:
– Gross operating income (1/3)
– Earnings before tax (1/3)
– Cost income ratio (1/3)

Qualitative portion

Each year, the Board of Directors sets between six and ten qualitative targets for the next financial year. Most of these targets are collective, reflecting the team spirit that is essential within General Management. Targets specific to each Chief Executive Officer are also set, according to their respective areas of responsibility.

These targets, defined in line with the Group's leadership model, as presented opposite, are based on three main areas:

- strategy of the Group and business lines;
- operational efficiency and risk management;
- achievement of corporate social responsibility targets, reflected in particular by Societe Generale's positioning within the upper quartile of the bank rankings established by extra-financial ratings agency RobecoSam.



VESTING AND PAYMENT OF ANNUAL VARIABLE REMUNERATION

With a view to strengthening the correlation between remuneration and the Group's risk appetite targets, whilst promoting alignment with shareholders' interests, and in accordance with the CRD4 Directive, vesting of at least 60% of the annual variable remuneration is deferred for three years, *pro rata*. This concerns both cash payments and shares or share equivalents granted subject to the achievement of long-term targets in terms of Group profitability and equity; the amount thereof is reduced if the targets are not met. Furthermore, if the Board observes that a decision taken by the Chief Executive Officers has particularly significant consequences for the Company's results or image, it may decide to reconsider payment of the deferred annual variable remuneration in full or in part (malus clause).

Lastly, until expiry of the current term of office, vesting of the deferred annual variable remuneration is also subject to a condition of presence. The exceptions to this requirement are as follows: retirement, death, disability, incapacity to carry out duties or termination for reasons of a strategic divergence with the Board of Directors.

After expiry of the current term of office, the condition of presence no longer applies. However, if the Board observes, after the departure of the Chief Executive Officer, that a decision taken during his term of office has particularly significant consequences for the Company's results or image, it may decide to reconsider payment of the deferred annual variable remuneration in full or in part.

CAP

In compliance with the AFEP-MEDEF Code, since 1st September 2014 annual variable remuneration has been capped at 135% of annual fixed remuneration for the Chief Executive Officer and at 115% for the Deputy Chief Executive Officers.

LONG-TERM INCENTIVES

GENERAL PRINCIPLES

In order to implicate the Chief Executive Officers in the Company's long-term progress and to align their interests with those of the shareholders, since 2012 they have been awarded long-term incentives, consisting of shares or share equivalents.

In order to comply with the recommendations of the AFEP-MEDEF Code, the Board of Directors decides each year, during the meeting approving the financial statements from the previous year, on any award of Societe Generale shares or share equivalents to the Chief Executive Officers; the fair value of any such award upon granting is proportional to other compensation elements and is set in line with practices from previous years. Such fair value is set on the basis of the share closing price on the day before the Board meeting.

Furthermore, Chief Executive Officers cannot be awarded long-term incentives upon the expiry of their term of office.

VESTING AND PAYMENT OF LONG-TERM INCENTIVES

As in previous years, the plan is as follows:

- granting of shares or share equivalents in two instalments, with vesting periods of four and six years, followed by a one-year holding period, thus increasing the indexing periods to five and seven years respectively;
- definitive vesting subject to a condition of presence throughout the vesting periods, as well as a performance condition. Vesting depends on the relative performance of the Societe Generale share as measured by the increase in Total Shareholder Return (TSR) compared to that of 11 European peers over the entirety of the vesting periods. Thus, the entirety of the award will only vest if Societe Generale's TSR is in the upper quartile of the sample; if it is slightly above the median value, the vesting rate will be 50% of the total number of shares or share equivalents granted; no shares or share equivalents will vest if the TSR performance is too low. If the Group is not profitable in the year preceding the definitive vesting of long-term incentives, no payment will be made, regardless of the performance of the Societe Generale share.
- any departure will result in cancellation of the payment under the plan, unless the Chief Executive Officer in question is retiring or leaving the Group due to changes in its structure or organisation, in which case the shares or payments will be awarded based on the performance observed and assessed by the Board of Directors.

Lastly, the beneficiaries of long-term incentives are also subject to a "malus" clause. Thus, if the Board observes that a decision taken by the Chief Executive Officers has particularly significant consequences for the Company's results or image, it may decide to reconsider payment of the long-term incentives in full or in part.

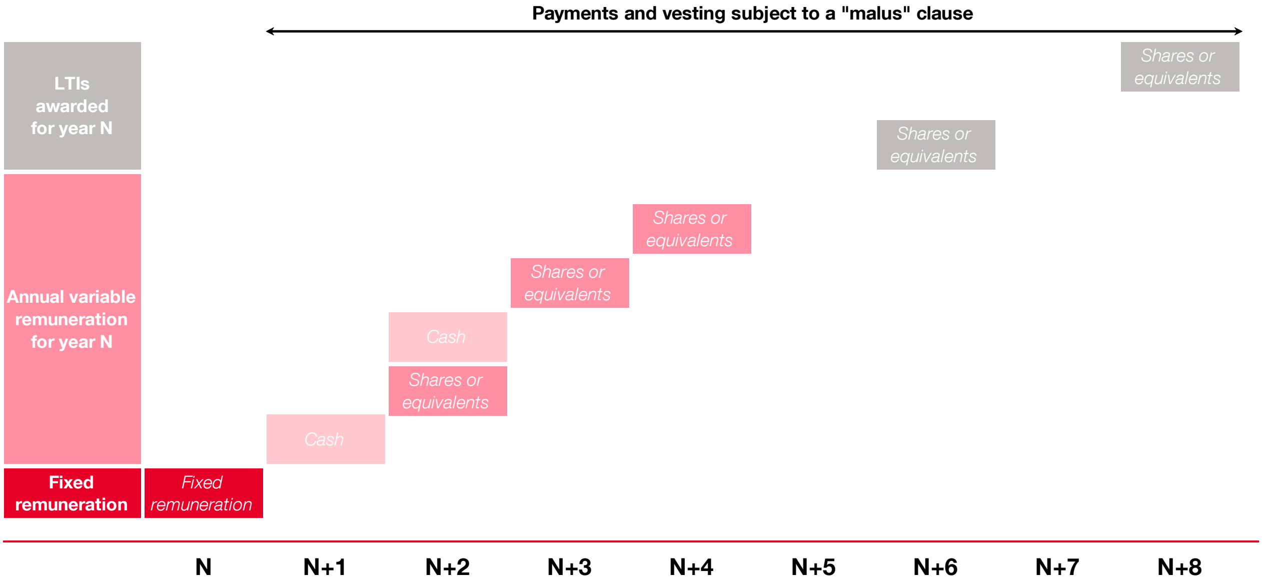
CAP

In accordance with the AFEP-MEDEF Code, the Board of Directors decided, on 8th February 2017, to limit the total amount of long-term incentives awarded (as measured under IFRS). The limit was set at the same level as for the annual variable remuneration. The amount awarded is thus limited to 135% of annual fixed remuneration for Frédéric Oudéa and at 115% for the Deputy Chief Executive Officers.

This new provision applies in addition to the existing cap on the definitive vesting value of shares or share equivalents. This value is capped at an amount corresponding to a multiple of the book value per share of the Societe Generale Group as at 31st December in the year in which the long-term incentives are granted.

In all events, in accordance with applicable regulations, the variable component awarded (i.e. annual variable remuneration plus long-term incentives) must not exceed two times the fixed remuneration.

TOTAL REMUNERATION – PAYMENT OR SHARE DELIVERY TIMELINE



Post-employment benefits: pensions, severance pay, non-compete clause

PENSION

As Frédéric Oudéa terminated his employment contract by resigning when he was appointed Chairman and Chief Executive Officer in 2009, he no longer enjoys the right to any supplementary pension from Societe Generale.

SUPPLEMENTARY PENSION ALLOCATION PLAN

Messrs. Cabannes and Sanchez Incera retain the benefit of the supplementary pension allocation plan for senior managers that applied to them as employees prior to their appointment as Chief Executive Officers(1).

This supplementary plan, introduced in 1991 and satisfying the requirements of Article L. 137-11 of the French Social Security Code, provides senior executives appointed as from this date and "outside classification" with a supplementary pension as from the date on which they claim their French Social Security pension. Their total pension thus amounts to the product of the following:

- the average, over the last ten years of their career, of the proportion of their fixed remuneration exceeding "Tranche B" of the AGIRC pension plus variable remuneration of up to 5% of their fixed remuneration;
- the rate equal to the number of years of professional service at Societe Generale divided by 60, corresponding to a potential acquisition of annuity rights of 1.67% a year (it being noted that the years of service taken into account are capped at 42).

The AGIRC "Tranche C" pension acquired in respect of their professional service at Societe Generale is deducted from this total pension. The supplementary amount covered by Societe Generale is increased for beneficiaries who have raised three or more children, as well as for those who retire after the legal retirement age set by French Social Security. It may not be less than one-third of the full-rate service value of the AGIRC "Tranche B" points acquired by the beneficiary since gaining "Outside Classification" status.

The rights are subject to the employee being employed by the Company upon claiming their pension.

Each year, potential annuity rights are calculated according to projected length of service and salary at retirement, based on recognised actuarial principles. They are prefinanced with an insurance company.

Upon Didier Valet's appointment as Chief Executive Officer on 13th January 2017, the Board of Directors authorised a related-party commitment pursuant to which Mr. Valet retains the benefit of the supplementary pension plan for senior managers that applied to him as an employee. This related-party commitment will be submitted to the shareholders for approval at the General Meeting in May 2017.

As required by law, the annual increase in supplementary pension benefits conditional upon the beneficiary completing his career within the Company will be subject, as from his appointment, to the following performance condition: potential annuity rights for any given year will only be awarded in full if at least 80% of the variable remuneration performance conditions for that year are met. For performance levels of 50% or below, there will be no increase in the annuities. For an achievement rate of between 80% and 50%, the benefits awarded for the year will be calculated on a straight-line basis.

(1) Related-party agreements with Messrs. Cabannes and Sanchez Incera approved by the General Meetings of 19th May 2009 and 25th May 2010 respectively.

IP VALMY SUPPLEMENTARY PENSION FUND

Messrs. Cabannes, Sanchez Incera and Valet also remain entitled to the supplementary defined-contribution pension plan that they had as employees prior to their appointment as Chief Executive Officers.

This defined-contribution plan, established in line with Article 83 of the French General Tax Code, was implemented in 1995. Membership is compulsory for all employees with at least one year's seniority within the Company and allows beneficiaries to acquire annual deferred life annuity rights corresponding to 0.1% of their remuneration, capped at twice the annual French Social Security cap. This plan is financed 1.5% by the Company and 0.5% by employees. It is insured with the insurance company Valmy.

SEVERANCE PAY FOR MEMBERS OF SOCIETE GENERALE'S GENERAL MANAGEMENT

On 8th February 2017, the Board of Directors decided to harmonise the rules governing the Chief Executive Officer's or Deputy Chief Executive Officers' departure from the Group upon termination of their duties. The rules were defined in light of market practices, and are compliant with the AFEP-MEDEF Code.

The corresponding related-party agreements and commitments will be submitted to the shareholders for approval at the General Meeting in May 2017.

NON-COMPETE CLAUSE

The Chief Executive Officers (Frédéric Oudéa, Séverin Cabannes, Bernardo Sanchez Incera and Didier Valet) have signed a non-compete clause to the benefit of Societe Generale, valid for a period of six months as from the date on which their duties as Chief Executive Officer end, in accordance with standard practice for financial institutions. The clause prohibits them from accepting a position at the same level with either a listed credit institution in Europe (defined as the European Economic Area, including the United Kingdom) or an unlisted credit institution in France. In exchange, they may continue to receive their fixed salary.

The Board of Directors alone can waive such clause, up until the date on which the term of office of the Chief Executive Officer in question ends. In such a case, the Chief Executive Officer will no longer be bound by any commitment, and no sums will be payable to him in such respect.

In the event of breach of the non-compete, the Chief Executive Officer in question will be required to immediately pay a sum equal to six months' fixed salary. Societe Generale will in such a case be released from its obligation to pay any financial compensation and may, furthermore, demand the refund of any financial compensation as may have been paid since the breach.

This amount remains below the limit of 24 months' fixed and variable annual remuneration, as set by the AFEP-MEDEF Code.

SEVERANCE PAY

In accordance with the recommendations of the AFEP-MEDEF Code, Frédéric Oudéa gave up his employment contract upon his appointment to the position of Chairman and Chief Executive Officer in 2009. He thus forfeited his entitlement to the benefits and guarantees from which he would have benefited as an employee with close to 15 years of service. Similarly, as a result of the suspension of the employment contracts of the Deputy Chief Executive Officers, the amount payable to them in statutory or contractual severance pay, if applicable, would be low to nil.

As a result, on 8th February 2017, the Board of Directors decided to implement a provision for severance pay, due solely in the event that a Chief Executive Officer's duties are terminated as a result of him being required to leave the Societe Generale Group.

The terms of such severance pay are as follows:

- Payment will only be due in the event of a non-voluntary departure from the Group, justified as such by the Board of Directors. No payment will be due in the event of serious misconduct, resignation or non-renewal of the Chief Executive Officer's appointment for reasons attributable to the latter;
- Payment will be contingent upon an overall achievement rate for the annual variable remuneration targets of at least 60% on average over the three years preceding the end of the Chief Executive Officer's term of office;
- No severance pay will be due to a Chief Executive Officer leaving within six months before claiming his French Social Security pension, entitling him to claim the supplementary senior managers' pension;
- The payment will amount to two years' fixed salary, thus complying with the recommendation in the AFEP-MEDEF Code, i.e. two years' fixed and variable annual remuneration.

In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the AFEP-MEDEF Code (i.e. two years' fixed and variable annual remuneration plus, if applicable, any other severance pay provided for under the employment contract, especially any contractual severance pay).

Other benefits of Chief Executive Officers

The Chief Executive Officers have their own company car, available to them for private as well as professional use, and insurance providing the same cover in terms of health and death/invalidity benefits as employees.

EXCEPTIONAL VARIABLE REMUNERATION

Societe Generale does not generally award exceptional variable remuneration to its Chief Executive Officers. However, in light of the new legislation requiring prior approval of all aspects of the remuneration policy, the Board of Directors has decided to reserve the right to pay additional variable remuneration if warranted in certain highly specific situations, for example due to the impact on the Company, or the commitment demanded and challenges involved. Such remuneration would need to be justified, and would be set in accordance with the general principles of the AFEP-MEDEF Code on remuneration, as well as with the recommendations of the French Financial Markets Authority (AMF).

It would be paid on the same terms as the annual variable remuneration, i.e. partially deferred for a period of three years, and subject to the same conditions in terms of vesting. It would be included within the variable remuneration capped at 200% of the fixed portion.

Appointment of a new Chief Executive Officer

As a general rule, the remuneration components and structure described in this remuneration policy will also apply to any new Chief Executive Officer appointed whilst said policy remains in effect, based on his responsibilities and professional experience. The same principle will also apply to all other benefits granted to Chief Executive Officers (supplementary pension plan, insurance, etc.).

The Board of Directors is therefore responsible for setting the new Chief Executive Officer's fixed salary in light of these elements, in line with the salary of existing Chief Executive Officers and the practices of comparable European financial institutions.

Lastly, any new Chief Executive Officer selected from outside the Societe Generale Group may enjoy an appointment benefit designed to act as compensation, if appropriate, for the remuneration forfeited in leaving his previous employer. This remuneration would vest on a deferred basis, and would be conditional upon the satisfaction of performance conditions similar to those applicable to the Chief Executive Officers' deferred variable remuneration.

REMUNERATION OF CHIEF EXECUTIVE OFFICERS FOR 2016

Remuneration of the Non-Executive Chairman

Lorenzo Bini Smaghi's remuneration amounts to EUR 850,000 gross per year, unchanged since he was appointed Chairman of the Board on 19th May 2015.

He receives neither variable remuneration, nor attendance fees, nor securities, nor compensation contingent on the performance of Societe Generale or the Group.

He is provided with company accommodation for the performance of his duties in Paris.

Remuneration of General Management

The policy governing remuneration of Chief Executive Officers ensures a balanced remuneration taking into account the expectations of the various parties involved. The principles are set out in detail on pages 96 and 102.

FIXED REMUNERATION

The Chief Executive Officers' fixed remuneration remained unchanged over financial year 2016. It amounts to EUR 1,300,000 for the Chief Executive Officer and EUR 800,000 for the Deputy Chief Executive Officers.

ANNUAL VARIABLE REMUNERATION IN RESPECT OF FINANCIAL YEAR 2016

CRITERIA FOR DETERMINING AND EVALUATING PERFORMANCE FOR 2016

On 15th March 2016, the Board of Directors defined the evaluation criteria for the Chief Executive Officers' annual variable remuneration for financial year 2016. Such criteria are as follows:

Quantitative portion

For the Chief Executive Officer, the quantitative portion is measured according to the achievement of Group targets in terms of earnings per share, gross operating income and cost/income ratio, each indicator being equally weighted. For the Deputy Chief Executive Officers, the economic criteria concern both the Group as a whole and their specific area of responsibility, as set out on page 98.

These indicators reflect targets for operational efficiency and risk management over the relevant scope of responsibility, and value creation for the shareholders. Comprising both financial and operational elements, these indicators are directly linked to the Group's strategy and are based on compliance with a predefined budget.

At its meeting on 8th February 2017, the Board of Directors recorded the following achievement rates:

- Frédéric Oudéa: 79% of targets achieved,
- Séverin Cabannes: 76% of targets achieved,
- Bernardo Sanchez Incera: 79% of targets achieved.

Qualitative portion

The Board of Directors also set qualitative targets at its meeting on 15th March 2016. These are based on targets pertaining to the implementation of the strategy of the Group and the business lines, in particular as regards the Group's ongoing transformation, risk management and regulatory compliance, appropriate capital management, implementation of cost savings, customer satisfaction, stimulation of innovation, the launch of the Culture & Conduct programme and continued efforts on diversity and corporate social responsibility (CSR) initiatives.

In light of these targets for 2016, the Board of Directors, at its meeting of 8th February 2017 and based on the Compensation Committee's recommendation, set the achievement rate for each member of the General Management team at 88%. In particular, it took into consideration the ramping-up of innovation projects, as demonstrated in 2016 by a number of high-profile developments, such as the inauguration of the *Les Dunes* technology park in Paris, the promotion of mobile banking in Africa and closer cooperation with start-ups. The Board also commended the deployment of the Group's leadership model and the launch of the Culture & Conduct programme, one of the main objectives of which is to develop a Societe Generale culture placing values, leadership quality and behavioural integrity at the very heart of the Group's transformation. Lastly, the Board highlighted the continued progress in the field of CSR, as demonstrated by Societe Generale's inclusion in the main global green indexes and the improvement in its ratings from extra-financial ratings agencies, reflecting the Group's strong commitments, such as cutting off funding for coal-related activities in favour of more funding for renewable energies.

Target achievement rates are presented in the table below:

		Quantitative targets							Qualitative targets	Overall achievement rate for 2016 targets
		Group scope			Scope of responsibility of each Deputy Chief Executive Officer			Total quantitative targets		
		EPS	**GOI**	**C/I ratio**	**GOI**	**EBT**	**C/I ratio**			
F. Oudéa	**Weight**	20%	20%	20%	-	-	-	60%	40%	83%
	Achievement rate	17%	15%	16%	-	-	-	48%	35%	
S. Cabannes	**Weight**	10%	10%	10%	10%	10%	10%	60%	40%	81%
	Achievement rate	9%	7%	8%	7%	7%	8%	46%	35%	
B. Sanchez Incera	**Weigh**	10%	10%	10%	10%	10%	10%	60%	40%	83%
	Achievement rate	9%	7%	8%	8%	9%	7%	48%	35%	

Note: Percentages rounded to the nearest full number for the purposes of this chart

EPS: Earnings per Share

GOI: Gross Operating Income

EBT: Earnings before tax

C/I ratio: Cost/income ratio

The Chief Executive Officer's annual variable remuneration thus amounts to EUR 1,450,262, corresponding to an overall achievement rate of 83%.

His compensation for 2016 (defined as his fixed salary for 2016 plus annual variable remuneration awarded for 2016), amounting to EUR 2.7 million, represents 49 times the average gross compensation of an employee of Societe Generale SA France.

The Deputy Chief Executive Officers' annual variable remuneration amounts to:

- EUR 744,630 for Séverin Cabannes, corresponding to an overall achievement rate of 81%;
- EUR 761,466 for Bernardo Sanchez Incera, corresponding to an overall achievement rate of 83%.

RECORD OF ANNUAL VARIABLE REMUNERATION GRANTED TO CHIEF EXECUTIVE OFFICERS

	Gross variable remuneration for previous years							Gross annual variable remuneration for 2016	
(In EUR)*	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total amount**	**o.w. paid in cash in 2017**
Mr. Oudéa	0(1)	1,196,820	682,770	1,194,600	1,406,070	948,767	1,474,200	1,450,262	290,052
Mr. Cabannes	320 000	665,281	310,144	670,176	705,120	539,978	712,080	744,630	148,926
Mr Sanchez Incera	N/A(2)	667,662	391,440	560,112	619,718	494,632	759,920	761,466	152,293

* Nominal value in euros at grant date.

(1) Mr. Oudéa waived his variable remuneration for financial year 2009.

(2) Mr. Sanchez Incera was appointed Chief Executive Officer of the Societe Generale Group on 1st January 2010.

VESTING AND PAYMENT OF VARIABLE REMUNERATION FOR 2016

In accordance with the standards applicable to Bank Directors (CRD4), the Board of Directors defined the following vesting and payment conditions for annual variable remuneration:

- a portion vested in March 2017, representing 40% of the total amount granted, half of which, converted into share equivalents, is non-transferable for one year;
- an unvested portion representing 60% of the total amount granted, broken down into three equal shares deferred over three years, two-thirds of which are attributed as shares, subject to two performance conditions: Group profitability and Core Tier One level. A six-month holding period applies after each definitive vesting date.

The amount of the variable portion granted in shares or share equivalents is converted on the basis of a share price determined by the Board of Directors every year in March, corresponding to the trade-weighted average based on the last 20 trading days prior to the Board meeting.

Until expiry of the current term of office, vesting of the deferred annual variable component is also subject to a condition of presence. The exceptions to this requirement are as follows: retirement, death, disability, incapacity to carry out duties or termination for reasons of a strategic divergence with the Board of Directors.

After expiry of the term of office, the condition of presence no longer applies. However, if the Board observes, after the departure of the Chief Executive Officer, that a decision taken during his term of office has particularly significant consequences for the Company's results or image, it may decide to reconsider payment of the deferred annual variable remuneration in full or in part.

The portion of annual variable remuneration granted as share equivalents gives rise to the payment of an amount equivalent to the dividend payment, where applicable, throughout the compulsory holding period. No dividends are paid during the vesting period.

The variable compensation paid to Deputy Chief Executive Officers is reduced by the amount of any attendance fees received either from Societe Generale companies or non-Group companies in which they are Directors. The Chief Executive Officer does not receive any attendance fees.

LONG-TERM INCENTIVES FOR 2016

The long-term incentive plan applicable to Chief Executive Officers since 2012 has been renewed. It aims to implicate the Chief Executive Officers in the Company's long-term progress and to align their interests with those of the shareholders.

In addition to the existing cap upon vesting, which has applied for a number of years, the Board of Directors has also introduced a cap on the granting of long-term incentives. Such cap has been set at the same level as for the annual variable remuneration. Frédéric Oudéa's long-term incentives are therefore capped at 135% of his annual fixed remuneration. For Deputy Chief Executive Officers, the cap is 115% of their annual fixed remuneration.

In all events, in accordance with applicable regulations, the variable component awarded (i.e. annual variable remuneration plus long-term incentives) must not exceed two times the fixed remuneration.

On this basis, and in line with previous years, the Board of Directors, at its meeting of 8th February 2017, decided to implement the incentive plan for 2016 as follows:

- grant value unchanged over time, expressed in accordance with IFRS. The corresponding number of shares has been calculated on the basis of the Societe Generale share's book value as at 7th February 2017;
- shares granted in two instalments, with vesting periods of four and six years, followed by a one-year holding period, thus increasing the total indexing periods to five and seven years;
- definitive vesting subject to a condition of presence throughout the vesting periods, as well as a performance condition. Vesting depends on the relative performance of the Societe Generale share as measured by the increase in Total Shareholder Return (TSR) compared to that of 11 European peers over the entirety of the vesting periods. Thus, the entirety of the award will only vest if Societe Generale's TSR is in the upper quartile of the sample; if it is slightly above the median value, the vesting rate will be 50% of the total number of shares or share equivalents granted; no shares or share equivalents will vest if the TSR performance is too low.

The complete vesting chart is shown below:

SG Rank	Ranks 1*, 2 and 3	Rank 4	Rank 5	Rank 6	Ranks 7, 8 and 9	Ranks 10, 11 and 12
As a % of the max. number granted	100%	83,3%	66,7%	50%	25%	0

* Highest rank in the sample.

The 2016 peer sample comprised the following banks: Barclays, BBVA, BNP Paribas, Crédit Agricole, Crédit Suisse, Deutsche Bank, Intesa Sanpaolo, Nordea, Santander, UBS and Unicredit.

- The final payment value for the shares will be limited to EUR 77 per share, i.e. approximately 1.2 times the book value per Societe Generale Group share at 31st December 2016.
- In the absence of Group profitability (as measured by Group net income, excluding strictly accounting-related impacts associated with the revaluation of own debt and the Debt Value Adjustment) for the year preceding the definitive vesting of long-term incentives, no payment will be due, regardless of the performance of the Societe Generale share.
- Any departure will result in cancellation of the payment under the plan, unless the Chief Executive Officer in question is retiring or leaving the Group due to changes in its structure or organisation, in which case the shares or payments will be awarded based on the performance observed and assessed by the Board of Directors. Lastly, the beneficiaries of long-term incentives are also subject to a “malus” clause. Thus, if the Board observes behaviour or actions that are not in line with Societe Generale’s expectations, as defined in particular in the Group’s Code of Conduct, or risk-taking that exceeds the level deemed acceptable by Societe Generale, it may decide to reconsider payment of the long-term incentives in full or in part.

The table below indicates the number of shares or share equivalents granted to each Chief Executive Officer under the plan with respect to 2016, and their book value:

	Amount in book value *	Maximum number granted
Frédéric Oudéa	EUR 850,000	32,717
Séverin Cabannes	EUR 570,000	21,940
Bernardo Sanchez Incera	EUR 570,000	21,940

* Based on the share price on the day preceding the Board of Directors’ meeting of 8th February 2017, at which the allocation of the LTIs was determined.

POST-EMPLOYMENT BENEFITS: PENSIONS, SEVERANCE PAY, NON-COMPETE CLAUSE

PENSION

As Frédéric Oudéa terminated his employment contract by resigning when he was appointed Chairman and Chief Executive Officer in 2009, he no longer enjoys the right to any supplementary pension from Societe Generale.

SUPPLEMENTARY PENSION ALLOCATION PLAN(1)

At 31st December 2016, on the basis of Mr. Cabannes’s length of service and reference remuneration at such date, his potential pension rights, irrespective of the conditions pertaining to satisfaction of the commitment, and based on a retirement age assumption of 63, represent an estimated annual pension of EUR 183,042 (i.e. 11.9% of his reference remuneration as defined by the AFEP-MEDEF Code).

At 31st December 2016, on the basis of Mr. Sanchez Incera’s length of service and reference remuneration at such date, his potential pension rights, irrespective of the conditions pertaining to satisfaction of the commitment, and based on a retirement age assumption of 63, represent an estimated annual pension of EUR 152,094 (i.e. 9.7% of his reference remuneration as defined by the AFEP-MEDEF Code).

IP VALMY SUPPLEMENTARY PENSION FUND

At 31st December 2016, Messrs. Cabannes and Sanchez Incera had acquired deferred life annuity rights of EUR 838 and EUR 484 per annum respectively.

SEVERANCE PAY APPLICABLE IN 2016

The provisions set out below applied throughout financial year 2016. Changes were implemented as from the beginning of financial year 2017 (see page 101).

In 2016, the Chief Executive Officer was not entitled to any severance pay.

Mr. Cabannes and Mr. Sanchez-Incera did not enjoy any provision for compensation if required to step down from their respective positions as Chief Executive Officer. Although the employment contracts they held prior to their appointment are suspended during their term of office, the compensation provided for in said contracts shall remain due in the event of their unilateral termination, based on the remuneration applicable under the contract in question as at the date on which it was suspended. In any event, such compensation shall not exceed two years of total remuneration.

(1) Related-party agreements with Mr. Cabannes and Mr. Sanchez-Incera approved by the General Meetings of 19th May 2009 and 25th May 2010 respectively.

NON-COMPETE CLAUSE APPLICABLE IN 2016

The provisions set out below applied throughout financial year 2016. Changes were implemented as from the beginning of financial year 2017 (see page 101).

If Frédéric Oudéa had ceased to hold the office of Chief Executive Officer, he would have been bound by a non-compete clause prohibiting him from accepting a position with a listed insurance company or credit institution either in France or abroad, or with an unlisted credit institution in France. In exchange, he would have been able to continue to receive his fixed salary. The parties were, however, entitled to waive this clause. The non-compete clause was valid for a period of 18 months and compensated in the amount of Mr. Oudéa's fixed salary. Its validity remained below the 24-month limit recommended in the AFEP-MEDEF Code.

The Deputy Chief Executive Officers were not bound by any non-compete clause in 2016.

OTHER BENEFITS OF CHIEF EXECUTIVE OFFICERS

The Chief Executive Officers have their own company car, available to them for private as well as professional use, and insurance providing the same cover in terms of health and death/invalidity benefits as employees.

No other benefits are granted to the Chief Executive Officers.

SOCIETE GENERALE SHARE OWNERSHIP AND HOLDING OBLIGATIONS

Since 2002, in line with the AMF's recommendations and in order to align the Chief Executive Officers' interests with those of the Company, the Chief Executive Officers have been required to hold a certain minimum number of Societe Generale shares. On 7th March 2011, the Board of Directors thus defined the following obligations:

- 80,000 shares for the Chief Executive Officer;
- 40,000 shares for the Deputy Chief Executive Officers.

These shareholding obligations were all satisfied in 2016.

On 15th March 2016, the Board of Directors decided to increase the minimum shareholding thresholds as follows:

- 90,000 shares for the Chief Executive Officer;
- 45,000 shares for the Deputy Chief Executive Officers.

Chief Executive Officers who are also former employees may hold shares either directly or indirectly through the company savings plan.

This minimum shareholding requirement must be satisfied for Frédéric Oudéa, Séverin Cabannes and Bernardo Sanchez Incera by the end of their current term of office, i.e. in 2019, and for Didier Valet after five years in office. Pending satisfaction of the requirement, the Chief Executive Officer must retain 50% of vested shares granted through Societe Generale share plans and all shares resulting from the exercise of stock options, after deducting the cost of exercising said options and the corresponding social security charges and taxes.

In addition, and in accordance with the law, Chief Executive Officers are required to hold a certain percentage of vested shares granted through Societe Generale share plans or resulting from the exercise of stock options in a registered account until the end of their term of office. For shares, this percentage has been set by the Board at 20% of vested shares for share allocations for 2016 and, for stock options, at 40% of the gains made on exercising the options, net of tax and any other mandatory deductions and less any capital gains used to finance the acquisition of the shares.

The Chief Executive Officers are therefore required to hold a significant and growing number of shares. They are prohibited from hedging their shares or options throughout the vesting and holding periods.

Each year, the Chief Executive Officers must provide the Board of Directors with the necessary information to ensure that these obligations are met in full.

In their statements to the Board, the Chief Executive Officers confirmed that they have not hedged their Societe Generale shares or "Société Générale Actionnariat (Fonds E)" shares and undertook not to do so in the future.

REMUNERATION OF THE OTHER MEMBERS OF THE EXECUTIVE COMMITTEE WHO ARE NOT CHIEF EXECUTIVE OFFICERS

Remuneration

The remuneration of the other members of the Executive Committee is established in accordance with CRD4. It is set by General Management and reviewed by the Compensation Committee. It is made up of two components:

- fixed remuneration, determined according to each member's responsibilities and taking into account market practices;
- annual variable remuneration, set at the discretion of General Management, which depends on both the Group's results and the individual's quantitative and qualitative performance over the previous financial year.

Moreover, the remuneration granted in respect of 2016 to the Chief Risk Officer and Chief Compliance Officer has been approved by the Board of Directors. Under the rules set forth by CRD4, this variable remuneration comprises an unvested component, the entirety of which is subject to conditions pertaining to presence, performance and appropriate risk and compliance management. It is deferred over five years and is at least half allocated in Societe Generale shares or share equivalents (representing 50% of the vested component and 60% of the total unvested component).

The component of variable compensation deferred over five years, i.e. the long-term incentive, accounts for 40% of the unvested portion. It is subject to a demanding condition: namely the relative performance of the Societe Generale share measured by the increase in Total Shareholder Return (TSR) compared to 11 European peers over the entirety of the vesting periods.

In addition to this remuneration, members of the Executive Committee are also entitled to the general incentive and profit-sharing schemes established under the Company's collective agreements.

Lastly, Executive Committee members have their own company car, available to them for private as well as professional use.

The remuneration in respect of 2016 was as follows (in millions of euros):

(In EUR m)	Fixed remuneration	Variable remuneration		Total remuneration
		Vested portion in cash (not deferred)	Deferred portion and LTIs	
Other members of the Executive Committee at 31.12.2016(1)	4.4	1.5	5.6	11.5

(1) These amounts include the remuneration of Ms. Guillaumin, Ms. Lebot, Ms. Mercadal-Delassalles and Messrs. Briatta, Goutard, Hauguel, Heim, Henry, Ottenwaelter, Parer and Valet, for the period during which they were members of the Executive Committee

Societe Generale shareholding obligations

The minimum number of shares that Executive Committee members are required to hold depends on their average total annual compensation. It is set at a maximum of 80,000 shares.

Until the minimum shareholding level is met, senior managers must retain half of their vested shares acquired under Societe Generale share allocation plans. Shares may be held directly or indirectly through the company savings plan.

TRANSACTIONS CARRIED OUT BY CHIEF EXECUTIVE OFFICERS AND DIRECTORS IN SOCIETE GENERALE SHARES

Summary statement published in compliance with Article 223-26 of the AMF's General Regulation.

(In EUR)	Type of transaction	Date	Amount
Nathalie RACHOU Director, performed one transaction:	Acquisition of 1,000 shares Societe Generale	12.02.16	27,658
Juan Maria NIN GENOVA Director, performed one transaction:	Acquisition of 1,500 shares Societe Generale	15.09.16	47,565

STANDARD TABLES IN ACCORDANCE WITH AMF RECOMMENDATIONS

Table 1

SUMMARY OF REMUNERATION AND STOCK OPTIONS, SHARES AND SHARE EQUIVALENTS ALLOCATED TO EACH CHIEF EXECUTIVE OFFICER[1]

(In EUR)	Financial year 2015	Financial year 2016
Lorenzo BINI SMAGHI[2], Chairman of the Board since 19th May 2015		
Remuneration due for the financial year (detailed in Table 2)	553,562	902,819
Value of options granted in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents granted under a long-term incentive plan in respect of the financial year	0	0
Total	**553,562**	**902,819**
Frédéric OUDÉA, Chairman and Chief Executive Officer then Chief Executive Officer since 19th May 2015		
Remuneration due for the financial year (detailed in Table 2)	2,780,125	2,756,187
Value of options granted in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents granted under a long-term incentive plan in respect of the financial year[3]	850,500	850,000
Total	**3,630,625**	**3,606,187**
Séverin CABANNES, Deputy Chief Executive Officer		
Remuneration due for the financial year (detailed in Table 2)	1,518,491	1,551,041
Value of options granted in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents granted under a long-term incentive plan in respect of the financial year[3]	567,000	570,000
Total	**2,085,491**	**2,121,041**
Bernardo SANCHEZ INCERA, Deputy Chief Executive Officer		
Remuneration due for the financial year (detailed in Table 2)	1,566,639	1,567,754
Value of options granted in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents granted under a long-term incentive plan in respect of the financial year[3]	567,000	570,000
Total	**2,133,639**	**2,137,754**

(1) Remuneration expressed in euros, gross, before tax.

(2) This table includes only the remuneration received by Mr. Bini Smaghi as Chairman of the Board since 19th May 2015, date of his appointment. For the remuneration received before 19th May 2015 as Director, see Table 3.

(3) This plan is detailed in the chapter on the remuneration of Chief Executive Officers, pages 105 and following.

Table 2

SUMMARY OF THE REMUNERATION OF EACH CHIEF EXECUTIVE OFFICER[(1)]

(In EUR)	Financial year 2015		Financial year 2016	
	Amounts paid	Amounts due for the financial year	Amounts paid	Amounts due for the financial year
Lorenzo BINI SMAGHI, Chairman[(2)]				
– fixed remuneration	526,528	526,528	850,000	850,000
– non-deferred annual variable remuneration	0	0	0	0
– deferred annual variable remuneration	0	0	0	0
– exceptional compensation	0	0	0	0
– attendance fees	0	0	0	0
– benefits in kind[(3)]	27,034	27,034	52,819	52,819
Total	553,562	553,562	902,819	902,819
Frédéric OUDÉA, Chief Executive Officer				
– fixed remuneration	1,300,000	1,300,000	1,300,000	1,300,000
– non-deferred annual variable remuneration[(4)]	189,753	294,840	294,840	290,052
– deferred annual variable remuneration[(4)]	1,072,957	1,179,360	812,854[(6)]	1,160,210
– exceptional compensation	0	0	0	0
– attendance fees	0	0	0	0
– benefits in kind[(5)]	5,925	5,925	5,925	5,925
Total	2,568,635	2,780,125	2,413,619	2,756,187
Séverin CABANNES, Deputy Chief Executive Officer				
– fixed remuneration	800,000	800,000	800,000	800,000
– non-deferred annual variable remuneration[(4)]	92,947	142,416	128,954	148,926
– deferred annual variable remuneration[(4)]	546,671	569,664	447,179[(6)]	595,704
– exceptional compensation	0	0	0	0
– attendance fees	15,050	0	13,462	0
– benefits in kind[(5)]	6,411	6,411	6,411	6,411
Total	1,461,080	1,518,491	1,396,006	1,551,041
Bernardo SANCHEZ INCERA, Deputy Chief Executive Officer				
– fixed remuneration	800,000	800,000	800,000	800,000
– non-deferred annual variable remuneration[(4)]	63,186	151,984	118,711	152,293
– deferred annual variable remuneration[(4)]	513,722	607,936	394,169[(6)]	609,173
– exceptional compensation	0	0	0	0
– attendance fees	35,740	0	33,273	0
– benefits in kind[(5)]	6,719	6,719	6,288	6,288
Total	1,419,367	1,566,639	1,352,441	1,567,754

(1) Remuneration expressed in euros, gross, before tax. The long-term incentives received by Chief Executive Officers are detailed in Tables 1 and 7.

(2) This table includes only the remuneration received by Mr. Bini Smaghi as Chairman of the Board since 19th May 2015, date of his appointment. For the remuneration received before 19th May 2015 as Director, see Table 3.

(3) Provision of company accommodation.

(4) The criteria used to calculate annual variable remuneration are detailed in the chapter on the remuneration of Chief Executive Officers.

(5) Provision of a company car.

(6) See the table below for a detailed breakdown of the amounts paid.

BREAKDOWN OF DEFERRED ANNUAL VARIABLE REMUNERATION PAID IN 2016 TO THE CHIEF EXECUTIVE OFFICERS

(In EUR)	Deferred annual variable remuneration paid in 2016 in respect of financial year				
	2012(1)	**2013(2)**	**2014(3)**	**2014(4)**	**Total paid in 2016**
Performance condition applicable and status of condition	Core Tier 1* > 8% at 31.12.2015 Condition met	Core Tier 1* > 8% at 31.12.2015 and 2015 Group net income>0 Condition met	N/A	Core Tier 1* > 8% at 31.12.2015 and 2015 Group net income>0 Condition met	
Mr. OUDEA	262,647	196,156	164,298	189,753	812,854
Mr. CABANNES	147,331	98,374	93,479	107,995	447,179
Mr. SANCHEZ INCERA	123,131	86,455	85,657	98,926	394,169

* Core Tier 1 ratio measured under Basel 3 conditions

(1) Value of shares delivered in October 2016, vested in March 2016 in respect of financial year 2012, including the dividend paid during the holding period.

(2) Value of shares delivered in October 2016, vested in March 2016 in respect of financial year 2013, including the dividend paid during the holding period.

(3) Vested portion of the annual variable remuneration for financial year 2014 indexed to the Societe Generale share price.

(4) First instalment of the unvested portion of the annual variable remuneration for financial year 2014, granted in cash and not indexed.

Table 3

TABLE OF ATTENDANCE FEES AND OTHER REMUNERATION RECEIVED BY NON-EXECUTIVE DIRECTORS

(In EUR)	Amounts received in 2015		Amounts received in 2016		Fees/Remuneration	
Non-Executive Directors	Balance for financial year 2014	Interim payment for financial year 2015	Balance for financial year 2015	Interim payment for financial year 2016	For financial year 2015	For financial year 2016*
Lorenzo BINI SMAGHI[1]						
Attendance fees	19,144	19,949	-	-	19,949	-
Related-party agreement[2]	-	-	-	-	120,000	-
Robert CASTAIGNE						
Attendance fees	67,780	39,298	79,714	60,357	119,012	132,381
Other remuneration	-	-	-	-	-	-
Michel CICUREL						
Attendance fees	51,259	26,798	55,403	46,273	82,201	54,320
Related-party agreement	-	-	-	-	-	-
Barbara DALIBARD						
Attendance fees	-	-	31,092	23,137	31,092	67,180
Other remuneration	-	-	-	-	-	-
Yann DELABRIÈRE						
Attendance fees	28,273	19,949	24,311	20,119	44,260	30,323
Other remuneration	-	-	-	-	-	-
Jean-Martin FOLZ						
Attendance fees	56,545	33,048	-	-	33,048	-
Other remuneration	-	-	-	-	-	-
Kyra HAZOU						
Attendance fees	67,780	41,581	79,714	60,357	121,295	127,460
Other remuneration	-	-	-	-	-	-
France HOUSSAYE						
Attendance fees[3]	51,259	29,081	56,811	42,250	85,892	106,225
Societe Generale salary	-	-	-	-	50,212	49,588
Béatrice LEPAGNOL						
Attendance fees[4]	31,146	19,949	31,092	26,155	51,041	77,835
Societe Generale salary	-	-	-	-	37,320	38,031
Jean-Bernard LÉVY						
Attendance fees	48,771	33,048	67,559	50,297	100,607	127,383
Other remuneration	-	-	-	-	-	-
Ana Maria LLOPIS RIVAS						
Attendance fees	31,146	19,949	31,092	26,155	51,041	83,571
Other remuneration	-	-	-	-	-	-
Gérard MESTRALLET						
Attendance fees	-	-	74,340	41,244	74,340	120,280
Other remuneration	-	-	-	-	-	-
Juan Maria NIN GENOVA						
Attendance fees[5]	-	-	-	-	-	42,543
Other remuneration	-	-	-	-	-	-
Gianemilio OSCULATI						
Attendance fees	37,689	-	-	-	-	-
Other remuneration	-	-	-	-	-	-
Nathalie RACHOU						
Attendance fees	67,780	41,581	121,421	87,445	163,002	213,618
Other remuneration	-	-	-	-	-	-

(In EUR)	Amounts received in 2015		Amounts received in 2016		Fees/Remuneration	
Non-Executive Directors	**Balance for financial year 2014**	**Interim payment for financial year 2015**	**Balance for financial year 2015**	**Interim payment for financial year 2016**	**For financial year 2015**	**For financial year 2016***
Emmanuel ROMAN						
Attendance fees [5]	-	-	-	-	-	33,263
Other remuneration	-	-	-	-	-	-
Alexandra SCHAAPVELD						
Attendance fees	46,485	41,581	121,421	87,445	163,002	213,618
Other remuneration	-	-	-	-	-	-
Anthony WYAND						
Attendance fees	166,096	110,217	-	-	110,217	-
Other remuneration	-	-	-	-	-	-
Total (attendance fees)					1,250,000	1,430,000

* The balance of the attendance fees for financial year 2016 was paid to Board members at the end of January 2017.

(1) This table includes only the amounts received by Mr. Bini Smaghi prior to his appointment as Chairman of the Board on 19th May 2015. For his remuneration received since 19th May 2015, as Chairman, see Table 1.

(2) Agreement entered into on 31st July 2014 between the Company and Lorenzo Bini Smaghi, which came to an end on 30th April 2015. It was approved by the General Meeting on 19th May 2015. Under such agreement, Mr. Bini Smaghi received EUR 80,000 for financial year 2014 and EUR 120,000 for financial year 2015.

(3) Paid to Societe Generale trade union SNB.

(4) Paid to Societe Generale trade union CFDT.

(5) No interim payment for new Directors

Table 4

SHARE PURCHASE OR SUBSCRIPTION OPTIONS AWARDED DURING THE FINANCIAL YEAR TO EACH CHIEF EXECUTIVE OFFICER BY THE ISSUER AND BY ANY GROUP COMPANY

The Board of Directors did not award any options in 2016.

Table 5

SHARE PURCHASE OR SUBSCRIPTION OPTIONS EXERCISED DURING THE FINANCIAL YEAR BY EACH CHIEF EXECUTIVE OFFICER

The Chief Executive Officers did not exercise any options in 2016.

Table 6

SHARES GRANTED TO EACH CHIEF EXECUTIVE OFFICER

Societe Generale shares granted during the financial year to each Chief Executive Officer by the issuer and by any Group company.

Amounts in EUR	Grant date	Reasons for granting	Number of shares granted during the year	Value of the shares based on the method used in the consolidated financial statements[1]	Date of assessment of performance condition	Date of delivery of shares	Performance conditions
Mr. OUDEA	18.05.2016[1]	Payment of the annual variable remuneration due in respect of financial year 2015	8,956	270,292	29.03.2018	30.09.2018	yes [2]
			8,956	259,008	29.03.2019	30.09.2019	yes [2]
		Long-term incentives due in respect of financial year 2015	22,494	496,443	31.03.2020	01.04.2021	yes [2]
			22,494	476,198	31.03.2022	01.04.2023	yes [2]
Mr. CABANNES	18.05.2016[1]	Payment of the annual variable remuneration due in respect of financial year 2015	4,326	130,559	29.03.2018	30.09.2018	yes [2]
			4,326	125,108	29.03.2019	30.09.2019	yes [2]
		Long-term incentives due in respect of financial year 2015	14,996	330,962	31.03.2020	01.04.2021	yes [2]
			14,996	317,465	31.03.2022	01.04.2023	yes [2]
Mr. SANCHEZ INCERA	18.05.2016[1]	Payment of the annual variable remuneration due in respect of financial year 2015	4,616	139,311	29.03.2018	30.09.2018	yes [2]
			4,617	133,524	29.03.2019	30.09.2019	yes [2]
		Long-term incentives due in respect of financial year 2015	14,996	330,962	31.03.2020	01.04.2021	yes [2]
			14,996	317,465	31.03.2022	01.04.2023	yes [2]

(1) The amounts of variable remuneration and long-term incentives were set at the Board meetings of 10.02.2016 and 15.03.2016. The corresponding performance shares were awarded at the Board meeting of 18.05.2016.

(2) Vesting of the annual variable remuneration is subject to two conditions: Group profitability and Core Tier One level. Vesting of the long-term incentives is subject to two conditions: profitability and relative TSR as compared to a panel of peers. The performance conditions are further detailed in the 2016 Registration Document on pages 92 and 93.

Table 7

SHARES RECEIVED DURING THE FINANCIAL YEAR BY EACH CHIEF EXECUTIVE OFFICER[1]

	Grant date	Number of shares received during the financial year
Mr. BINI SMAGHI	N/A	N/A
Mr. OUDÉA	14.03.2013	7,999
	13.03.2014	5,974
Mr. CABANNES	14.03.2013	4,487
	13.03.2014	2,996
Mr. SANCHEZ INCERA	14.03.2013	3,750
	13.03.2014	2,633

(1) Deferred annual variable remuneration granted in 2013 and 2014 in respect of financial years 2012 and 2013.

Note: Shares from the share buyback programme.

SHARE EQUIVALENTS RECEIVED DURING THE FINANCIAL YEAR BY EACH CHIEF EXECUTIVE OFFICER[1]

	Grant date	Number of share equivalents vested over the financial year	Amount paid (in EUR)
Mr. BINI SMAGHI	N/A	N/A	N/A
Mr. OUDÉA	02.05.2012	37,500	1,315,766
Mr. CABANNES	02.05.2012	25,000	877,178
Mr SANCHEZ INCERA	02.05.2012	25,000	877,178

(1) Share equivalents received under the long-term incentive plan for Chief Executive Officers. Such share equivalents in 2016 correspond to the second instalment of the LTIs granted by the Board of Directors on 2nd May 2012 in the form of share equivalents, the vesting of which is entirely subject to the relative performance of the Societe Generale share price in relation to that of its peers. The share performance evaluated in early 2015 placed Societe Generale in third place in the sample.

Note: the share equivalents received as deferred annual variable remuneration are indicated in Table 2 on page 111.

Audited I Table 8

RECORD OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS AWARDED INFORMATION ON SUBSCRIPTION OR PURCHASE OPTIONS[1]

Date of General Meeting	27.05.2008	27.05.2008
Date of Board meeting	09.03.2010	09.03.2009
Total number of shares[2] available for subscription or purchase	1,000,000	1,344,552[6]
o.w. shares available for subscription or purchase by Chief Executive Officers[3]		
Mr. OUDÉA	0	0
Mr. CABANNES	0	0
Mr. SANCHEZ INCERA	0	0
o.w. shares available for subscription or purchase by Executive Committee members in office at the grant date	415,596	155,289
Total number of beneficiaries	684	778
o.w. Executive Committee members in office at the grant date	10	7
Start date for exercising options	09.03.2014	31.03.2012
Last exercise date	08.03.2017	08.03.2016
Subscription or purchase price (EUR[4]	41.2	23.18
Exercise conditions (where the plan includes several instalments))		
Fair value (% of the share price at grant date)	26%	27%
Number of shares subscribed at 31.12.2016	83,950	413,760
Total number of cancelled or lapsed subscription or purchase options	658,184	930,038
Subscription or purchase options outstanding at end of financial year	257,866	754
Potential dilutive effect[5]	0.03%	0.00%

(1) Personnel costs generated by these plans are presented in Note 5.3 to the consolidated financial statements (p. 389).

(2) Exercising one option gives entitlement to one Societe Generale share. This table takes into account adjustments performed following capital increases. This line does not take into account options exercised since the grant date.

(3) Mr. Oudéa and Mr. Cabannes were appointed as Chief Executive Officers in 2008. Mr. Sanchez Incera was appointed as Chief Executive Officer in 2010.

(4) The subscription or purchase price is equal to the average market price of the Societe Generale share over the 20 trading days preceding the meeting of the Board of Directors.

(5) The dilutive effect is the result of dividing the remaining number of options that may be subscribed by the number of shares making up the capital stock.

(6) Includes 320,000 options initially granted to the Chief Executive Officers, but given up by the latter. ▲

Table 9

SHARE SUBSCRIPTION OR PURCHASE OPTIONS AWARDED TO THE TOP TEN EMPLOYEES (NON-CHIEF EXECUTIVE OFFICERS) AND OPTIONS EXERCISED BY THESE EMPLOYEES

	Total number of options granted/shares subscribed or purchased	**Weighted average price (in EUR)**
Options awarded during the financial year by the issuer and any company included in the scope for the allocation of options to the ten employees (other than Chief Executive Officers) of the issuer and any company included in this scope having been awarded the most options*	0	0
Options held in respect of the issuer and the companies referred to previously and exercised during the financial year by the ten employees of the issuer and those companies having purchased or subscribed the most options	77,412	37.73

* Societe Generale did not grant stock options in 2016.

Audited I Table 10

RECORD OF PERFORMANCE SHARES AWARDED INFORMATION ON PERFORMANCE SHARES AWARDED

Date of General Meeting	18.05.2016	20.05.2014	22.05.2012	22.05.2012	25.05.2010	25.05.2010
Date of Board meeting	18.05.2016	12.03.2015	13.03.2014	14.03.2013	02.03.2012	02.11.2010
Total number of shares granted	2,478,926	1,233,505	1,010,775	1,846,313	2,975,763	5,283,520[5]
o.w. number granted to Chief Executive Officers[2]	140,769					
Mr. OUDÉA	62,900	-	-	-	-	-
Mr. CABANNES	38,644	-	-	-	-	-
Mr. SANCHEZ INCERA	39,225	-	-	-	-	
Total number of beneficiaries	6,495	6,733	6,082	6,338	6,363	
Vesting date	see table below	31.03.2017 (R) 31.03.2019 (NR)	31.03.2016 (R) 31.03.2018 (NR)	31.03.2015 (R) 31.03.2017 (NR)	31.03.2014 (R) 31.03.2016 (NR)	29.03.2013 (R) 31.03.2015 (NR) (1st instalment) 31.03.2014 (R) 31.03.2016 (NR) (2nd instalment)
Holding period end date[1]	see table below	31.03.2019	31.03.2018	31.03.2017	31.03.2016	29.03.2015 31.03.2016
Performance conditions[3]	yes	yes	yes	yes	yes	yes
Fair value *(in EUR)*[4]	see table below	36.4 (R) 34.9 (NR)	37.8 (R) 38.1 (NR)	26.1 (R) 27.1 (NR)	21.9 (R) 22.5 (NR)	35.8 (R) 34.6 (NR) (1st instalment) 34.6 (R) 33.2 (NR) (2nd instalment)
Number of shares vested at 31.12.2016	0	148	650,046	1,201,218	2,787,956	4,354,448
Total number of cancelled or lapsed shares	35,739	45,895	51,453	119,588	187,807	929,072
Performance shares outstanding at year-end	2,443,187	1,187,462	309,276	525,507	0	0

R = French tax residents.

NR = Non-French tax residents.

(1) Only for French tax residents.

(2) For the Chief Executive Officers, see also Tables 6 and 7 of the 2017 Registration Document.

(3) The applicable performance conditions are described in the "Corporate Governance, Employee share plans" section.

(4) The fair value is calculated using the arbitrage method of valuation.

(5) "Free share plan" for all employees of the Group, i.e. approx. 159,000 people in 79 countries. ▲

SUMMARY OF THE 2016 PERFORMANCE SHARES PLAN(1)

Date of General Meeting	18.05.2016			
Date of Board meeting	18.05.2016			
Total number of shares granted	2,478,926			
Vesting date	29.03.2018 (1st instalment) 29.03.2019 (2nd instalment)	29.03.2019	31.03.2020 (1st instalment) 31.03.2022 (2nd instalment)	31.03.2021
Holding period end date	30.09.2018 30.09.2019	N/A	01.04.2021 01.04.2023	02.10.2021
Fair value *(in EUR)*(2)	30.18 (1st instalment) 28.92 (2nd instalment)	29.55	22.07 (1st instalment) 21.17 (2nd instalment)	32.76

(1) Under the annual employee LTI plan and awards in the context of the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers and Executive Committee members).

(2) The fair value is calculated using the arbitrage method of valuation.

Table 11

POSITION OF CHIEF EXECUTIVE OFFICERS IN 2016

	Term of office		Employment contract(1)(4)		Supplementary pension plan(2)		Compensation or benefits due or likely to become due as a result of leaving office or changing position		Compensation relating to a non-compete clause(3)	
	start	end	yes	no	yes	no	yes	no	yes	no
Mr. BINI SMAGHI, Chairman of the Board of Directors	2015(5)	2019		X		X		X		X
Mr. OUDÉA, Chief Executive Officer	2008(6)	2019		X		X		X(7)	X(7)	
Mr. CABANNES, Deputy Chief Executive Officer	2008	2019	X		X			X(7)		X(7)
Mr. SANCHEZ INCERA, Deputy Chief Executive Officer	2010	2019	X		X			X(7)		X(7)

(1) According to the recommendations of the AFEP-MEDEF Code, the following may not hold an employment contract during their term of office: the Chairman of the Board of Directors, the Chairman and Chief Executive Officer, and the Chief Executive Officer in companies with a Board of Directors.

(2) Details of supplementary pension plans can be found on page 100.

(3) Details of Mr. Oudéa's non-compete compensation can be found on page 107.

(4) The employment contracts of Messrs. Cabannes, Sanchez Incera and Valet have been suspended for the duration of their term of office.

(5) Mr. Bini Smaghi was appointed Chairman of the Board on 19th May 2015.

(5) Mr. Oudéa was appointed Chief Executive Officer in May 2008, then Chairman and Chief Executive Officer in May 2009, and Chief Executive Officer on 19th May 2015.

(7) Severance pay and non-compete compensation paid to Chief Executive Officers as from financial year 2017 is covered by related-party agreements and commitments submitted to the General Meeting for approval on 23rd May 2017.

REMUNERATION COMPONENTS DUE OR GRANTED FOR FINANCIAL YEAR 2016 TO CHIEF EXECUTIVE OFFICERS AND SUBMITTED TO A SHAREHOLDER VOTE

Table 1

Lorenzo BINI SMAGHI, Chairman of the Board of Directors

Remuneration components due or granted for financial year 2016	Amount or book value put to a vote	Description
Fixed remuneration	EUR 850,000	Gross fixed remuneration paid in 2016, in accordance with the Board of Directors' decision of 19th May 2015.
Variable annual remuneration	N/A	Lorenzo Bini Smaghi does not receive any variable remuneration.
Attendance fees	N/A	Lorenzo Bini Smaghi does not receive any attendance fees.
Value of benefits in kind	EUR 52,819	He is provided with company accommodation for the performance of his duties in Paris.

Table 2

Frédéric OUDÉA, Chief Executive Officer

Remuneration components due or granted for financial year 2016	Amount or book value put to a vote	Description
Fixed remuneration	EUR 1,300,000	Gross fixed remuneration paid in 2016, in accordance with the Board of Directors' decision of 31st July 2014. It was confirmed in May 2015 when the functions of Chairman of the Board and Chief Executive Officer were separated.
Variable annual remuneration		Frédéric Oudéa benefits from annual variable remuneration which is broken down into two sub-components: 60% based on financial targets and 40% on qualitative targets. These elements are described on page 102 of the 2017 Registration Document. This annual variable remuneration is capped at 135% of fixed remuneration.
o.w. non-deferred annual variable remuneration	EUR 290,052 (nominal amount)	Evaluation of 2016 performance - Given the quantitative and qualitative criteria defined by the Board of Directors in March 2016 and the achievement rates observed in financial year 2016, Mr. Oudéa's annual variable remuneration was set at EUR 1,450,262[(1)]. This corresponds to an overall target achievement rate of 83% of his maximum annual variable remuneration (see page 103 of the 2017 Registration Document). In accordance with CRD4 applicable to credit institutions, the payment conditions for annual variable remuneration are as follows: ■ 60% of annual variable remuneration is conditional upon achievement of Group profitability and Core Tier 1 targets as determined for financial years 2017, 2018 and 2019. Two-thirds of this is converted into Societe Generale shares transferable for 3.5 years, *pro rata*;
o.w. deferred annual variable remuneration	EUR 1,160,210 (nominal amount)	■ the remaining 40% of this annual variable remuneration is vested immediately, with half paid in March 2017 and the other half converted into Societe Generale share equivalents subject to a one-year holding period.
Multi-annual variable remuneration	N/A	Frédéric Oudéa does not receive any multi-annual variable remuneration.
Exceptional compensation	N/A	Frédéric Oudéa does not receive any exceptional compensation.
Value of options granted during the financial year	N/A	Frédéric Oudéa has not been awarded any stock options since 2009.
Value of shares or share equivalents granted under the long-term incentive plan in respect of the financial year	EUR 850,000 (Value according to IFRS 2 at 07.02.2017) This amount corresponds to an award of 32,717 shares	Since 2012, the Chief Executive Officers have been eligible for a long-term incentive plan consisting of shares or share equivalents in order to implicate them more closely in the Company's long-term progress and to align their interests with those of the shareholders. The details of the plan granted in respect of 2016 by the Board of Directors at its meeting of 8th February 2017 are as follows: ■ introduction of a cap on grants, identical to the cap on annual variable remuneration; ■ an award of 32,717 shares granted in two instalments, with vesting periods of four and six years followed by a one-year holding period after vesting, thus increasing the indexing periods to five and seven years; ■ definitive vesting subject to presence and performance conditions. The performance condition is measured by the increase in Societe Generale's Total Shareholder Return (TSR) compared to that of 11 European peers over the entirety of the vesting periods. Thus, the entirety of the award will only vest if Societe Generale's TSR is in the upper quartile of the sample; if it is slightly above the median value, the vesting rate will be 50% of the total number of shares or share equivalents granted; no shares or share equivalents will vest if the TSR performance is too low. ■ In the absence of Group profitability (as measured by Group net income, excluding strictly accounting-related impacts associated with the revaluation of own debt and the Debt Value Adjustment) for the year preceding the definitive vesting of long-term incentives, no payment will be due, regardless of the performance of the Societe Generale share. ■ Any departure will result in cancellation of the payment under the plan, unless the Chief Executive Officer in question is retiring or leaving the Group due to changes in its structure or organisation, in which case the shares or payments will be awarded based on the performance observed and assessed by the Board of Directors. ■ Lastly, the Board of Directors decided to cap the final vesting value to EUR 77 per share, i.e. approximately 1.2 times the book value per share of the Societe Generale Group at 31st December 2016. The award is granted pursuant to the 19th resolution of the General Meeting of 18th May 2016, and represents less than 0.01% of the capital.
Attendance fees	N/A	
Value of benefits in kind	EUR 5,925	Frédéric Oudéa is provided with a company car.

(1) Nominal amount decided by the Board of Directors on 8th February 2017.

Remuneration components due or granted for the financial year that are or were put to a shareholder vote in accordance with the procedure governing related-party agreements or commitments	Amounts or book value put to a vote	Description
Severance pay	N/A	Frédéric Oudéa was not entitled to severance pay in 2016.
Non-compete clause	No amount due in respect of the financial year	If Frédéric Oudéa had ceased to hold the office of Chief Executive Officer in 2016, he would have been bound by a non-compete clause prohibiting him from accepting a position with a listed insurance company or credit institution either in France or abroad, or with an unlisted credit institution in France. In exchange, he would have been able to continue to receive his fixed salary. The parties were, however, entitled to waive this clause. The non-compete clause was valid for a period of 18 months and compensated in the amount of Mr. Oudéa's fixed salary. Its validity remained below the 24-month limit recommended in the AFEP-MEDEF Code.
Supplementary pension plan	N/A	Frédéric Oudéa does not have any supplementary pension plan.

Table 3

Séverin CABANNES, Deputy Chief Executive Officer

Remuneration components due or granted for financial year 2016	Amount or book value put to a vote	Description
Fixed remuneration	EUR 800,000	Gross fixed remuneration paid in 2016
Variable annual remuneration		Séverin Cabannes benefits from annual variable remuneration which is broken down into two sub-components: 60% based on financial targets and 40% on qualitative targets. These elements are described on page 102 of the 2017 Registration Document. This annual variable remuneration is capped at 115% of fixed remuneration.
o.w. non-deferred annual variable remuneration	EUR 148,926 (nominal amount)	**Evaluation of 2016 performance -** Given the quantitative and qualitative criteria defined by the Board of Directors in March 2016 and the achievement rates observed in financial year 2016, Mr. Cabannes's annual variable remuneration was set at EUR 744,630[1] This corresponds to an overall target achievement rate of 81% of his maximum annual variable remuneration (see page 103 of the 2017 Registration Document). In accordance with CRD4 applicable to credit institutions, **the payment conditions for annual variable remuneration** are as follows: ■ 60% of annual variable remuneration is conditional upon achievement of Group profitability and Core Tier 1 targets as determined for financial years 2017, 2018 and 2019. Two-thirds of this is converted into Societe Generale shares transferable for 3.5 years, *pro rata*;
o.w. deferred annual variable remuneration	EUR 595,704 (nominal amount)	■ the remaining 40% of this annual variable remuneration is vested immediately, with half paid in March 2017 and the other half converted into Societe Generale share equivalents subject to a one-year holding period.
Multi-annual variable remuneration	N/A	Séverin Cabannes does not receive any multi-annual variable remuneration.
Exceptional compensation	N/A	Séverin Cabannes does not receive any exceptional compensation.
Value of options granted during the financial year	N/A	Séverin Cabannes has not been awarded any stock options since 2009.
Value of shares or share equivalents granted under the long-term incentive plan in respect of the financial year	EUR 570,000 (Value according to IFRS 2 at 07.02.2017) This amount corresponds to an award of 21,940 shares	Since 2012, the Chief Executive Officers have been eligible for a long-term incentive plan consisting of shares or share equivalents in order to implicate them more closely in the Company's long-term progress and to align their interests with those of the shareholders. The details of the plan granted in respect of 2016 by the Board of Directors at its meeting of 8th February 2017 are as follows: ■ introduction of a cap on grants, identical to the cap on annual variable remuneration; ■ an award of 21,940 shares granted in two instalments, with vesting periods of four and six years followed by a one-year holding period after vesting, thus increasing the indexing periods to five and seven years; ■ definitive vesting subject to presence and performance conditions. The performance condition is measured by the increase in Societe Generale's Total Shareholder Return (TSR) compared to that of 11 European peers over the entirety of the vesting periods. Thus, the entirety of the award will only vest if Societe Generale's TSR is in the upper quartile of the sample; if it is slightly above the median value, the vesting rate will be 50% of the total number of shares or share equivalents granted; no shares or share equivalents will vest if the TSR performance is too low. ■ In the absence of Group profitability (as measured by Group net income, excluding strictly accounting-related impacts associated with the revaluation of own debt and the Debt Value Adjustment) for the year preceding the definitive vesting of long-term incentives, no payment will be due, regardless of the performance of the Societe Generale share. ■ Any departure will result in cancellation of the payment under the plan, unless the Chief Executive Officer in question is retiring or leaving the Group due to changes in its structure or organisation, in which case the shares or payments will be awarded based on the performance observed and assessed by the Board of Directors. ■ Lastly, the Board of Directors decided to cap the final vesting value to EUR 77 per share, i.e. approximately 1.2 times the book value per share of the Societe Generale Group at 31st December 2016. The award is granted pursuant to the 19th resolution of the General Meeting of 18th May 2016, and represents less than 0.01% of the capital.
Attendance fees	EUR 13,462	Variable compensation paid to Deputy Chief Executive Officers is reduced by the amount of any attendance fees received from other Societe Generale Group companies.
Value of benefits in kind	EUR 6,411	Séverin Cabannes is provided with a company car.

(1) Nominal amount decided by the Board of Directors on 8th February 2017.

Remuneration components due or granted for the financial year that are or were put to a shareholder vote in accordance with the procedure governing related-party agreements or commitments	Amounts or book value put to a vote	Description
Severance pay	N/A	Séverin Cabannes was not entitled to severance pay for the termination of his corporate office in 2016.
Non-compete clause	No amount due in respect of the financial year	Séverin Cabannes was not bound by a non-compete clause in 2016.
Supplementary pension plan	N/A	Séverin Cabannes retains the benefit of the supplementary pension allocation plan for senior managers that applied to him as an employee prior to his appointment as Chief Executive Officer. This supplementary plan, introduced in 1991 and satisfying the provisions of Article L. 137-11 of the French Social Security Code, provides beneficiaries with an annual pension, covered by Societe Generale, as described on p. 100. This allowance depends in particular on length of service within Societe Generale and the proportion of fixed salaries exceeding “Tranche B” of the AGIRC pension. Each year, potential annuity rights are calculated according to projected length of service and salary at retirement, based on recognised actuarial principles. At 31st December 2016, on the basis of Mr. Cabannes’s length of service and reference remuneration at such date, his potential pension rights, irrespective of the conditions pertaining to satisfaction of the commitment, and based on a retirement age assumption of 63, represent an estimated annual pension of EUR 183,042 (i.e. 11.9% of his reference remuneration as defined by the AFEP-MEDEF Code). In accordance with the procedure for related-party agreements, this commitment was authorised by the Board of Directors on 12th May 2008 and approved by the General Meeting on 19th May 2009 (7th resolution). Mr. Cabannes also remains entitled to the supplementary defined-contribution pension plan that he had as an employee prior to his appointment as Chief Executive Officer. This defined-contribution plan, established in line with Article 83 of the French General Tax Code, was implemented in 1995. Membership is compulsory for all employees with at least one year’s seniority within the Company and allows beneficiaries to acquire annual deferred life annuity rights corresponding to 0.1% of their remuneration, capped at twice the annual French Social Security cap. This plan is financed 1.5% by the Company and 0.5% by employees. At 31st December 2016, Mr. Cabannes had acquired deferred life annuity rights of EUR 838 per annum.

Table 4

Bernardo SANCHEZ INCERA, Deputy Chief Executive Officer

Remuneration components due or granted for financial year 2016	Amount or book value put to a vote	Description
Fixed remuneration	EUR 800,000	Gross fixed remuneration paid in 2016
Variable annual remuneration		Bernardo Sanchez Incera benefits from annual variable remuneration which is broken down into two sub-components: 60% based on financial targets and 40% on qualitative targets. These elements are described on page 102 of the 2017 Registration Document. This annual variable remuneration is capped at 115% of fixed remuneration.
o.w. non-deferred annual variable remuneration	EUR 152,293 (nominal amount)	**Evaluation of 2016 performance -** Given the quantitative and qualitative criteria defined by the Board of Directors in March 2016 and the achievement rates observed in financial year 2016, Mr. Sanchez Incera's annual variable remuneration was set at EUR 761,466(1). This corresponds to an overall target achievement rate of 83% of his maximum annual variable remuneration (see page 103 of the 2017 Registration Document). In accordance with CRD4 applicable to credit institutions, the **payment conditions for annual variable remuneration** are as follows:
o.w. non-deferred annual variable remuneration	EUR 609,173 (nominal amount)	■ 60% of annual variable remuneration is conditional upon achievement of Group profitability and Core Tier 1 targets as determined for financial years 2017, 2018 and 2019. Two-thirds of this is converted into Societe Generale shares transferable for 3.5 years, *pro rata*; ■ the remaining 40% of this annual variable remuneration is vested immediately, with half paid in March 2017 and the other half converted into Societe Generale share equivalents subject to a one-year holding period.
Multi-annual variable remuneration	N/A	Bernardo Sanchez Incera does not receive any multi-annual variable remuneration.
Exceptional compensation	N/A	Bernardo Sanchez Incera does not receive any exceptional compensation.
Value of options granted during the financial year	N/A	Bernardo Sanchez Incera has not been awarded any stock options since 2010.
Value of shares or share equivalents granted under the long-term incentive plan in respect of the financial year	EUR 570,000 (Value according to IFRS 2 at 07.02.2017) This amount corresponds to an award of 21,940 shares	Since 2012, the Chief Executive Officers have been eligible for a long-term incentive plan consisting of shares or share equivalents in order to implicate them more closely in the Company's long-term progress and to align their interests with those of the shareholders. The details of the plan granted in respect of 2016 by the Board of Directors at its meeting of 8th February 2017 are as follows: ■ introduction of a cap on grants, identical to the cap on annual variable remuneration; ■ an award of 21,940 shares granted in two instalments, with vesting periods of four and six years followed by a one-year holding period after vesting, thus increasing the indexing periods to five and seven years; ■ definitive vesting subject to presence and performance conditions. The performance condition is measured by the increase in Societe Generale's Total Shareholder Return (TSR) compared to that of 11 European peers over the entirety of the vesting periods. Thus, the entirety of the award will only vest if Societe Generale's TSR is in the upper quartile of the sample; if it is slightly above the median value, the vesting rate will be 50% of the total number of shares or share equivalents granted; no shares or share equivalents will vest if the TSR performance is too low. ■ In the absence of Group profitability (as measured by Group net income, excluding strictly accounting-related impacts associated with the revaluation of own debt and the Debt Value Adjustment) for the year preceding the definitive vesting of long-term incentives, no payment will be due, regardless of the performance of the Societe Generale share. ■ Any departure will result in cancellation of the payment under the plan, unless the Chief Executive Officer in question is retiring or leaving the Group due to changes in its structure or organisation, in which case the shares or payments will be awarded based on the performance observed and assessed by the Board of Directors. ■ Lastly, the Board of Directors decided to cap the final vesting value to EUR 77 per share, i.e. approximately 1.2 times the book value per share of the Societe Generale Group at 31st December 2016. The award is granted pursuant to the 19th resolution of the General Meeting of 18th May 2016, and represents less than 0.01% of the capital.
Attendance fees	EUR 33,273	Variable compensation paid to Deputy Chief Executive Officers is reduced by the amount of any attendance fees received from other Societe Generale Group companies.
Value of benefits in kind	EUR 6,288	Bernardo Sanchez Incera is provided with a company car.

(1) Nominal amount decided by the Board of Directors on 8th February 2017.

Remuneration components due or granted for the financial year that are or were put to a shareholder vote in accordance with the procedure governing related-party agreements or commitments	Amounts or book value put to a vote	Description
Severance pay	N/A	Bernardo Sanchez Incera was not entitled to severance pay for the termination of his corporate office in 2016.
Non-compete clause	N/A	Bernardo Sanchez Incera was not bound by a non-compete clause in 2016.
Supplementary pension plan	No amount due in respect of the financial year	Bernardo Sanchez Incera retains the benefit of the supplementary pension allocation plan for senior managers that applied to him as an employee prior to his appointment as Chief Executive Officer. This supplementary plan, introduced in 1991 and satisfying the provisions of Article L. 137-11 of the French Social Security Code, provides beneficiaries with an annual pension, covered by Societe Generale, as described on p. 100. This allowance depends in particular on length of service within Societe Generale and the proportion of fixed salaries exceeding “Tranche B” of the AGIRC pension. Each year, potential annuity rights are calculated according to projected length of service and salary at retirement, based on recognised actuarial principles. At 31st December 2016, on the basis of Mr. Sanchez Incera’s length of service and reference remuneration at such date, his potential pension rights, irrespective of the conditions pertaining to satisfaction of the commitment, and based on a retirement age assumption of 63, represent an estimated annual pension of EUR 152,094 (i.e. 9.7% of his reference remuneration as defined by the AFEP-MEDEF Code). In accordance with the procedure for related-party agreements, this commitment was authorised by the Board of Directors on 12th January 2010 and approved by the General Meeting on 25th May 2010 (8th resolution). Mr. Sanchez Incera also remains entitled to the supplementary defined-contribution pension plan that he had as an employee prior to his appointment as Chief Executive Officer. This defined-contribution plan, established in line with Article 83 of the French General Tax Code, was implemented in 1995. Membership is compulsory for all employees with at least one year’s seniority within the Company and allows beneficiaries to acquire annual deferred life annuity rights corresponding to 0.1% of their remuneration, capped at twice the annual French Social Security cap. This plan is financed 1.5% by the Company and 0.5% by employees. At 31st December 2016, Mr. Sanchez Incera had acquired deferred life annuity rights of EUR 484 per annum.

EMPLOYEE SHARE PLANS

General policy

The Group suspended grants of stock purchase or subscription options in 2011. Free shares have been issued in France since 2006 and abroad since 2009, as authorised at the General Meeting. The Board of Directors, based on the recommendations of the Compensation Committee, has defined the following policy: granting of performance shares in order to reward, motivate and secure the long-term loyalty of three specific categories of employees. These employees are:

- employees who have made a significant contribution to the Group's results, with respect to their responsibilities;
- high-potential employees whose expertise is highly sought-after on the job market;
- employees whose work has proved extremely valuable to the Company.

In addition, in the context of the specific loyalty and remuneration policy applicable to categories of staff whose professional activities affect the Group's risk profile, defined in accordance with CRD4 applicable since 1st January 2014 (referred to as regulated persons), part of the variable remuneration of Chief Executive Officers and certain employees from the businesses concerned is deferred, in the form of performance shares.

Grants are wholly contingent on presence within the Group at the vesting date and on collective performance, regardless of the category or level of the beneficiary. In accordance with the recommendations of the AFEP-MEDEF Code, Group performance conditions applied to Group Chief Executive Officers are demanding and established in advance.

The grant of these financial instruments is accounted for under personnel expenses in the Company's financial statements in accordance with IFRS 2.

2016 Plan

Based on a proposal from the Compensation Committee, the Board of Directors, at its meeting of 18th May 2016, granted performance shares to certain members of staff in accordance with the 19th and 20th resolutions of the General Meeting held earlier that day.

Pursuant to the 19th resolution, the performance shares granted under the specific loyalty and remuneration policy for regulated persons as defined by banking regulations (including Chief Executive Officers and Executive Committee members) represent 0.16% of the share capital, corresponding to a total of approximately 1,270,000 shares. Their vesting periods range from two to six years, followed by a holding period of at least six months. These shares are wholly subject to performance conditions specific to each Core Business and business line.

Pursuant to the 20th resolution, the beneficiaries of the long-term incentive plan numbered 5,867, receiving approximately 1,215,000 shares in total, i.e. 0.15% of the share capital. The Chief Executive Officers and members of the Group Management Committee were not beneficiaries of the plan. Plan beneficiaries comprised 2,379 women and 3,488 men belonging to other employee categories (including non-executives) spread over nearly 75 different countries; 41% work outside France.

All shares are granted subject to a condition of presence throughout the vesting period as well as a performance condition based on the Societe Generale Group's net income. The shares will definitively vest for each beneficiary after three years.

4. STATUTORY AUDITORS' REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

This is a free translation into English of the Statutory auditors' report on related party agreements and commitments that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on related party agreements and commitments should be read in conjunction, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

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General Meeting of Shareholders to approve the financial statements for the year ended 31st December 2016

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms, conditions and the reasons for the company's interest of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (*Code de Commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code (Code de Commerce) concerning the implementation, during the year, of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval by the General Meeting of Shareholders

AGREEMENTS AND COMMITMENTS AUTHORISED DURING THE YEAR

In accordance with Article L. 225-38 of the French Commercial Code, we inform you that we have not been advised of any agreements or commitments authorised during the year to be submitted for the approval of the General Meeting of Shareholders.

AGREEMENTS AND COMMITMENTS AUTHORISED SINCE THE YEAR-END

We have been advised that the following agreements and commitments authorised since the year-end have been previously approved by the Board of Directors.

1- With Mr. Frédéric Oudéa, Chief Executive Officer

a) Nature and purpose

Non-compete clause for Mr. Frédéric Oudéa.

Terms and conditions

The non-compete clause for Mr. Frédéric Oudéa was authorised by your Board of Directors on February 8, 2017 and ended the "non-compete clause" agreement approved on 22nd May 2012.

Provided that he will not be employed in a similar position for a sixth-month period following the termination of his term of office, in a listed bank or insurance company in or outside France, or in a non-listed bank in France, Mr. Frédéric Oudéa will be entitled, during the same period, to termination benefits to be paid on a monthly basis, equal to his basic fixed compensation as Chief Executive Officer. The company however reserves the right to waive this clause.

Reasons justifying the interest of the agreement for the company

Your Board justified this agreement as follows: the Board wishes to modify and harmonise the termination benefits received in the event of forced departure of members of its Executive Management team. These terms have been determined to take into consideration the new AFEP-MEDEF Corporate Governance Code and market practices which include non-compete and termination benefits clauses.

The non-compete clause aims to protect the Group should its corporate officers leave the Group. It is in line with banking sector practices. The scope and application satisfy the legal considerations of French law regarding non-enforceability.

b) Nature and purpose

Termination benefits in favour of Mr. Frédéric Oudéa.

Terms and conditions

The termination benefits in favour of Mr. Frédéric Oudéa were authorised by the Board of Directors on 8th February 2017.

The termination benefits include the following features:

- Termination benefits will only be due in the event of a forced departure from the Group and justified as such by the Board of Directors, thereby excluding resignation, non-renewal of the term of office at the initiative of Mr. Frédéric Oudéa or gross negligence.
- Payment of the termination benefits will be subject to reaching an overall achievement rate of the variable portion of his annual compensation of at least 60% on average over the last three fiscal years preceding the termination of his term of office.
- No termination benefits will be owed in the event of departure within the six months preceding the settlement of the Social Security pension entailing the right to benefit from the supplementary pension allocation for senior executives.
- The amount of the termination benefits will be two years of basic fixed compensation and may not exceed the ceiling recommended by the AFEP-MEDEF Corporate Governance Code of two years of basic fixed and variable compensation.

Furthermore, the shares or equity equivalents allocated as part of the long-term incentive plan of Mr. Frédéric Oudéa and still being vested would be lost in the event of his departure from the Group, as the presence condition would no longer be satisfied. For a departure related to retirement or to an evolution in the Group's structure or its organization, shares would be retained or the payments would be made after having taken into consideration the performance observed and assessed by the Board of Directors.

Reasons justifying the interest of the agreement for the company

Your Board justified this agreement as follows: the Board wishes to modify and harmonise the termination benefits received in the event of forced departure of members of its Executive Management team. These terms have been determined to take into consideration the new AFEP-MEDEF Corporate Governance Code and market practices which include non-compete and termination benefits clauses.

The termination benefits aim to protect senior executives in the event of forced departure of members of the Executive Management team. In accordance with AFEP-MEDEF recommendations, Mr. Frédéric Oudea waived his employment contract on his appointment as Chairman-Chief Executive Officer in 2009. He therefore lost the benefits and guarantees from which he benefited as an employee for nearly fifteen years.

2- With Mr. Didier Valet, Deputy Chief Executive Officer

Nature and purpose

Pension commitment in favour of Mr. Didier Valet.

Terms and conditions

The pension commitment in favour of Mr. Didier Valet was authorised by your Board of Directors on 13th January 2017 with effect from 16th January 2017.

Pursuant to this commitment, Mr. Didier Valet retains the rights to the supplementary pension plan for senior executives which applied to him as an employee. This additional plan, set up in 1991, grants to its beneficiaries, as of the settlement date of their Social Security pension, an overall pension equal to the product of the following:

- the average, over the last ten years of the career, of the proportion of basic fixed compensation exceeding the "B Tranche" of the AGIRC (French executives retirement fund) increased by a variable portion limited to 5% of the basic fixed compensation;
- the rate equal to the ratio between the number of years of professional service within your company and 60.

The AGIRC "C Tranche" pension vested in respect of his professional services within the company is deducted from this total. The additional allocation to be paid by your company is increased for beneficiaries who have brought up at least three children, as well as for those retiring after the legal retirement age for the settlement date of the Social Security pension. It may not be less than a third of the full-rate service value of AGIRC "B Tranche" points vested by the manager since his appointment to the "Senior group executives" category of your company.

The annual vesting of the contingent rights will be, starting from 2017, subject to the following performance condition: "the rights to potential annuity payments in respect of one year will only be fully vested if at least 80% of the performance conditions of the variable compensation of this same year are satisfied. For a performance of 50% and below, no increase in the annuity will be applied. For an achievement rate of between 80% and 50%, the calculation of the vesting of rights with respect to the year will be calculated on a straight-line basis".

The rights are subordinated to the presence of the employee in the company at the time when the settlement of his pension takes place.

Reasons justifying the interest of the agreement for the company

Your Board justified this agreement as follows: the Board wanted Mr. Valet to retain his rights to the senior executive supplementary pension plan which applies to him as an employee as is the case for the other Deputy Chief Executive Officers.

3- With Messrs. Bernardo Sanchez Incera, Séverin Cabannes and Didier Valet, Deputy Chief Executive Officers

a) Nature and purpose

Termination benefits in favour of Messrs. Bernardo Sanchez Incera, Séverin Cabannes and Didier Valet.

Terms and conditions

Termination benefits in favour of Messrs. Bernardo Sanchez Incera, Séverin Cabannes and Didier Valet were authorised by your Board of Directors on 8th February 2017.

The termination benefits have the following features:

- Termination benefits will only be due in the event of a forced departure from the Group and justified as such by the Board of Directors, thereby excluding resignation, non-renewal of the term of office at the initiative of Messrs. Bernardo Sanchez Incera, Séverin Cabannes and Didier Valet or gross negligence.
- Payment of the termination benefits will be subject to reaching an overall achievement rate of the variable portion of his annual compensation of at least 60% on average over the last three fiscal years preceding the termination of his term of office.
- No termination benefits will be owed in the event of departure within the six months preceding the settlement of the Social Security pension entailing the right to benefit from the supplementary pension allocation for senior executives.
- The amount of the termination benefits will be two years of basic fixed compensation and may not exceed the ceiling recommended by the AFEP-MEDEF Corporate Governance Code of two years of basic fixed and variable compensation.

Furthermore, the shares or equity equivalents allocated as part of the long-term incentive plan of Messrs. Bernardo Sanchez Incera, Séverin Cabannes and Didier Valet and still being vested would be lost in the event of his departure from the Group, as the presence condition would no longer be satisfied. For a departure related to retirement or to an evolution in the Group's structure or its organisation, shares would be retained or the payments would be made after having taken into consideration the performance observed and assessed by the Board of Directors.

Reasons justifying the interest of the agreement for the company

Your Board justified this agreement as follows: the Board wishes to modify and harmonise the termination benefits received in the event of forced departure of members of its Executive Management team. These terms have been determined to take into consideration the new AFEP-MEDEF Corporate Governance Code and market practices which include non-compete and termination benefits clauses.

The termination benefits aim to protect senior executives in the event of forced departure of members of the Executive Management team. The employment contracts of the Deputy Chief Executive Officers were suspended on their appointment. As such, the amount of legal or collective bargaining termination benefits which would be owed to them would be minimal or nil.

b) Nature and purpose

Non-compete clause in favour of Messrs. Bernardo Sanchez Incera, Séverin Cabannes and Didier Valet.

Terms and conditions

The non-compete clause in favour of Messrs. Bernardo Sanchez Incera, Séverin Cabannes and Didier Valet was authorised by your Board of Directors on 8th February 2017.

Provided that they will not be employed in a similar position for a sixth-month period following the termination of their terms of office, in a listed bank or insurance company in or outside France, or in a non-listed bank in France, Messrs. Bernardo Sanchez Incera, Séverin Cabannes and Didier Valet will be entitled, during the same period, to termination benefits to be paid on a monthly basis, equal to their basic fixed compensation as Deputy Chief Executive Officers. The company however reserves the right to waive this clause.

Reasons justifying the interest of the agreement for the company

Your Board justified this agreement as follows: the Board wishes to modify and harmonise the termination benefits received in the event of forced departure of members of its Executive Management team. These terms have been determined to take into consideration the new AFEP-MEDEF Corporate Governance Code and market practices which include non-compete and termination benefits clauses.

The non-compete clause aims to protect the Group should its corporate officers leave the Group. It is in line with banking sector practices. The scope and application satisfy the legal considerations of French law regarding non-enforceability.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS

We inform you that we have not been advised of any agreements or commitments already authorised by the General Meeting of Shareholders which have had continuing effect during the year.

In addition, we have been advised that the following agreements and commitments which were approved by the General Meeting of Shareholders in prior years were not implemented during the year.

1- With Mr. Frédéric Oudéa, Chief Executive Officer

Nature and purpose

Non-compete clause in favour of Mr. Frédéric Oudéa.

Terms and conditions

The non-compete clause for Mr. Frédéric Oudéa had been authorised by your Board of Directors on 24th May 2011 and approved by the General Meeting of Shareholders on 22nd May 2012.

Under the condition that he will not be employed for an eighteen-month period following the termination of his term of office, in a listed bank or insurance Company in or outside France, or in a non-listed bank in France, Mr. Frédéric Oudéa will be entitled, during the same period, to termination benefits to be paid on a monthly basis, equal to his basic fixed compensation as Chief Executive Officer. The company however reserves the right to waive this clause.

Following the reassessment of this non-compete clause by the Board of Directors on 13th January 2017, this commitment was modified by the Board of Directors on 8th February 2017 and is presented to you in the section on agreements and commitments subject to the approval of the General Meeting of Shareholders.

2- With Messrs. Bernardo Sanchez Incera and Séverin Cabannes, Deputy Chief Executive Officers

Nature and purpose

Pension commitment in favour of Messrs. Bernardo Sanchez Incera and Séverin Cabannes.

Terms and conditions

The pension commitment in favour of Bernardo Sanchez Incera was authorised by your Board of Directors on 12th January 2010 and approved by your General Meeting of Shareholders held on 25th May 2010.

The pension commitment in favour of Mr. Séverin Cabannes was authorised by your Board of Directors on 12th May 2008 and approved by your General Meeting of Shareholders held on 19th May 2009.

Pursuant to these commitments, Messrs. Bernardo Sanchez Incera and Séverin Cabannes retain the rights to the supplementary pension plan for senior executives which applied to them as employees prior to their initial appointment as Deputy Chief Executive Officers. This additional plan, set up in 1991, grants to its beneficiaries, as of the settlement date of their Social Security pension, an overall pension equal to the product of the following:

- the average, over the last ten years of the career, of the proportion of basic fixed compensation exceeding the "B Tranche" of the AGIRC (French executives retirement fund) increased by a variable portion limited to 5% of the basic fixed compensation;
- the rate equal to the ratio between the number of years of professional service within your company and 60.

The AGIRC "C Tranche" pension vested in respect of his professional services within the company is deducted from this total. The additional allocation to be paid by your company is increased for beneficiaries who have brought up at least three children, as well as for those retiring after the legal retirement age for the settlement date of the Social Security pension. It may not be less than a third of the full-rate service value of AGIRC "B Tranche" points vested by the manager since his appointment to the "Senior group executives" category of your company.

The rights are subordinated to the presence of the employee in the company at the time when the settlement of his pension takes place.

Neuilly-sur-Seine and Paris-La Défense, 7th March 2017

The statutory auditors
French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
José-Luis Garcia	*Isabelle Santenac*

5. REPORT OF THE CHAIRMAN ON INTERNAL CONTROL AND RISK MANAGEMENT

This report has been prepared in compliance with Article L. 225-37 of the French Commercial Code[(1)] It summarises the internal control procedures of the consolidated Societe Generale Group and is in no way intended to give a detailed description of the situation of the Group's activities and subsidiaries or of the practical implementation of the procedures. The Chairman of each French limited liability subsidiary of the Group carrying out a public offering is required to draft a specific report.

Given the extent and diversity of the risks inherent in banking, internal control is a vital instrument in risk management policy that plays an important role in ensuring the sustainability of activities.

It forms part of a strict regulatory framework defined at a national level, and is also the focus of various projects at an international level (Basel Committee, European Union). Internal control concerns all personnel in all areas of the Group. While the primary responsibility therein lies with the operational staff, a number of Corporate Divisions are also involved, notably the Risk Division, the Group Corporate Secretary, the Finance Division, and the Internal Audit Division. These entities all contributed to the production of this report. The report was approved by the Board of Directors after being examined by the Audit and Internal Control Committee.

TYPES OF RISK

The Group's risk management framework involves the following main categories:

- Structural interest and exchange rate risk: risk of losses of interest margin or of the value of the fixed-rate structural position due to changes in interest or exchange rates. Structural interest and exchange rate risks arise from commercial activities and from corporate centre transactions.
- Liquidity and funding risk: liquidity risk is defined as the inability of the Group to meet its financial obligations at a reasonable cost. Funding risk is defined as the risk of the Group being unable to finance the development of its activities in line with its commercial objectives and at a competitive cost.
- Credit and counterparty risk (including concentration effects): risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes the counterparty risk linked to market transactions and securitisation activities. In addition, credit risk may be further amplified by individual, country and sector concentration risk.
- Market risk: risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets.
- Operational risks: risk of losses resulting from inadequacies or failures in processes, personnel or information systems, or from external events. They include:
  - Non-compliance risk (including legal and tax risks): risk of court-ordered, administrative or disciplinary sanctions, or of material financial loss, due to failure to comply with the provisions governing the Group's activities;
  - Reputational risk: risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Group's ability to maintain or engage in business relationships and to sustain access to sources of financing;
  - Misconduct risk: risk of harm to customers, markets or the Group itself, or to the image and reputation of the banking sector in general, due to corporate misconduct or inappropriate behaviour on the part of employees or the institution itself.
- Model risk: the Group makes use of models in the course of its activities. Selecting a particular model and configuring its parameters necessarily involves a simplification of reality and can result in an inaccurate assessment of risk.
- Strategic risk: risks inherent in the choice of a given business strategy or resulting from the Group's inability to execute its strategy.
- Risk related to specialised finance activities: through its specialised financial services activities, mainly in its operational vehicle leasing subsidiary, the Group is exposed to residual value risk (when the net resale value of an asset at the end of the lease is less than estimated).
- Risk related to insurance activities: through its insurance subsidiaries, the Group is also exposed to a variety of risks linked to the insurance business. In addition to balance sheet management risks (interest rate, valuation, counterparty and exchange rate risk), these risks include premium pricing risk, mortality risk and the risk of an increase in claims.
- Private equity risk: risk of losses linked to financial holdings of a private equity nature.
- In addition, risks associated with climate change, both physical (increased frequency of extreme weather events) and transition-related (new carbon regulations), have been identified as factors that could aggravate the Group's existing risks.

(1) For the Corporate Governance section of this report, see pages 67 and following.

RISK APPETITE

Risk appetite is defined as the level of risk that the Group is prepared to assume to achieve its strategic goals. The risk appetite is determined at Group level and is allocated operationally to the business lines and the subsidiaries; it is monitored as described in the "Risk Appetite Framework", which is summarised below.

General framework

GOVERNANCE

The Board of Directors approves the Group risk appetite proposed by General Management. The Risk Division and the Finance and Development Division define the Group's risk appetite and provide monitoring and second-level control of its implementation, together with the Group Compliance Division. The Internal Audit Division periodically reviews the effectiveness of the Risk Appetite Framework.

DETERMINATION AND ALLOCATION OF THE RISK APPETITE

Risk appetite is developed and allocated based on:

- regular identification and assessment of all material risks to which the Group is exposed; this exercise relies on prospective measurement tools (stress tests);
- a provisional assessment of the Group's profitability and solvency for a baseline scenario as well as a three-year worst-case scenario, to enable the development of the strategic and financial plan;
- an allocation of the risk appetite within the Group, down to the appropriate level, taking into account the risk/profitability profile of the business lines and their growth prospects.

The Group's risk appetite is formalised in a document that determines the general guidelines, policies, targets, limits and thresholds governing the risk appetite of Societe Generale. This document is reviewed annually.

Each year, upstream from the budget process, the Risk Division and the Finance Division submit Group-level profitability and financial solidity targets (rating, solvency, liquidity) to the Board of Directors under the responsibility of the General Management.

These targets are designed to ensure:

- compliance, with a sufficient safety margin, with the regulatory obligations to which the Group is subject (in particular, minimum regulatory solvency, leverage and liquidity ratios), pre-empting the implementation of new regulations where possible;
- sufficient resistance to stress scenarios by means of a safety margin (stress normalised by regulators or defined through an internal Group process).

Risk appetite in relation to the major risks to which the Group is exposed is regulated by limits and thresholds. These metrics aid in reaching the Group's financial targets and orientating the Group's profitability profile.

ALLOCATION OF RISK APPETITE WITHIN THE ORGANISATION

The allocation of risk appetite within the organisation is based on the strategic and financial plan and risk management frameworks.

Based on the Finance Division's proposal, the financial targets defined at the Group level are broken down into budget allocation targets at the business line level as part of the budget and the strategic and financial plan.

Once this process has been completed and after validation by General Management, the Group submits the financial trajectories from the baseline and stressed scenarios to the Board of Directors, verifying that the financial targets previously recommended are met.

Likewise, over and above the financial targets, and based on the proposal from the Finance and Risk Divisions, the limits and thresholds defined at Group level are allocated operationally between the pillars and business lines, which are then responsible for allocating them downstream and monitoring within their remit.

The Group's main subsidiaries define their risk appetite, allocate metrics within their organisation and implement an appropriate risk appetite framework. The Corporate Divisions and their functions ensure consistency with the Group risk appetite. Subsidiaries' risk appetites are validated by their Board of Directors.

Risk Appetite Statement

A DIVERSIFIED BANK MODEL THAT TARGETS SUSTAINABLE DEVELOPMENT

Societe Generale seeks sustainable development based on a diversified and balanced banking model with a firm European base and a targeted global presence in selected areas of strong business expertise; the Group also strives to maintain long-term relationships with its clients, built on the confidence it has earned, and to meet the expectations of all of its stakeholders.

This results in:

- an organisation based on three complementary pillars (French Retail Banking, International Retail Banking and Financial Services, Global Banking and Investor Solutions), with a balanced capital allocation between the Group's activities (Retail Banking, International Financial Services, Investment Banking and Investor Solutions) with Retail Banking activities holding a prominent place. The Global Markets activity receives a limited capital allocation;
- a geographically balanced model with a high percentage of revenues generated in mature countries. The Group develops a diversified portfolio of businesses dedicated to individual customers in Europe and Africa. For business, corporate and investor customers, the Group pursues activities in which it has recognised expertise across the world;
- attention paid to the Group's reputation, which it considers a high-value asset that must be protected.

The Group's growth strategy focuses on its existing areas of expertise, its high-quality customer base and the pursuit of synergies within the Group.

RELYING ON A STRONG FINANCIAL PROFILE

Societe Generale seeks to achieve sustainable profitability, relying on a robust financial profile consistent with its diversified banking model, by:

- targeting profitable and lasting development of the business lines;
- maintaining a target rating allowing access to financial resources at a cost consistent with the development of the Group's businesses and its competitive positioning;
- calibrating its capital and hybrid debt targets to ensure:
  - satisfaction of the minimum regulatory requirements in the baseline scenario, with a security buffer,
  - a sufficient level of creditor protection, consistent with the Group's goals with respect to the target rating and future regulatory ratios (Total Loss Absorbency Capacity (TLAC) for instance);
- ensuring resilience in its liabilities, which are calibrated taking into account the survival horizon in a liquidity stress ratio, compliance with LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) regulatory ratios and the level of dependence on short-term wholesale funding;
- controlling financial leverage.

The Group's goal with respect to its shareholders is to generate adequate profitability relative to the risks incurred. Therefore, the risk/reward ratio is taken into consideration in measuring and managing profitability, as well as in product and service pricing.

The principles framing risk appetite for the main risks are summarised below.

STRUCTURAL INTEREST RATE AND EXCHANGE RISKS

The Group assesses and strictly controls structural risks. The mechanism to control interest rate risk, foreign exchange risk and the risk on employee benefits is based on sensitivity or stress limits adapted to each of the various businesses (entities and business lines).

LIQUIDITY AND FUNDING RISKS

The Group assesses the solidity of its liquidity profile based on three complementary elements:

- controlling liquidity risk.

  The Group assesses the liquidity risk over various time horizons, including intraday, taking into account market access restriction risk.
- controlling funding risk.

  The capacity to raise funding is assessed over a three-year horizon.
- complying with regulatory obligations (LCR and NSFR).

The solidity of the liquidity profile is assessed within the Group's prudential scope, taking into account the liquidity situation in major foreign currencies.

The Group's larger entities, in particular those which are subject to local regulatory obligations governing liquidity, also assess and specifically monitor their liquidity profile in conjunction with the Group.

The liquidity and funding risks framework is determined within the Group's ILAAP (Internal Liquidity Adequacy Assessment Process).

CREDIT AND COUNTERPARTY RISKS (INCLUDING CONCENTRATION EFFECTS)

When it assumes credit risk, the Group focuses on medium- and long-term client relationships, targeting clients with which the bank has an established relationship of trust and prospects offering the potential for profitable business development over the medium-term.

In a credit transaction, risk acceptability is based, first and foremost, on the borrower's ability to meet its commitments. Security interests are sought to reduce the risk of loss in the event of a counterparty defaulting on its obligations, but may not, except in exceptional cases, constitute the sole justification for taking the risk.

The Group seeks to diversify risk by controlling individual and sector concentration risk and maintaining a policy of spreading risk by sharing it with other financial partners.

The Group seeks to maintain an exposure to country risks that reflects its strategic selections in terms of its foreign operations and that limits concentrations in high-risk countries.

So as to closely monitor portfolio quality, the Group has established alert thresholds using a series of credit portfolio quality indicators that are monitored quarterly.

The Group defines specific credit policies for sectors or types of credit transaction that present concentration risks or have a specific or intrinsically higher risk profile. This mechanism is bolstered by portfolio limits.

As regards Retail Banking in particular:

- the criteria for granting housing loans take into account the value of the property financed, but are primarily predicated upon an analysis of the borrower's ability to repay the loan. In France, the Group favours loans that are eligible for the *Crédit logement* guarantee;
- consumer credit activities are to be developed through synergies with retail banking activities, as a priority. When these activities target borrowers who are not clients of the retail banking network, they rely on dedicated entities with specialised expertise and robust risk monitoring tools;
- the Group has a moderate appetite for credit risk in private banking activities. This business line targets clients that are inherently low-risk and applies a conservative credit policy, in line with this risk appetite.

MARKET RISK

The business development strategy of the Group for market activities is primarily focused on meeting client requirements, with a full range of products and solutions. The market risk is strictly managed through a set of limits for several indicators (such as stress tests, Value at Risk (VaR) and stressed Value at Risk (SVaR), "sensitivity" and "nominal" indicators).

Regular reviewing of these limits ensures that they closely reflect any changes in market conditions.

Within these limits, the global stress test limit, which covers all activities and the main market risk factors, plays a pivotal role in determining the Group's market risk appetite. The risk/reward ratio – represented by a limit in the form of the Global Stress Test to budgeted Net Banking Income ratio – is subject to specific monitoring.

Proprietary trading transactions are segregated within a dedicated subsidiary (Descartes Trading) and are subject to a limited risk appetite.

OPERATIONAL RISKS (INCLUDING COMPLIANCE RISK)

The Group has no appetite for operational risk but is prepared to assume a potential loss of approximately 1% of recurring revenue.

The Group's activities strictly comply with all laws and regulations governing financial and banking activities. The Group particularly strives to:

- work with clients and partners whose practices comply with rules on anti-money laundering and countering terrorist financing;
- work with clients and complete transactions in accordance with rules related to international embargos and financial penalties;
- complete transactions, offer products and advisory services and work with partners in accordance with regulations governing, in particular, client protection and market integrity, as well as with its tax and anti-corruption undertakings;
- anticipate and manage conflicts of interest;
- protect the data of its clients and employees;
- develop a culture of compliance among its employees and ensure that they may express concerns and submit complaints ("whistle blowing").

The Group has defined values and principles of conduct which apply to all of its employees:

- it emphasises employee loyalty with respect to clients and the integrity of its practices;
- it develops a strong culture which guides employee behaviour in such a manner as to conduct business ethically and responsibly. This culture is spread through Values (team spirit, innovation, responsibility, commitment), a Code of Conduct and a leadership model which defines the conduct and skills expected of employees in respect of each Group value;
- it ensures that they are implemented and complied with through, in particular, alignment of the HR processes (recruitment, training, appraisals, etc.) with these values and principles of conduct.

With respect to its reputation, Societe Generale is extremely careful, relying on a set of indicators presented via a dashboard distributed to the Executive Committee and the Board of Directors. The prevention and detection of risks to its reputation are integrated within all the Group's operating practices. Protecting the Group's reputation includes making its employees aware of the Group's values.

In a spirit of social and environmental responsibility, the Group has undertaken to act in accordance with a set of business conduct principles laid down in internal rules applicable throughout the Group.

RISK MAPPING FRAMEWORK AND STRESS TESTS

Group risk mapping framework

The risk map is an annual overview of the Group's risk identification process. Risk identification contributes to the overall assessment of the Group's risk profile, and is used in various tasks such as the Internal Capital Adequacy Assessment Process (ICAAP). Prepared by the Risk Division under the authority of the General Management, the risk map is presented annually to the Board of Directors' Risk Committee.

The aim of this approach is to estimate potential material losses for the main types of risk to which the Group is exposed, including credit, market, operational and structural risks. The risk map matches potential losses to specific scenarios within defined scopes. The assessment combines expert analysis and various statistical approaches using historical data.

Stress tests

Stress tests or crisis simulations are used to assess the potential impact of a downturn in activity on the behaviour of a portfolio, activity or entity. At Societe Generale, they are used to help identify, assess and manage risk, and to evaluate the Group's capital adequacy with regard to risks. Accordingly, they are an important indicator of the resilience of the Group and its activities and portfolios, and a core component in the definition of its risk appetite. The Group's stress test framework covers credit risk, market risk, operational risk, liquidity risk and structural interest rate and exchange rate risks.

Stress tests are based on extreme but plausible hypothetical economic scenarios defined by the Group's economists. These scenarios are translated into impacts on the Group's activities, taking into account potential countermeasures and systematically combining quantitative methods with an expert assessment (risk, finance or business lines).

As such, the stress test framework in place includes:

- an annual global stress test, which is integrated into the budget process as part of preparing the Group Risk Appetite and Internal Capital Adequacy Assessment Process (ICAAP). It is used in particular to check the Group's compliance with the prudential ratios. It covers all of the Group's activities and is based on two global three-year-horizon macroeconomic scenarios: a core budgetary macroeconomic scenario and a macroeconomic scenario of severe but plausible stress extrapolated on the basis of the core scenario. Each scenario is developed for a large number of countries or regions and incorporates a series of economic and financial variables. Each global scenario is consistent on two levels: consistency between national scenarios and consistency of trends in national aggregates for each individual country;
- specific credit stress tests (on portfolios, countries, activities, etc.), performed on a regular basis as well as on request, which complement the global analysis with a more granular approach and allow fine-tuning of the identification, assessment and operational management of risk, including credit risk concentration;
- specific market stress tests, which estimate the loss resulting from an extreme change in market parameters (indexes, credit spreads, etc.). This stress test risk assessment is applied to all the Group's market activities. It is based on a set of historical (3) and hypothetical (15) scenarios, which apply shocks to all substantial risk factors, including exotic parameters (see the "Market risks" section of this report);
- operational risk stress tests, which use scenario analyses and the modelling of losses to calibrate the Group's capital in terms of operational risk, and which are used to assess the exposure to operational losses linked to the severity of economic scenarios, including exposure to rare and extreme losses not covered by the historical period;
- stress tests to analyse the Group's structural fixed-rate position value and interest rate margin sensitivity to structural interest rate risk. The Group measures these sensitivities to different interest rate yield curve configurations (steepening and flattening);
- liquidity stress tests to ensure that the time period over which the Group can continue to operate is respected in a stressed market environment;
- and finally, reverse stress tests, which are conducted to evaluate scenarios that may result in certain key indicators reaching potentially critical thresholds, such as the minimum solvency level as defined within the Group's risk appetite framework.

Along with the internal stress test exercises, the Group is part of a selection of European banks that participate in the large-scale international stress tests supervised by the European Banking Authority and European Central Bank.

DEFINITION OF “CORE” AND “STRESSED” ECONOMIC SCENARIOS

Core scenario

This scenario is meant to represent the most likely course of events at the time of its formulation. It is developed on the basis of a series of observed factors, including the recent economic situation and trends in economic (budgetary, monetary, exchange rate) policy. Based on these observed factors, economists determine the most likely trajectory for the economic and financial variables over a given time frame.

Stressed scenario

The stress scenario is intended to simulate a loss of business (based on real GDP figures) deviating from the core scenario, on a scale similar to that observed during a past “baseline” recession chosen for its severity. It is a systematic stress scenario, meaning it is constant in scale from one period to the next, whatever the trajectory forecast by the core scenario, as long as the baseline recession remains constant. The stress scenario is also generic, in that its triggering event is not specified. The impact of the stress scenario on the other economic and financial variables is determined by measuring its deviation from the core scenario.

RISK PLAYERS AND MANAGEMENT

The implementation of a high-performance and efficient risk management system in all businesses, markets and regions in which the bank operates is a critical undertaking for the Societe Generale Group, as is the balance between strong risk culture and the development of its activities.

The Enterprise Risk Management Programme (ERM)

The first phase of the ERM programme was carried out between 2011 and 2015, and increased the integration of risk prevention and management within the day-to-day management of the bank’s businesses. Actions accomplished through the programme and the finalisation of those which remain ongoing have been integrated into the standard tasks of the existing operational teams. The strengthening of the risk culture has been included within the strategic “Culture & Conduct” programme (see A relationship-banking culture based on common values, p. 243).

The second phase of the programme, which commenced in 2016, consists in coordinating all actions aiming to achieve compliance with the requirements imposed by supervisory authorities related to the risk appetite framework, for all aspects thereof (governance, processes, policy formalisation, adjustment of targets, follow-up, etc.), as well as in terms of their integration and the corresponding documentation, including formalisation of the framework in writing.

Players involved in risk management

Two main high-level bodies govern Group risk management: the Board of Directors and General Management.

General Management presents the main aspects of, and notable changes to, the Group’s risk management strategy to the Board of Directors at least once a year (more often if circumstances so require).

Within the Board of Directors, the Risk Committee is more specifically responsible for examining the consistency of the internal risk monitoring framework, as well as compliance with this framework and with the applicable laws and regulations.

The Board of Directors’ Audit and Internal Control Committee ensures that the risk control systems operate effectively.

ROLE OF THE BOARD OF DIRECTORS' AUDIT AND INTERNAL CONTROL COMMITTEE*

The Audit and Internal Control Committee's mission is to monitor issues concerning the preparation and control of accounting and financial information, and to monitor the effectiveness of the internal control and risk assessment, monitoring and management systems.

In particular, it is responsible for:

- monitoring the process for production of the financial information, particularly reviewing the quality and reliability of existing systems, making proposals for their improvement and ensuring that corrective actions have been implemented in the event of a malfunction in the process;
- analysing the draft financial statements to be submitted to the Board of Directors in order, in particular, to verify the clarity of the information provided and assess the relevance and consistency of the accounting methods adopted for drawing up parent company and consolidated financial statements;
- conducting the procedure for selection of the Statutory Auditors and giving an opinion to the Board of Directors, developed in accordance with the provisions of Article 16 of Regulation (EU) no. 537/2014 dated 16th April 2014, concerning their appointment or renewal as well as their remuneration;
- ensuring the independence of the Statutory Auditors in accordance with the regulations in force;
- approving, in accordance with Article L. 822-11-2 of the French Commercial Code and the policy adopted by the Board of Directors, the provision of services other than the certification of financial statements, after analysing the risks to the Statutory Auditors' independence and the safeguard measures applied by the latter;
- reviewing the Statutory Auditors' work programme and, more generally, ensuring that the Statutory Auditors monitor the verification of the financial statements in accordance with the regulations in force;
- monitoring the effectiveness of internal control, risk management and internal audit systems, with regard to the procedures for the preparation and processing of accounting and financial information. To this end, the Committee is responsible in particular for:
  - reviewing internal control and risk management within the business segments, divisions and main subsidiaries,
  - reviewing the Group's internal audit programme and giving its opinion on the organisation and functioning of the internal control departments,
  - reviewing the follow-up letters from the banking and market supervisory authorities and issuing an opinion on draft replies to these letters;
- reviewing the reports prepared in order to comply with the regulations in terms of internal control.

The committee met ten times in 2016.

ROLE OF THE BOARD OF DIRECTORS' RISK COMMITTEE*

The Risk Committee advises the Board of Directors on the overall strategy and the appetite regarding all kinds of risks, both current and future, and assists the Board when it verifies the implementation of this strategy.

In particular, it is responsible for:

- preparing the debates of the Board of Directors on documents relating to risk appetite;
- reviewing the risk control procedures, and is consulted for the setting of overall risk limits;
- undertaking a regular review of the strategies, policies, procedures and systems used to detect, manage and monitor the liquidity risk, and communicating its conclusions to the Board of Directors;
- issuing an opinion on the Group's overall provisioning policy, as well as on specific provisions for significant amounts;
- reviewing the reports prepared to comply with the banking regulations on risk;
- reviewing the policy concerning risk management and the monitoring of off-balance sheet commitments, especially in the light of the memoranda prepared to this end by the Finance Division, the Risk Division and the Statutory Auditors;
- reviewing, as part of its mission, whether the prices for the products and services mentioned in books II and III of the French Monetary and Financial Code and offered to clients are consistent with the Company's risk strategy. When these prices do not correctly reflect the risks, it informs the Board of Directors accordingly and gives its opinion on the action plan to remedy the situation;
- without prejudice to the Compensation Committee's missions, reviewing whether the incentives provided for by the compensation policy and practices are consistent with the Company's situation with regard to the risks to which it is exposed, its capital and its liquidity, as well as the probability and timing of expected benefits;
- reviewing the enterprise risk management related to the Company's operations in the United States.

The committee met ten times in 2016.

* Version of the Internal Rules applicable as of 13th January 2017.

Chaired by the General Management, the specialised committees responsible for central oversight of internal control and risk management are as follows:

- the Risk Committee, which met 18 times in 2016, discusses the Group's risk strategy, in particular the management of the different risks (credit, country, market and operational risks) as well as the structure and implementation of the risk monitoring system. The Group also has a Large Exposures Committee, which focuses on reviewing large individual exposures.
- the Finance Committee, which defines the Group's financial strategy and ensures the steering of scarce resources (capital, liquidity, balance sheet, fiscal capacity), their allocation and the monitoring of structural risks.
- the Group Internal Control Coordination Committee, which manages the consistency and effectiveness of the internal control mechanism as a whole.
- the Compliance Committee, which comprises the members of the Group Executive Committee and meets quarterly in order to define the main orientations of the Group in terms of compliance. The Head of Compliance presents the main events having occurred over the period, an update on the compliance system, the main regulatory developments and the state of progress on projects.
- the Company's Strategic Architecture Committee, which defines the company's architecture in terms of data, reference systems, operational processes and information systems. It also ensures consistency between Group projects and the defined Group architecture.

The Group's Corporate Divisions, which are independent from the Core Businesses, contribute to the management and internal control of risks.

The Corporate Divisions provide the Group's Executive Committee with all the information needed to assume its role of managing Group strategy under the authority of the Chief Executive Officer.

The Corporate Divisions report directly to General Management or to the Group Corporate Secretary (who in turn reports directly to General Management), responsible for compliance within the Group.

- The main responsibilities of the Risk Division are to contribute to the development of the Group's activities and profitability by defining the Group's risk appetite (broken down by business) under the aegis of the General Management and in collaboration with the Finance Division and Core Businesses, and to establish a risk management and monitoring system.

  In exercising its functions, the Risk Division reconciles independence from the business lines and close cooperation with the Core Businesses, which bear primary responsibility for the transactions that they initiate.

  Accordingly, the Risk Division:

  - oversees hierarchically or functionally the Group's Risk function. To this end, the Head of Risk Management is responsible for the Group's Risk function as defined by the Order of 3rd November 2014;
  - is jointly responsible, with the Finance Division, for setting the Group's risk appetite;
  - identifies all Group risks;
  - implements a governance and monitoring system for these risks, including cross-business risks, and regularly reports on their nature and extent to General Management, the Board of Directors and the supervisory authorities;
  - contributes to the definition of risk policies, taking into account the aims of the business lines and the relevant risk issues;
  - defines and validates risk analysis, assessment, approval and monitoring methods and procedures;
  - validates transactions and limits proposed by business managers;
  - defines and validates the risk monitoring information system, and ensures its suitability for the needs of the businesses.
- The Group Finance Division, in addition to its financial management responsibilities, also carries out extensive accounting and finance controls. As such:
  - the Mutualised Accounting Activities Department is responsible for accounting, regulatory and tax production for entities under its responsibility (o.w. Societe Generale SA); it is also responsible for coordinating the continuous improvement and management of processes for entities in its perimeter;
  - the missions of the ALM Department, the Balance Sheet and Global Treasury Management Department and the Strategic Financial Management Department are detailed in the "Structural and liquidity risks" section, p. 140 of this report.
- The Finance Departments of Core Businesses, which report hierarchically to the Group Finance Division (since 1st January 2016) and functionally to the Core Businesses' managers, ensure that the financial statements are prepared correctly at the local level and control the quality of the information in the consolidated financial reports submitted to the Group.
- The Group Compliance Division, which reports to the Corporate Secretary, is responsible for compliance and ensures that the Group's banking and investment activities are compliant with all laws, regulations and ethical principles applicable to them. It also ensures the prevention of reputational risk.

  Under the future organisation, to be implemented in 2017, the Group Compliance Division will report directly to General Management.
- The Group Legal Department reports to the Corporate Secretary and monitors the security and legal compliance of the Group's activities, relying if necessary on the legal departments of the Group's subsidiaries and branches.
- The Group Tax Department reports to the Corporate Secretary and monitors compliance with all applicable tax laws in France and abroad.
- The Group Human Resources Division monitors, amongst other things, the implementation of compensation policies.
- The Group Corporate Resources Division is specifically responsible for information system security.
- The Group Internal Audit Division is in charge of internal audits, under the authority of the Head of Group Internal Audit.

In performing their missions, the Risk Division, Compliance Division and Information System Security Department rely on functions in the core businesses and Corporate Divisions, formed by representatives who report to them directly or functionally.

According to the latest voluntary census (31st December 2016):

- the Group Risk function numbered approximately 5,122 employees in full time-equivalent (FTE) (including 806 FTE within the Group Risk Division);
- the Compliance function numbered approximately 1,700 FTE;
- the Information System Security function numbered approximately 320 FTE.

Risk management

STRUCTURAL AND LIQUIDITY RISKS

The Group aims to minimise structural interest rate and exchange rate risks as much as possible within consolidated entities. Wherever possible, commercial and Corporate Centre transactions are therefore hedged against interest rate and exchange rate risks. Any structural interest rate risk exposure must comply with the sensitivity limits set for each entity and for the overall Group. As for exchange rates, the Group's policy is to maintain an exchange rate position that reduces the sensitivity of its solvability ratio to exchange rate fluctuations.

Structural risks are managed by the **Asset and Liability Management Department of the Group Finance Division**. This department defines the normative principles and modelling methods (validated by an ad hoc committee chaired by the Risk Division) applicable to all entities. It also develops monitoring indicators and global stress test scenarios for structural risks. Lastly, the ALM Department checks that the Group's business lines and entities comply with the framework applicable to them.

The second line of defence tasks, focused on the validation of the Group's ALM models and the resulting risk monitoring, are carried out by the Market Risk Department of the Group Risk Division, and have been consolidated within a dedicated ALM Risk Monitoring Department. This Department validates ALM modelling principles as well as model calibrations and backtesting. It also analyses the proposals of the Finance Division pertaining to the definition of ALM risk indicators, stress test scenarios and the associated risk framework. As the second line of defence, the ALM Risk Department also ensures that the risk limits and thresholds are respected and conducts a periodical review of the ALM risk framework in coordination with the first-level control teams.

Each entity carries out first-level controls on structural risks and is responsible for regularly assessing risks incurred, producing the risk report, and developing and implementing hedging options. Each entity is required to comply with Group standards and to adhere to the limits assigned to it.

Given that liquidity is a scarce resource, the Group's objective is:

- to finance its activities at the best possible rates under normal conditions, whilst maintaining adequate buffers to cover outflows in periods of liquidity stress;
- to ensure the stability of the financing for its activities by managing its dependency on market funding and financing stability in line with the timing of its financing needs;
- to maintain its short-term and long-term ratings near its targets.

The scope of the Group's short and long-term financing plan, which supplements customer deposits, is conservative, with reduced concentration in the short-term while ensuring diversification in terms of products and regions.

The **Finance Division's Strategic Financial Management Department** is responsible for managing scarce resources in accordance with regulatory requirements and the Group's risk appetite and budgetary targets.

The **Finance Division's Balance Sheet and Global Treasury Management Department** is responsible for managing the Group's balance sheet and liquidity, in particular by implementing financing plans and contingency funding plans in the event of a liquidity crisis.

CREDIT RISK

Societe Generale's credit policy is based on the principle that any undertaking entailing a credit risk must be based on sound knowledge of the client and the client's business, and an understanding of the purpose and nature of the transaction and the sources of debt repayment. Credit decisions must also ensure that the transaction structure will minimise the risk of loss if the counterparty defaults.

Limits are set for certain countries, geographic regions, sectors, products or types of customers in order to minimise the most significant risks. In addition, major concentration risks are analysed on a regular basis for the entire Group.

Together with Core Businesses, the Risk Division has defined a control and monitoring system based on the credit risk policy in order to supervise credit risk management in the Group. The credit risk policy is reviewed on a regular basis by the Board of Directors' Risk Committee.

Within the **Risk Division**, credit risk supervision is organised by business division (French Retail Banking Networks, International Retail Banking and Financial Services, Global Banking and investor Solutions) and is supplemented by departments with a more cross-business approach (monitoring of country risk and risk linked to financial institutions). The Market Risk Department defines the methods for evaluation of counterparty risk.

Within the Risk Division, each of these departments is responsible for:

- setting global and individual credit limits by client, client group or transaction type;
- authorising transactions submitted by the sales departments in line with the delegation system in place;
- validating credit scores or internal client rating criteria;
- monitoring and supervising large exposures, specific credit portfolios and compromised counterparties;
- approving specific and general provisioning policies.

In addition, a specific department performs comprehensive portfolio analyses and provides the associated reports, including those for the supervisory authorities. A monthly report on the Risk Division's activity is presented to the Risk Committee and specific analyses are submitted to General Management.

MARKET RISK

Although primary responsibility for managing risk exposure lies with the front office managers, the supervision system comes under the Market Risk Department of the Risk Division, which is independent from the businesses.

This department:

- ensures the existence and implementation of an effective market risks monitoring system based on suitable limits;
- assesses the limit requests submitted by the different businesses in the context of the overall limits authorised by the Board of Directors and General Management, and monitors progression towards such limits;
- proposes appropriate market risk limits by Group activity to the Group Risk Committee;
- defines methods for evaluating market risk;
- approves the valuation models used to calculate risk and results;
- defines methodologies for calculating provisions for market risk (reserves and adjustments to earnings).

To carry out these different tasks, the Market Risk Department uses the data and analysis provided by the Market Analysts & Certification Community (MACC) of the Group's Corporate and Investment Banking arm, which independently monitors the Group's market positions on a permanent and daily basis, through:

- daily calculation and certification of market risk indicators based on formal and secure procedures;
- reporting and first-level analysis of these indicators;
- daily monitoring of the limits set for each activity, in conjunction with the Market Risk Department;
- verification of the market parameters used to calculate risks and results, with the Market Risk Department bearing responsibility for validating sources and defining the methods used to determine the parameters;
- monitoring and control of the gross nominal value of positions. This system is based on alert levels applied to all instruments and desks, defined in collaboration with the Market Risk Department, and contributes to the detection of possible rogue trading operations.

Acting in conjunction with the Market Risk Department, MACC defines the architecture and functionalities of the information system used to produce the risk indicators for market operations, and ensures that this system meets the needs of business lines. A daily report on the use of limits on VaR (Value at Risk), stress tests (extreme scenarios) and other major market risk metrics (sensitivity, nominal, etc.) at various levels (either Societe Generale, Global Banking and Investor Solutions, or Global Markets) is submitted to General Management and the managers of the business lines, in addition to a monthly report which summarises the key events in the area of market risk management.

RISK QUANTIFICATION PROCEDURES AND METHODOLOGIES

The Group has been authorised by its supervisory authorities:

- for credit risk, to use the internal ratings-based approach (IRB method) for most of its exposures to credit risk.

  Currently, the standard approach is used for certain selected activities and exposures. They have a limited impact on the Group's regulatory capital. The system for monitoring rating models is operational, as required by applicable regulations. This system is described in detail in Chapter 4 of this Registration Document; for these exposures covered by the standard approach, Societe Generale mainly uses the external ratings assigned by Standard & Poor's, Moody's and Fitch Ratings.
- for market risk, to use internal models (VaR – Value at Risk, Stressed VaR, IRC – Incremental Risk Charge, and CRM – Comprehensive Risk Measure).

  These models cover almost all of the transactions involved. Only some transactions are still calculated using the standard method. Over the last several years, the Group has implemented significant improvements to its calculation system, which have been approved by the supervisory authorities.
- for counterparty risk on market transactions, to use the internal model since 2013 to calculate the EEPE (Effective Expected Positive Exposure) indicator.

  Exposure at Default (EAD) linked to counterparty risk has been calculated on the basis of this indicator since 2012 for "simple" products, and since December 2013 its use has been extended to more complex derivative products. This method is used for nearly 96% of transactions (excluding the former Newedge scope). The Group uses the marked-to-market valuation method for the rest of these transactions.
- for operational risks, to use the Advanced Measurement Approach (AMA).

Lastly, its information systems are regularly upgraded to accommodate changes in the products processed and the associated risk management techniques, both locally (within the banking entities) and centrally (Risk Division).

OPERATIONAL RISKS (INCL. RISKS RELATED TO INFORMATION SYSTEMS)

The Operational Risk Department ensures the cross-business monitoring and management of operational risk (including risks related to information systems) within the Group, and is responsible for all reporting on the issue to General Management, the Board of Directors and the banking supervisory authorities. It also endeavours to improve the consistency and integrity of the risk prevention system. Procedures and tools have been rolled out within the Group in order to identify, evaluate and manage operational risk:

- Risk and Control Self-Assessment, which establishes an accurate map of the levels of intrinsic and residual risk, having taken into account the quality of risk prevention and control systems;
- Key Risk Indicators, which provide upstream alerts as to the risks of operating losses;
- scenario analyses, which consist in estimating infrequent but severe potential losses to which the Group could be exposed;
- data collection and analysis on internal losses and losses incurred by banks following the materialisation of operational risks;
- monitoring of major action plans within the Group regarding operational risks.

The Business Continuity and Crisis Management function reports to the Operational Risk Department. It is committed to improving the Group's business continuity and crisis plans, notably by testing them on a regular basis, and to boosting integration of this issue throughout the Group.

A manager in charge of Information System Security and IT operational risks is responsible for coordinating the overall risk management system in this field at Group level.

The system of management, monitoring and communication related to Information System Security and risks is coordinated at Group level by the Head of Information System Security and IT Risk Management within the Corporate Resources Division. This system has been rolled out within each of the core businesses, business lines and entities.

At the operating level, the Group relies on a Computer Emergency Response Team that manages incidents, monitors developments in information system security and combats cybercrime using a multitude of information and supervision sources both internal and external to the Group.

Security risk management systems used by the bank are based on best practices (mainly ISO 27002 and security standards of the French National Agency for Information System Security) and are subject to constant monitoring by the Information System Security function. These systems can be grouped into four broad categories: Awareness, Prevention, Detection and Response.

The risk of cybercrime, which is increasingly significant for banks, is addressed in a cooperative way by the Information System Security and Operational Risk functions, and is monitored by General Management under the Information Security Masterplan.

General Management and all businesses validate the guidelines for implementing the Information Security Masterplan, which is based on five strategic areas:

- securing the most sensitive Group applications;
- securing sensitive data;
- enhancing our detection capabilities and response to cyber-attacks;
- securing our customers' online transactions;
- increasing our employees' and customers' awareness of the risks of cybercrime.

The Information Security Masterplan is monitored quarterly by General Management in order to assess progress and adjust the resources allocated. It is regularly updated to reflect technological developments, the emergence of new threats or new uses (e.g. cloud computing).

Identification of the structural focus for the new Information Security Masterplan for 2020 has been undertaken by the Information System Security function in cooperation with the business lines. The objective is to ensure the understanding and management of risks related to information security, and to protect Societe Generale's digital heritage, in particular during the digital transition.

A central team is responsible for IT operational risks not related to information security. In 2016, the relationship between the managerial supervisory controls and the new IT and Security first-level control system was defined and approved by most entities. The new IT and Security system is in the process of being rolled out in the business lines.

NON-COMPLIANCE RISK

The Group's Corporate Secretary is responsible for monitoring Group compliance. He also ensures Group legal and tax security compliance.

He is assisted by:

- the Compliance Department, which verifies that all laws, regulations and ethical principles applicable to the Group's banking and investment services activities are observed, and that all staff respect codes of good conduct and individual compliance. It develops a homogeneous standardised framework, ensures it is respected and organises awareness-raising and training for all stakeholders on the prevention of compliance and reputational risks.

  The Compliance Department is organised into four cross-disciplinary departments (Group Financial Security, Governance, expertise and coordination, Control, and Strategic development) and three teams dedicated to checking business line compliance. It coordinates and supervises the Compliance function, its network of Compliance Officers who are responsible for adapting and implementing, in each of the Group's entities, the governance and principles defined.
- the Group Compliance Committee, chaired by the Corporate Secretary, which meets monthly and comprises, in particular, the Compliance Officers from the Core Businesses and Corporate Divisions, as well as the heads of Internal Control Coordination and the Legal Department, and representatives from the Internal Audit Division and the Operational Risk Department. The Committee reviews the most significant events over the period for the entire Group, decides upon the measures to be taken and monitors their implementation. The main issues identified through legal and regulatory monitoring are presented by the Chief Legal Officer. The system in place in the Core Businesses and Corporate Divisions is audited regularly.
- the Legal and Tax Departments, which monitor the legal and tax compliance and security of all of the Group's activities.

These Corporate Divisions have hierarchical or functional authority over departments exercising the same type of function in the subsidiaries. The Corporate Division teams steer the guidelines set out in the legal and fiscal policies and are responsible for compliance monitoring and training, as well as for the dissemination of relevant information throughout the Group.

COMPENSATION POLICY AND RISK

Since the end of 2010, within the regulatory framework defined by the European Capital Requirements Directive (CRD3), Societe Generale has implemented a specific governance to determine variable compensation. In addition to financial markets professionals, the rules established by this Directive also apply to all persons whose activity is liable to have a material impact on the risk profile of the institutions that employ them, including those carrying out control functions.

According to the principles approved by the Board of Directors, based on the proposal of the Compensation Committee, the mechanisms and processes relating to the compensation of such employees take into account not only the financial result generated by the transactions they perform, but also the way in which this result is generated, through the control and management of all risks as well as the observance of risk and compliance policies. The compensation paid to employees performing control functions is independent of the results of the transactions they control, but is instead based on criteria specific to their activity.

The variable part of the compensation includes a non-deferred portion and a deferred portion awarded *pro rata* over three years subject to conditions of presence, performance and possible claw-back. Fifty per cent at least of this compensation is awarded in the form of equity or equity-equivalent instruments. These terms of payment aim to align compensation with the company's performance and risk horizon.

The Risk Division and Compliance Division contribute to the definition and application of this policy.

The regulatory framework defined by European Directive CRD4 has been in force since 1st January 2014. It does not change the rules on determination of the variable compensation of those persons whose activity is liable to have a material impact on the Group's risk profile or of control function employees. The principles and governance described above remain applicable within the Group.

In addition, Societe Generale has set up a specific system and governance related to trading mandate-holders, to ensure that the remuneration policy complies with the requirements of the French law of 26th July 2013 on the separation and regulation of banking activities and of the Volcker Rule.

REPUTATIONAL RISK

Each quarter, the Compliance Department, using information from the Core Businesses and Corporate Divisions, in particular the Group Communication Division, draws up a risk reputation dashboard. This dashboard is communicated quarterly to the members of the Compliance Committee and at least twice a year to the members of the Audit and Internal Control Committee.

Moreover, the business line compliance officers are members of various bodies (new product committees, ad hoc committees, etc.) organised to approve new types of transactions, products, projects or clients, and must prepare a written statement on their assessment of the level of risk, especially reputational risk, involved in the initiative discussed.

RISK RELATED TO NEW PRODUCTS AND ACTIVITIES

Each division must submit all new products, projects, businesses or activities to a New Product Committee jointly managed by the Risk Division and the relevant Core Business/Corporate Division. The aim is to ensure the following, prior to the launch of a new product, project, business or activity:

- all associated risks have been identified, understood and correctly addressed;
- compliance issues have been assessed with respect to the laws and regulations in force, the codes of good professional conduct and the Group's reputational risk;
- all the support functions have been involved and do not or no longer have any reservations.

This committee is underpinned by a very broad definition of "new product", which ranges from the creation of a new product to the adaptation of an existing product to a new environment or the transfer of activities involving new teams or new systems.

Throughout the whole Group, 637 New Product Committee meetings were held in 2016.

INTERNAL CONTROL

Framework

Internal control is part of a strict regulatory framework applicable to all banking institutions.

In France, the conditions for conducting internal controls in banking institutions are defined in the Order of 3rd November 2014. This Order, 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 assessment and management of the various risks inherent in the activities of the companies in question, and the procedures under which the supervisory body must assess and evaluate how the internal control is carried out.

The Basel Committee defined four principles – independence, universality, impartiality, and sufficient resources – which must form the basis of internal control carried out by credit institutions.

Within the Societe Generale Group, these principles are applied primarily through directives, one of which establishes the general framework for the Group's internal control, and another of which constitutes the Group Audit Charter, while the others relate to the management of credit risks, market risks, operational risks, structural interest rate, exchange rate and liquidity risks, compliance control and reputational risk control.

Control is based on a body of standards and procedures.

All Societe Generale Group activities are governed by rules and procedures covered by a set of documents referred to collectively as the "Normative Documentation". This documentation includes any documents:

- setting forth rules for action and behaviour applicable to Group staff;
- defining the structures of the businesses and the sharing of roles and responsibilities;
- describing the management rules and internal procedures specific to each business and activity.

The Normative Documentation primarily includes:

- directives, which define the governance of the Societe Generale Group, the structures and duties of its Core Businesses and Corporate Divisions, as well as the operating principles of the cross-business systems and processes (Codes of Conduct, Charters, etc.);
- guidelines, which set out the operating framework of an activity and the management principles and rules applicable to products and services rendered, and also define internal procedures.

The Normative Documentation has force of law within the Group. It falls under the responsibility of the Group Corporate Secretary.

In addition to the Normative Documentation, operating procedures specific to each Group activity are applied. The rules and procedures in force are designed to follow basic rules of internal control, such as:

- segregation of functions;
- immediate, irrevocable recording of all transactions;
- reconciliation of information from various sources.

Multiple and evolving by nature, risks are present in all business processes. Risk management and control systems are therefore key to the bank's ability to meet its targets.

The internal control system is represented by all methods which ensure that the operations carried out and the organisation and procedures implemented comply with:

- legal and regulatory provisions;
- professional and ethical practices;
- the internal rules and guidelines defined by the company's executive body.

In particular, internal control aims to:

- prevent malfunctions;
- assess the risks involved, and exercise sufficient control to ensure they are managed;
- ensure the adequacy and effectiveness of internal processes, particularly those which help safeguard assets;
- detect irregularities;
- guarantee the reliability, integrity and availability of financial and management information;
- check the quality of information and communication systems.

The internal control system is based on five basic principles:

- the comprehensive scope of the controls, which cover all risk types and apply to all the Group's entities;
- the individual responsibility of each employee and each manager in managing the risks they take or supervise, and in overseeing the operations they handle or for which they are responsible;
- the responsibility of functions, in line with their expertise and independence, in defining normative controls and, for three of them, exercising second-level permanent control;
- the proportionality of the controls to the magnitude of the risks involved;
- the independence of internal auditing.

The internal control system is organised according to the "three lines of defence" model in accordance with the texts of the Basel Committee:

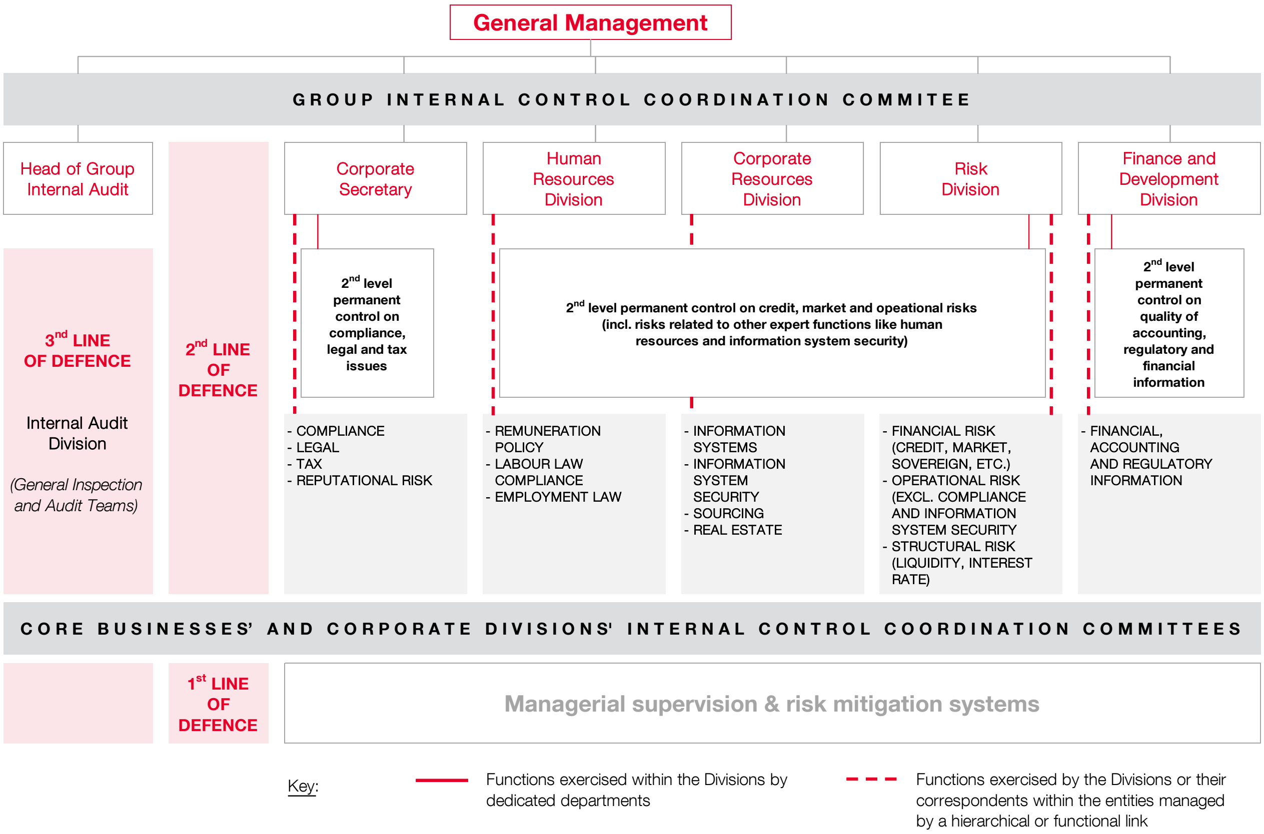
- The first line of defence comprises all employees and operational management of the Group, both within the business lines and in corporate divisions (in the case of the latter, with regard to their own operations).

  Operational management is responsible for risks, their prevention and their management – by putting in place first-level permanent control measures, among other things – as well as for implementing corrective or remedial actions in response to any failures identified by controls and/or process steering.
- The second line of defence is provided by the compliance, finance and risk functions.

Within the internal control framework, these functions are tasked with continuously verifying that the security and management of risks affecting operations are ensured, under the responsibility of operational management, through the effective application of established standards, defined procedures, methods and controls as instructed.

Accordingly, these functions must provide the necessary expertise to define, within their respective fields, the controls and other means of risk management to be implemented by the first line of defence, and to oversee that they are effectively implemented; they conduct second-level permanent control over all of the Group's risks, employing the controls they have established or that have been established by other expert functions (e.g. sourcing, legal, tax, human resources, information system security, etc.) and by the business lines.

- The **third line of defence** is provided by the Internal Audit Division, which encompasses the Internal Audit and General Inspection functions. This division carries out internal audits that are strictly independent of the business lines and the permanent control function.
- **Internal control coordination**, under the responsibility of a Deputy Chief Executive Officer, is also provided at Group level and is rolled out in each Core Business and Corporate Division.



A Deputy Chief Executive Officer is responsible for ensuring the overall consistency and effectiveness of the internal control system. This Deputy Chief Executive Officer also chairs the Group Internal Control Coordination Committee (Group ICCC), comprised of the Corporate Secretary, the Chief Risk Officer, the Chief Financial Officer, the Group Chief Information Officer, the Head of Human Resources, the Head of Group Internal Audit, and the Head of Internal Control Coordination.

Every year, the Head of Internal Control Coordination presents the Group's Annual Report on Internal Control and Risk Management, drawn up in accordance with Articles 258 to 266 of the Order of 3rd November 2014, to the members of the Executive Committee.

The Group Internal Control Coordination Committee met 11 times in 2016. It reviewed the risk control and management systems of all Core Businesses and Corporate Divisions. In addition, the Committee addressed the following cross-business issues:

- monitoring of compliance with the Volcker Rule and the French law on separation and regulation of banking activities;
- the operational system included within the recovery and resolution plans;
- integration of compliance, risk and control aspects within processes and IT projects;
- quarterly reports on the results from verifications of managerial monitoring within the IT and Security functions;
- second-level control framework for credit, market and structural risks;
- monitoring system for outsourced essential services (including IOBSP);
- the Risk Division's involvement in the BCBS 239 programme;
- detection of weak signals;
- operations security within Global Banking and Investor Solutions (GBIS);
- customer claims processing;
- fight against corruption;
- review of the consistency of internal control and risk assessment systems, and update on their deployment;
- control system for "new risks" listed in the Order of 30th November 2014;
- permanent control of structural interest and exchange rate risks;
- compliance of human resources processes (conflicts of interest, corruption, etc.);
- risks and controls of prime brokerage activity after the Newedge integration;
- risks and controls of joint ventures between International Retail Banking and Global Banking and Investor Solutions;
- progress of the MiFID II compliance project;
- progress with improvements in internal communications on archiving rules, technical standards and good practices;
- information security and data protection.

The structure implemented at Group level to coordinate the actions of participants in internal control is rolled out in all Core Businesses and Corporate Divisions. All of the Group's Core Businesses and Corporate Divisions have an Internal Control Coordination Committee. Chaired by the head of the Core Business or Corporate Division, these Committees bring together the competent heads of internal audit and permanent control for the Core Business or Corporate Division in question, as well as the Head of Group Internal Control Coordination and the heads of the Group-level control functions.

Permanent control system

The Group's permanent control system is based on:

- **first-level permanent control**, under the responsibility of the business lines, which forms the cornerstone of the permanent control system. It aims to ensure, at the operational level, the security, quality, regularity and validity of transactions completed.

  In 2016, Societe Generale continued:

  – to review the relevance of controls, based on an end-to-end process analysis;

  – the implementation, in specific cases and under the authority of the relevant managers, of resources dedicated to performing controls, in order to secure the most critical processes.
- **second-level permanent control**, independent from the business lines, which comes under three Corporate Divisions (Corporate Secretary, Risk Division and Finance Division) and continued to gather momentum in 2016.

  The Group defined the target organisation for the second-level control framework within the major International Retail Banking subsidiaries, creating a single team shared between the finance, risk and compliance functions.

FIRST-LEVEL PERMANENT CONTROL

Performed as part of operations, within the business lines and corporate divisions, first-level permanent control guarantees the security and quality of transactions and operations.

First-level permanent control consists of:

- **risk prevention systems**: these are security rules and controls – automated or otherwise – included in the processing of operations, or local controls included in operating procedures (the set of mechanisms that make up "operational controls");
- **managerial supervision**: line managers check the correct operation of systems under their responsibility. Managerial supervision controls that have been formalised mainly relate to the adaptation of key controls from among the library of normative controls. Managerial supervision may be based on controls carried out by dedicated teams, e.g. on the most sensitive processes requiring stricter or automated controls, or to avoid self-controlling practices, and/or where the sharing of control tasks improves productivity.

Whatever the choice of organisation, managers retain oversight of the processes carried out by the teams that report to them; they are responsible for their production quality and for correcting identified anomalies.

A "first-level permanent control coordination" function is set up in each business line. It is responsible for the design and reporting of controls, as well as awareness-raising and training of employees with respect to control issues.

SECOND-LEVEL PERMANENT CONTROL

Second-level permanent control is one of the missions of the second line of defence. It involves ensuring the security and risk management of operations at all times, under the responsibility of operational management, through the effective application of established standards, defined procedures, methods and controls, as instructed.

The second line of defence fulfils this role in two different ways:

- either through independent and formal “second pair of eyes” controls: for example, the independent review of credit files above a certain threshold, the independent review of limit breaches, or the independent validation of the calculation models used in risk management. These “second pair of eyes” controls also satisfy an additional objective of the second line of defence, namely to provide an independent opinion on the most significant risk-taking decisions, and to provide expertise in the area of risk-taking;
- or through a “control of controls” to verify the suitability of the controls and the effectiveness and quality of first-level permanent control through the review of managerial supervision and operational controls (selective controls and/or sampling), and to detect any anomalies in the exercise of first-level controls and ensure appropriate follow-up through the first line of defence. These assessments are conducted based on sampling, through documentary controls and on-site testing.

This review results in the formulation, by second-level control teams, of a qualified opinion on the effectiveness of first-level controls for the scope considered.

Second-level permanent control within the Group is exercised by teams reporting to the Corporate Divisions responsible for the following functions:

- the Finance function, with regard to the quality of accounting, regulatory and financial information;
- the Compliance function, with regard to compliance controls, including legal and tax controls other than those of an accounting or operational nature;
- the Risk function, with regard to credit and market risks, structural risks and operational risks. The latter include risks which are specific to the different business lines (particularly fraud), as well as risks relating to sourcing, communication, real estate, human resources and IT processes and systems.

Internal audit

Placed under the responsibility of the Group Head of Inspection and Audit, the Internal Audit Division (hereafter “DCPE”) comprises General Inspection (DCPE/INS) and Internal Audit (DECPE/AUD) teams. Support functions provide operational support to the Inspection and Audit teams. Such support functions enable DCPE to improve monitoring of plan execution, recommendations and training. In addition, a newly created team (INS/DAT) placed under the responsibility of General Inspection is in charge of rolling out initiatives relating to data management and data analytics for the entire scope. To fulfil its mandate, the Group’s Internal Audit Division has adequate resources, from a qualitative and quantitative point of view. The Group’s Internal Audit Division comprises a staff of approximately 1,265.

As the third line of defence, DCPE performs independent audits on the Group’s operating entities, carried out in an objective, rigorous and impartial manner in line with professional standards. DCPE covers all Group entities and activities and may focus on any aspect of their operations, without restriction. As part of its missions, DCPE verifies the compliance of transactions carried out, the level of risk actually incurred, the proper application of procedures, and the effectiveness and appropriate nature of the Group’s permanent control system. DCPE also evaluates the sensitivity of the audited entity’s management to risks and evaluates compliance with the Group’s rules of conduct and expected professional practices.

Within DCPE, each Internal Audit department is in charge of a specific scope in line with the Group’s organisation. In France, Internal Audit teams report directly into the Group Head of Inspection and Audit. Abroad, Internal Audit teams have a strong functional reporting line (control over staffing, audit plans, audit assignments and monitoring) to DCPE management.

General Inspection teams have a comprehensive mandate and perform verifications and strategic audits as well as consulting assignments on a worldwide basis. As part of their assignments, General Inspection teams put special emphasis on assessing management’s actions. General Inspection is also involved in strategic projects at Group level and may intervene on any specific issue at the request of the Group’s General Management.

In order to fulfil DCPE's mandate, General Inspection and Internal Audit teams work together on the annual risk assessment in order to define the intervention plan for the upcoming year. DCPE teams regularly work together on joint assignments. They issue recommendations in order to correct flaws identified in risk management and generally improve operations and risk management within the Group. DCPE teams are subsequently in charge of monitoring the effective implementation of these recommendations. The Internal Audit Division comprises four distinct audit divisions aligned with the Group's organisation:

- Retail Banking Africa and France: handles the audit of Retail Banking activities in France (RBDF business) as well as of the activities of International Retail Banking and Financial Services (IBFS business) in France, and all activities of the Group in Africa, the Mediterranean Basin and French Overseas Departments;
- Europe and Russia International Retail Banking and Financial Services: in charge of the audit of the Group's subsidiaries and branches in Europe and Russia, on the basis of four separate regions – Central Europe, Black Sea, Russia, and Western and Southern Europe (German and Italian hubs);
- Global Banking and Investor Solutions: responsible for the audit of GBIS activities in France as well as for the audit of all the Group's activities in the United Kingdom, Luxembourg, the Americas, the Middle East and Asia;
- Information Systems and Corporate Divisions: this department is responsible for the audit of the Group's IT systems, as well as of the Corporate Divisions and their subsidiaries, notably in the areas of finance and accounting, compliance and risks. It is also responsible for the audit of risks associated with internal models.

The IT audit teams are organised as a global function with strong expertise on IT security and the ability to interact with all teams within the Internal Audit Division.

Besides covering the audit of the divisions within their scope, the teams in charge of the audit of Corporate Divisions also monitor other audit teams on matters related notably to compliance, finance and accounting.

The Group Head of Inspection and Audit reports directly to the Group's Chief Executive Officer, with whom the former has regular meetings. The Group Head of Inspection and Audit participates in meetings organised by the Group's Executive Committee, chaired by the Chief Executive Officer, in his areas of expertise.

The Group Head of Inspection and Audit meets with the Chairman of the Board of Directors on a regular basis, as well as with the chairmen of the Audit and Internal Control Committee and Risk Committee respectively. He attends their meetings in line with Articles 10 and 11 of the Internal Rules of the Board of Directors.

On a regular basis, the Group Head of Inspection and Audit informs the Group's General Management as well as the Audit and Internal Control Committee of the main findings of his audits in order to provide an overview of risk management within the Group and the status of implementation of recommendations, and reports on the completion of the annual intervention plan. The annual intervention plan is approved by General Management and presented to the Audit and Internal Control Committee for validation once a year. Lastly, the Group Head of Inspection and Audit also presents the internal audit section of the Annual Report on Internal Control to the Audit and Internal Control Committee, as required by the provisions of the Order of 3rd November 2014.

The Internal Audit Division participates in the Internal Control Coordination Committees and Audit Committees at various Group levels (Core Business, business line, subsidiary, etc.). It reports on its audit activity, as well as on the audit plan and the monitoring of recommendations. It may also present any matters requiring the attention of these committees.

The Group Head of Inspection and Audit is also in regular contact with the Group's Statutory Auditors and representatives of the regulators. DCPE provides the European Central Bank ("ECB") and the French Prudential Supervisory and Resolution Authority (*Autorité de Contrôle Prudentiel et de Resolution*, "ACPR") with quarterly reports on the completion of its work, the main findings of its audits and the monitoring of implementation of recommendations. The audit plan is presented annually to the ECB and ACPR.

In all subsidiaries or countries where the Group is present, the head of DCPE is in regular contact with the management of the local Group entity, members of the Audit Committees and local regulators in line with the by-laws and regulations applicable locally.

CONTROL OF THE PRODUCTION AND PUBLICATION OF FINANCIAL AND MANAGEMENT INFORMATION

The players involved

There are many participants in the production of financial data:

- the Board of Directors, and more specifically its Audit and Internal Control Committee, has the task of examining the draft financial statements which are to be submitted to the Board, as well as verifying the conditions under which they were prepared and ensuring not only the relevance but also the consistency of the accounting principles and methods applied. There has been a strengthening of the Audit and Internal Control Committee's role in the follow-up of the process of elaboration of the financial information in accordance with the audit reform. It also approves the Group's financial communication. The Statutory Auditors meet with the Audit and Internal Control Committee during the course of their assignment;
- the Group Finance Division gathers all accounting and management data compiled by the subsidiaries and Core Businesses in a series of standardised reports. It consolidates and verifies this information so that it can be used in the overall management of the Group and disclosed to third parties (supervisory bodies, investors, etc.);
- the Finance Divisions of subsidiaries and Core Businesses carry out certification of the accounting data and entries booked by the back offices and of the management data submitted by the front offices. They are accountable for the financial statements and regulatory information required at the local level and submit reports (accounting data, finance control, regulatory reports, etc.) to the Group Finance Division. They can perform these activities on their own or else delegate their tasks to Shared Service Centres operating in finance and placed under Group Finance Division governance. Within the Finance Department of Global Investment and Banking Solutions, Product Control departments are more specifically responsible for guaranteeing, independently of the businesses and in coordination with the Market Analysts and Certification Department, the production and validation of market activities' income statement and balance sheet. In particular, they are in charge of validating the valuations of the financial instruments traded and the reconciliation of the economic results produced by the front office with the accounting results produced by the back office;
- the Risk Division consolidates the risk monitoring data from the Group's Core Businesses and subsidiaries in order to control credit, market and operational risks. This information is used in Group communications to the Group's governing bodies and to third parties. Furthermore, in collaboration with the Group Finance Division, the Risk Division is responsible for the Basel 3 approval process, including producing solvency ratios;
- the back offices are responsible for all support functions to front offices and ensure contractual settlements and deliveries. Among other responsibilities, they check that financial transactions are economically justified, book transactions and manage means of payment.

Beyond consolidating accounting and financial information as described above, the Group Finance Division is charged with significant control responsibilities:

- monitoring the financial aspects of the Group's capital transactions and its financial structure;
- managing its assets and liabilities, and consequently defining, managing and controlling the Group's financial position and structural risks;
- ensuring that the regulatory financial ratios are respected;
- defining accounting standards, frameworks, principles and procedures for the Group, and ensuring that they are observed;
- verifying the accuracy of all financial and accounting data published by the Group.

Accounting standards

Local financial statements are drawn up in accordance with local accounting standards, and the consolidated Group financial statements are prepared in accordance with the standards defined by the Group Finance Division, which are based on IFRS as adopted by the European Union. The Group Finance Division has dedicated teams that monitor the applicable normative regulations and draft new internal standards to comply with any changes in the regulatory framework.

Procedures for producing financial and accounting data

Each entity within the Group prepares its own accounting and management statements on a monthly basis. This information is then consolidated each month at the Group level and published for the markets on a quarterly basis. Data reported are subject to analytical reviews and consistency checks performed by Core Business Finance Departments or, by delegation under their responsibility, by Shared Service Centres operating in finance, and sent to the Group Finance Division. The Group Finance Division transmits the consolidated financial statements, management reports and regulatory statements to General Management and any interested third parties.

In practice, procedures have been tailored to the growing complexity of products and regulations. Moreover, specific action plans for adaptation can be implemented where necessary.

Internal control procedures governing the production of financial and accounting data

Accounting data are compiled independently of the front offices.

Accounting and management data are compiled by the back and middle offices and product control teams independently of the sales teams, thereby guaranteeing that the information is both accurate and objective. These teams carry out a series of controls defined by Group procedures on financial and accounting data:

- daily verification of the economic justification of all information reported;
- reconciliation, within the specified deadlines, of accounting and management data, using specific procedures.

Given the increasing complexity of the Group's financial activities and organisation, staff training and IT tools are regularly upgraded to ensure that the production and verification of accounting and management data are effective and reliable.

SCOPE OF CONTROL

In practice, the internal control procedures implemented in the Group's businesses are designed to guarantee the quality of financial and accounting information, and notably to:

- ensure that the transactions entered in the Group's accounts are exhaustive and accurate;
- validate the valuation methods used for certain transactions;
- ensure that transactions are correctly assigned to the corresponding fiscal period and recorded in the accounts in accordance with the applicable accounting regulations, and that the accounting aggregates used to prepare the Group financial statements 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 accurately performed, that the reconciliation of accounting and management data is satisfactory, and that the flows of cash payments and other items generated by transactions are exhaustive and adequate.

CONTROL BY THE FINANCE DEPARTMENTS OF CORE BUSINESSES

The Finance Department of each subsidiary verifies the accuracy and consistency of the financial statements with respect to the relevant accounting frameworks (local standards and IFRS for subsidiaries, as well as French standards for branches). It performs checks to guarantee the accuracy of the information disclosed.

The data received for consolidation from each subsidiary are drawn from corporate accounting data by the subsidiaries, after they have been locally brought into compliance with Group accounting principles.

Each subsidiary must be able to explain the transition from the company financial statements to the financial statements reported through the consolidation tool.

The Finance Departments of Core Businesses also help to ensure the quality and accuracy of financial statements falling within their scope of activity. As such, their main assignments in terms of accounting control are:

- to ensure each data producer has adequate resources in view of the challenges involved;
- to supervise the implementation of audit recommendations and the progress of the associated action plans;
- to define the procedures for implementing key controls and to certify their results on a quarterly basis.

CONTROL BY THE SHARED SERVICE CENTRES OPERATING IN FINANCE

Shared Service Centres operating in finance perform first-level controls, as necessary to ensure the reliability of the accounting, tax and regulatory information, on the financial statements they produce in accordance with French and IFRS standards:

- data quality and consistency checks (equity, securities, foreign exchange, financial aggregates from the balance sheet and income statement, deviations from standards);
- justification and certification of the financial statements under their responsibility;
- intercompany reconciliation of the financial statements;
- regulatory statement checks;
- verification of evidence of tax charges and balances (current, deferred and duties).

These controls are declared within the managerial supervision and Group accounting certification processes.

The Shared Services Centres have also implemented a process monitoring approach, which consists in:

- monitoring the teams' work and progress according to the various milestones in order to ensure smooth operations, anticipate any delays and prioritise tasks;
- communication of incidents affecting the preparation of the financial statements, in order to warn, coordinate and monitor the corrective action plans;
- key indicators: monitoring deadlines and the quality of accounting, regulatory and tax reports; manual entries; internal/intercompany/cash gaps;
- follow-up of action plans.

These controls allow the Shared Services Centres to provide all necessary information to the Finance Departments of Core Businesses and the Group Finance and Accounting Division.

SUPERVISION BY THE GROUP FINANCE DIVISION

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

The department in charge of consolidation checks that the consolidation scope is compliant with the applicable accounting standards and performs multiple verifications on data received for consolidation. These verifications include:

- confirmation that the data collected are properly aggregated;
- verification of recurring and non-recurring consolidation entries;
- exhaustive treatment of critical points in the consolidation process;
- treatment of any residual differences in reciprocal or intercompany statements.

Ultimately, this department ensures that the overall consolidation process has been conducted properly by performing analytical reviews of the summary data and verifying the consistency of the main aggregates of the financial statements. Changes in shareholders' equity, goodwill, provisions and any deferred taxes consolidated in the fiscal year are also analysed.

The Group Finance Division also has a dedicated team responsible for second-level accounting and regulatory permanent controls covering the quality of Societe Generale's accounting, regulatory and financial information. It is also responsible for coordinating the entire second-level control system within the Group.

The objective is to ensure:

- that the first-level controls are defined, executed and effective, and that the anomalies identified lead to corrective actions;
- the proper application of Group accounting standards on specific matters or through interventions as part of acquisition operations, as well as the homogeneity of the transactions across all businesses.

This team is also in charge of managing and coordinating the system for certifying first-level key controls on a quarterly basis.

Accounting audit system

CONTROLS BY ALL OPERATIONAL STAFF INVOLVED IN THE PRODUCTION OF ACCOUNTING, FINANCIAL AND MANAGEMENT DATA

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

CONTROLS THROUGH AUDITS AND SPECIALISED AUDIT TEAMS OF THE INTERNAL AUDIT DIVISION

As part of their assignments, audit teams verify the quality of the control environment contributing to the quality of the accounting and management data produced by the audited entities. They check a certain number of accounts and assess the reconciliations between accounting and management data, as well as the quality of the permanent supervision procedures for the production and control of accounting data. They also assess the performance of IT tools and the accuracy of manual processing.

The team in charge of auditing the Corporate Divisions is also responsible for auditing the Group Finance Division. Placed under the responsibility of a dedicated business correspondent, the team coordinates and monitors all audits related to accounting and financial matters on a Group-wide basis. The team provides expertise in identifying the Group's main accounting risks and carries out audits to verify the adequate application of accounting standards in areas deemed to be the most significant for the accuracy of the Group's accounting information. The team also organises training sessions and develops methodologies to help share expertise in the auditing of accounting risks.

Based on their audit findings, these teams issue recommendations to the parties involved in the production and control of accounting, financial and management data in order to improve this process through more specific initiatives targeted towards particular entities or activities.

CONTROLS CARRIED OUT BY THE GENERAL INSPECTION DEPARTMENT

The Group's General Inspection teams typically perform accounting audits as part of their assignments, and thus check the quality of the controls carried out by the persons involved in producing accounting, financial and management data.

PRESENTATIVE RECOVERY PLAN AND DATA COLLECTION FOR RESOLUTION

In 2011, the G20 countries adopted the principles described by the Financial Stability Board governing the development and long-term implementation of credible resolution and recovery plans for systemic banks. The European Directive defining the recovery and resolution system applicable throughout the European Union was transposed into the French Monetary and Financial Code in August 2015. At the end of 2016, the European Commission released several proposals intended to supplement the existing rules to facilitate bail-in, by strengthening the requirement for eligible debts and creating a new rank of senior debts (named senior non-preferred) between subordinated debts eligible to regulatory capital and senior debts (which become senior preferred).

The Group's recovery plan, prepared by the bank itself, strengthens its resilience by describing as a preventative measure the provisions that would allow it to face a deep crisis independently. The plan includes all the elements necessary for the effective management of a severe financial crisis: vigilance and warning system, crisis management plan, crisis communication, list of recovery options that, depending on the case, would re-establish a healthy financial situation. The recovery plan is assessed by the supervisory authorities.

The data collection prepared by Societe Generale for the development of the resolution plan includes the information required for the resolution authority to draw up the resolution plan, including strategies and actions that could be undertaken in order to protect activities essential to the economy, starting for example with deposits and means of payment, while also best safeguarding the value of the Group's various components and limiting the final losses borne by investors and shareholders.

Strictly confidential, the recovery plan, the data collection and the resolution plan are regularly supplemented to reflect changes in applicable regulations and the work of authorities.

In 2016, the Single Resolution Board began work on the preparation of the future resolution plan for the Societe Generale Group.

6. STATUTORY AUDITORS' SPECIAL REPORT ON THE REPORT OF THE CHAIRMAN ON INTERNAL CONTROL AND RISK MANAGEMENT

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

DELOITTE & ASSOCIES

185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
S.A. au capital de €1,723,040
Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

ERNST & YOUNG et Autres

1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable
Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

Statutory auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code *(Code de commerce)*, on the report prepared by the chairman of the Board of Directors of Société Générale

To the Shareholders,

In our capacity as statutory auditors of Societe Generale and in accordance with article L. 225-235 of the French Commercial Code *(Code de commerce)*, we hereby report on the report prepared by the chairman of your company in accordance with article L. 225-37 of the French Commercial Code *(Code de commerce)* for the year ended 31st December 2016.

It is the chairman's responsibility to prepare and submit for the Board of Directors' approval a report on the internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-37 of the French Commercial Code *(Code de commerce)* relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- confirm that the report also includes the other information required by article L. 225-37 of the French Commercial Code (Code de commerce). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the chairman of the board of directors in accordance with article L. 225-37 of the French Commercial Code (Code de commerce).

Other information

We confirm that the report prepared by the chairman of the board of directors also contains the other information required by article L. 225-37 of the French Commercial Code (Code de commerce).

Neuilly-sur-Seine and Paris-La Défense, 7th March 2017

The Statutory auditors
French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
José-Luis Garcia	*Isabelle Santenac*

MAKING IT SIMPLE

This chapter sets out to define the key elements of the various risks to which the Group is exposed, as well as its capacity to comply with the regulatory minimum requirements.

RISK IDENTIFICATION AND MAPPING

The Societe Generale Group is exposed to risks related to its banking activity and the operation of its businesses within their respective environments. The main risks identified by the Group are credit and counterparty risk, market risks, operational risks, liquidity and funding risks, and structural interest and exchange rate risks. The Group is also exposed to a modelling risk and strategic risk, in addition to private equity risk and risk related to insurance activities.

A summary of these risks, with a definition of each category, is given in the Report of the Chairman on Internal Control, which can be found in the previous chapter.

INTERNAL CONTROL FRAMEWORK AND SUPERVISION BY THE BOARD OF DIRECTORS

Banking risks are broken down into three main categories: credit risks, market risks and operational risks.

These risks are assessed and weighted, so as to be able to gauge their value on the company's balance sheet (under Risk-Weighted Assets, or RWA).

An internal control framework applies to all commitment decisions, to manage the nature and level of the risks involved and to ensure effective assessment and control thereof. This framework is described in more detail in Chapter 3 (Report of the Chairman on Internal Control and Risk Management).

OVERSIGHT BY INDEPENDENT SUPERVISORY AUTHORITIES AND PUBLICATION REQUIREMENTS

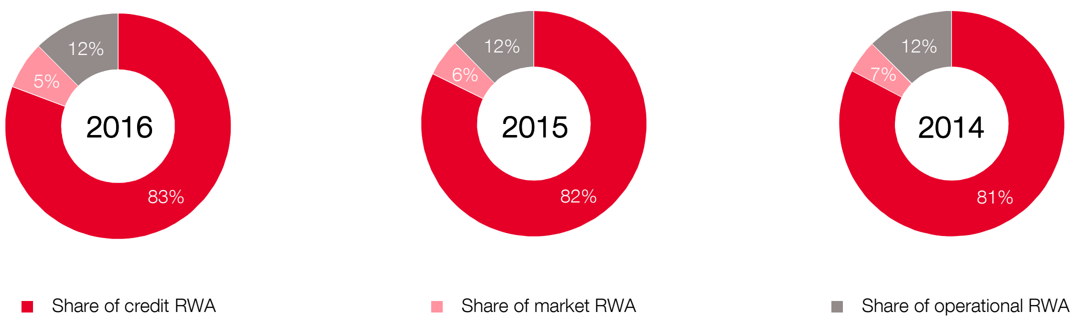
In terms of external supervision, pursuant to the applicable regulations, banks are required to lock up a certain portion of their capital in order to cover the risks to which they are exposed. This enables them to withstand the uncertainties inherent in the exercise of their businesses without endangering either their own financial balance or that of the global financial system. A capital requirement expressed as a percentage (capital ratio calculated according to prudential capital / RWA) is thus determined based on the level of risk-weighted assets and other commitments.

The public authorities have set ratios to limit the risks taken by banks: capital requirements (in particular a total ratio and CET1 ratio), management of exposure (leverage ratio), short-term funding requirements (Liquidity Coverage Ratio, LCR) and long-term funding requirements (Net Stable Funding Ratio, NSFR).

The supervisory authorities set minimum compliance levels for each ratio, taking into account prudential deductions or add-ons. By means of regular inspections or audits, they verify the adequacy of the risk assessment and management framework and the suitability of the Group's prudential capital level in light of the risks assessed; they may also make recommendations for improvements.

The Societe Generale Group's prudential supervisory authority is the European Central Bank, which acts on behalf of the European Banking Authority.

CREDIT RISK REPRESENTS MORE THAN 80% OF GROUP RISK-WEIGHTED ASSETS



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RISKS AND CAPITAL ADEQUACY

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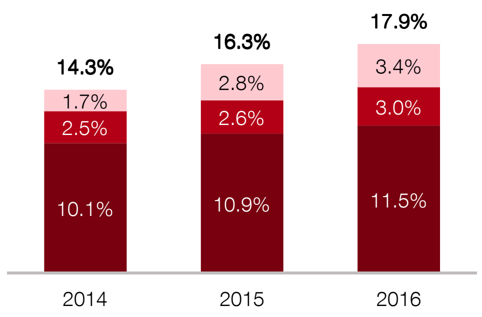
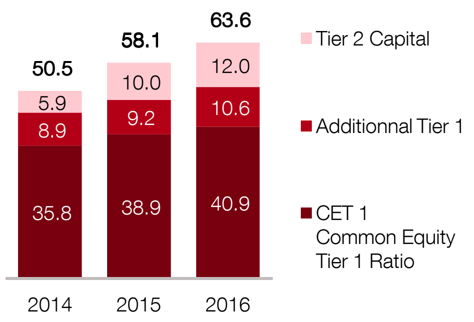
This section includes information on the risk management linked to financial instruments, and information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union.
Some of this information forms an integral part of the notes to the consolidated financial statements and has been audited by statutory auditors. This information is indicated with the note "Audited I" (the symbol ▲ indicates the end of the audited part).
All the information regarding the Pillar 3 Report and the prudential disclosures is available on the www.societegenerale.com website, under Investors, Registration document and Pillar 3

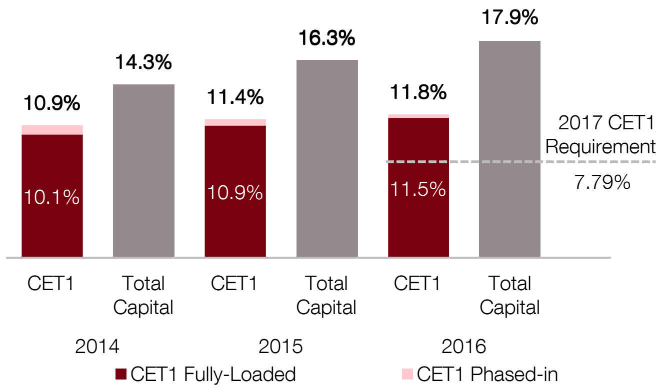
1. KEY FIGURES: A STRONG AND

TOTAL CAPITAL RATIO(1) (IN % AND AMOUNTS IN EUR BN)

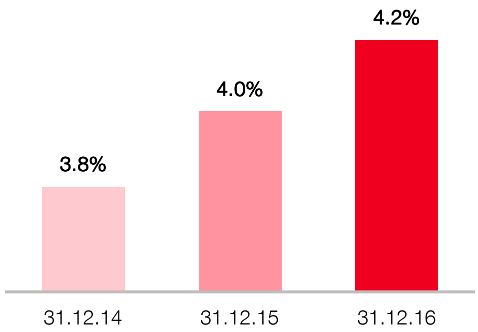




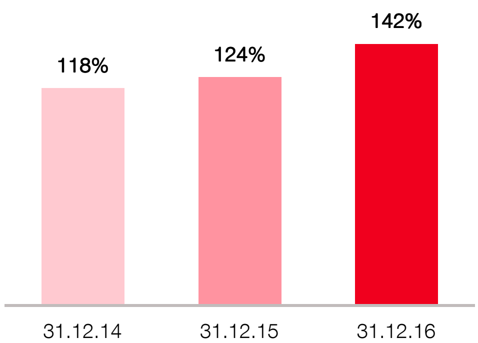
PHASED-IN AND FULLY-LOADED CET1 AND TOTAL CAPITAL RATIOS(1)



LEVERAGE RATIO(1)(2)



ONE-MONTH LIQUIDITY COVERAGE RATIO (LCR)

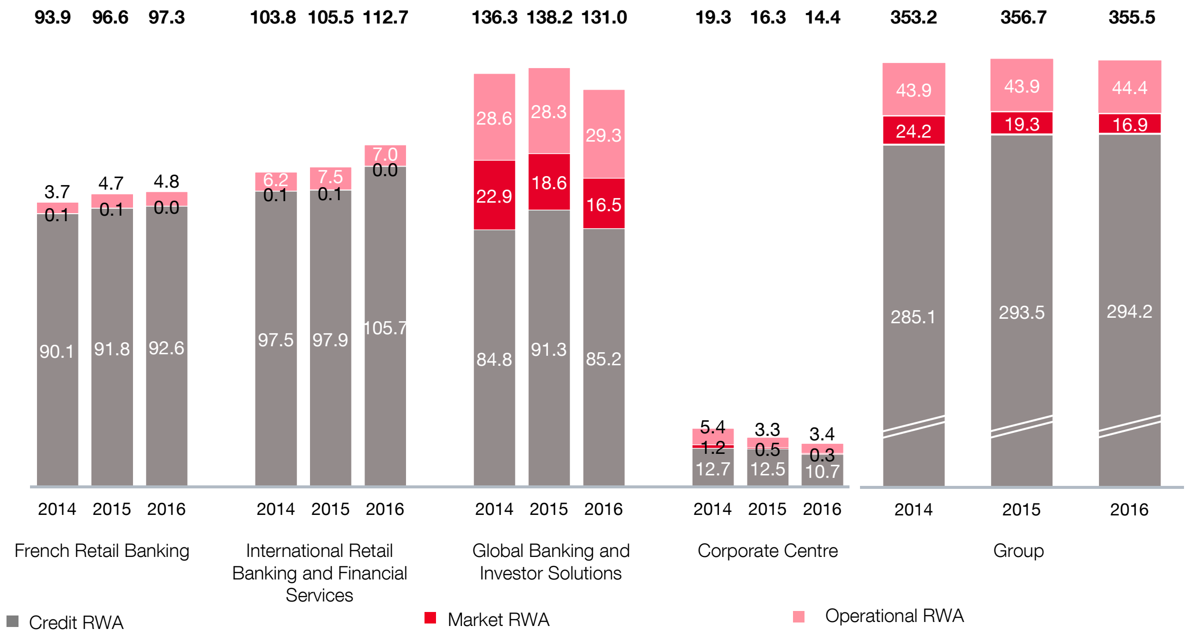


(1) Fully-loaded ratios calculated according to the CRR/CRD4 rules published on 26th June 2013, including the Danish compromise for Insurance, reported on 31st December every year.

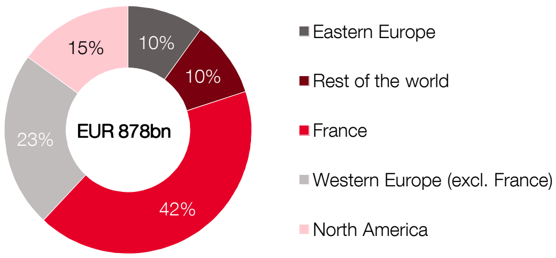
(2) Fully-loaded ratio calculated according to the CRR rules adopted by the European Commission in October 2014 (Delegated Act).

BALANCED FINANCIAL POSITION

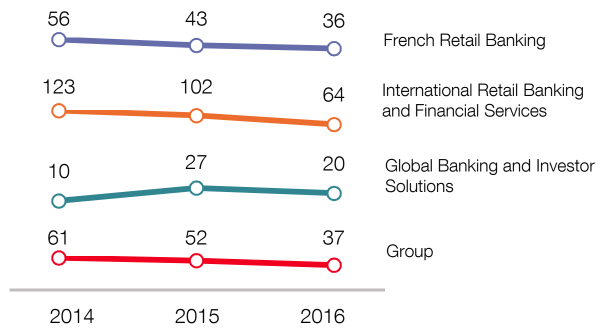
RISK-WEIGHTED ASSETS (END OF PERIOD, IN EUR BN)



GEOGRAPHICAL BREAKDOWN OF GROUP CREDIT RISK EXPOSURE (EAD 31.12.2016)



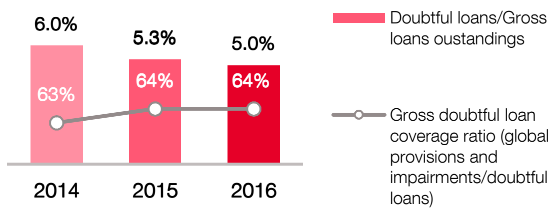
COMMERCIAL COST OF RISK IN BASIS POINTS[2]



EAD ADDITIONAL INDICATORS

	31.12.14	31.12.15	31.12.16
Total Group exposure (*EAD*[(1)] *in EUR bn*)	722	806	**878**
Group EAD in industrialised countries *(in %)*	86%	90%	**89%**
Group EAD to investment grade counterparties (in *%)*	64%	64%	**65%**

GROSS DOUBTFUL LOANS



(1) The EAD are presented according to the Capital Requirement Directive (CRD) as transposed into French regulations.

(2) Calculated by dividing the annual provision and impairment charge by the average end-of-period outstanding amounts of the four quarters preceding the closing date.

In accordance with the provisions of Article R. 511-16-1 of the French Monetary and Financial Code, return on assets (i.e. Net Income divided by the total balance sheet per consolidated accounts) for Societe Generale stood at 0.31% in 2016 and 0.33% in 2015. On a prudential basis (fully loaded), the ratio was 0.31% in 2016 and 0.23% in 2015, calculated by dividing the Group Net Income reflected in Table 7 by the Total Balance Sheet for prudential purposes (Table 2).

2. RISK MANAGEMENT

The purpose of this chapter is to present the risks to which the Societe Generale Group is exposed, as well as the associated management framework.

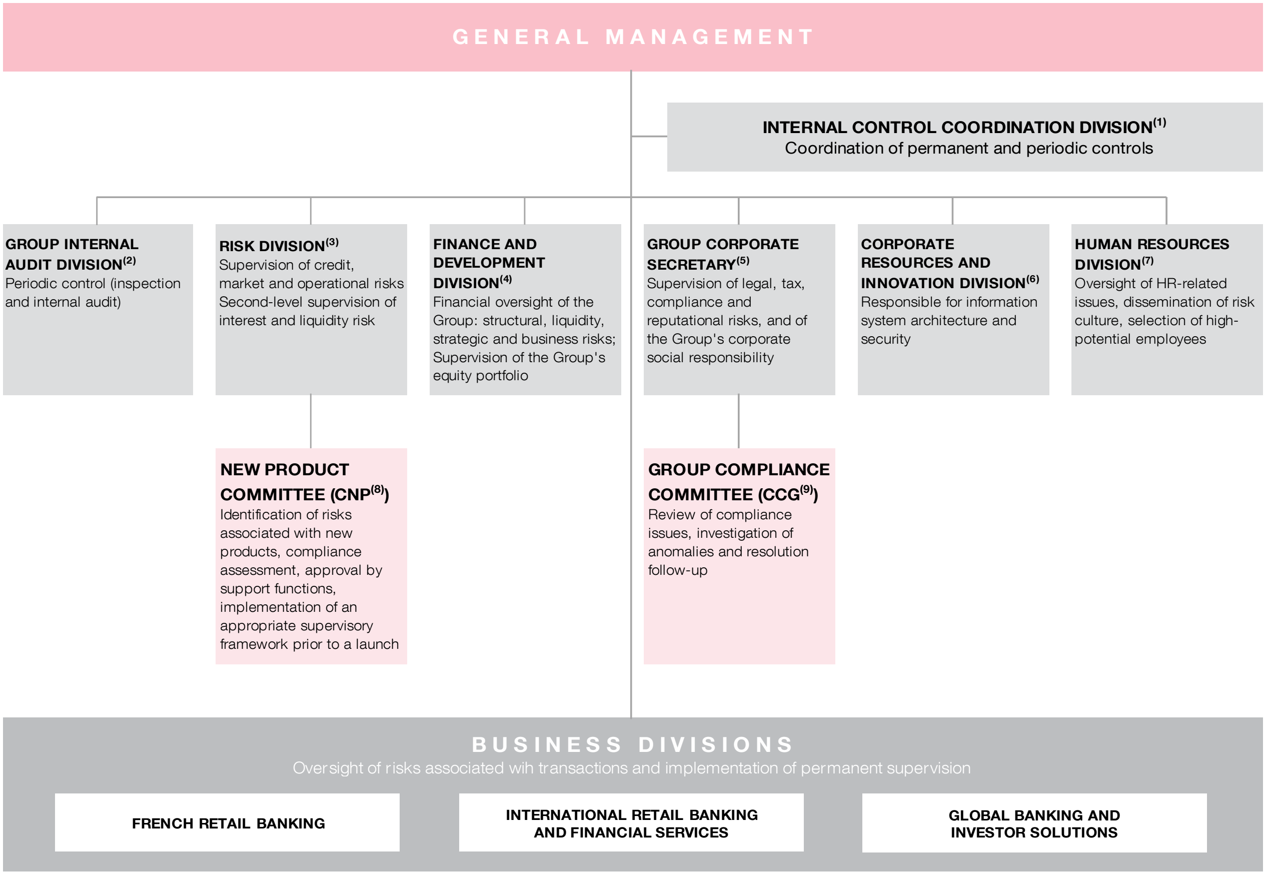
The Societe Generale Group is subject to oversight by supervisory authorities and to regulations on capital requirements applicable to credit institutions and investment firms (Regulation (EU) No. 575/2013 of 26th June 2013).

Within the framework of the Third Pillar of the Basel Accord, a detailed and standardised statement is included in the Risk Report for the purposes of improving published financial disclosures (the report and Third Pillar cross-reference table are available on the Group's website).

The risk classification system and the core principles of risk management are detailed in the Report of the Chairman on Internal Control and Risk Management (Chapter 3.5).

ROLE AND RESPONSIBILITIES OF DIVISIONS IN CHARGE OF RISK MONITORING

Audited | Implementing a high-performance and efficient risk management structure is a critical undertaking for Societe Generale, in all businesses, markets and regions in which it operates, as is maintaining a balance between strong awareness of risks and promoting innovation. The Group's risk management, supervised at the highest level, is compliant with the regulations in force, in particular the Order of 3rd November 2014 related to internal control of companies in the banking sector, payment services and investment services subject to control of the French Prudential Supervisory and resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution*, ACPR) and European regulations CRR/CRD4. ▲ (see Board's Expertise, page 86.)



(1) Permanent and periodic controls, p. 144 and following.
(2) See p. 147
(3) Credit risks, p. 181; Market risks, p. 204; Operational risks, p. 214.
(4) Structural risks, p. 221; Liquidity risk, p. 225; Equity risk, p. 238.
(5) Legal and tax risks, p. 423; Compliance and reputational risks, p. 232; Corporate social responsibility, p. 241.
(6) See p. 142 (Risks related to information systems) and p. 219 (Operational Risk Insurance).
(7) See p. 275 and following, particularly p. 276 (Supporting changing professions), p. 277 (Recruitment: attracting the talent that the Group needs), p. 277 (Training) and p. 143 (Compensation policy).
(8) New product committees, p. 143.
(9) Group Compliance Committee, p. 142.

Audited | Specifically, the main objectives of the Group's risk management strategy are:

- to contribute to the development of the Group's businesses and profitability by defining the Group's risk appetite in conjunction with the Finance Division and the business divisions;
- to contribute to the Group's sustainability by establishing a risk management and monitoring system;
- to reconcile the independence of the risk management system from the business lines with close collaboration with the core businesses, which have primary responsibility for the transactions they initiate.

This can take the form of:

- clear principles for the governance, control and organisation of risks;
- determining and formally defining the Group's risk appetite;
- effective risk management tools;
- an awareness of risks that is cultivated and established at each level of the company.▲

The Chairman's Report included in Chapter 3 (from page 132) provides an overview of the consolidated Group internal control procedures and risk management policy.

AUDITED | TYPES OF RISK (REPORT OF THE CHAIRMAN ON INTERNAL CONTROL AND RISK MANAGEMENT)

The Group's risk management framework involves the following main categories:

- **Credit and counterparty risk** (including concentration effects): risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes the counterparty risk linked to market transactions and securitisation activities. In addition, credit risk may be further amplified by individual, country and sector concentration risk.
- **Market risk**: risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets.
- **Operational risks**: risk of losses resulting from inadequacies or failures in processes, personnel or information systems, or from external events. They include:
  - **Non-compliance risk** (including legal and tax risks): risk of court-ordered, administrative or disciplinary sanctions, or of material financial loss, due to failure to comply with the provisions governing the Group's activities;
  - **Reputational risk:** risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Group's ability to maintain or engage in business relationships and to sustain access to sources of financing;
  - **Misconduct risk:** risk of harm to customers, markets or the Group itself, or to the image and reputation of the banking sector in general, due to corporate misconduct or inappropriate behaviour on the part of employees or the institution itself.
- **Structural interest and exchange rate risk**: risk of losses of interest margin or of the value of the fixed-rate structural position due to changes in interest or exchange rates. Structural interest and exchange rate risks arise from commercial activities and from corporate centre transactions.
- **Liquidity and funding risk**: liquidity risk is defined as the inability of the Group to meet its financial obligations at a reasonable cost. Funding risk is defined as the risk of the Group being unable to finance the development of its activities in line with its commercial objectives and at a competitive cost.
- **Risk related to specialised finance activities**: through its specialised financial services activities, mainly in its operational vehicle leasing subsidiary, the Group is exposed to residual value risk (when the net resale value of an asset at the end of the lease is less than estimated).
- **Private equity risk**: risk of losses linked to financial holdings of a private equity nature.
- **Strategic risk**: risks inherent in the choice of a given business strategy or resulting from the Group's inability to execute its strategy.
- **Model risk**: the Group makes use of models in the course of its activities. Selecting a particular model and configuring its parameters necessarily involves a simplification of reality and can result in an inaccurate assessment of risk.
- **Risk related to insurance activities**: through its insurance subsidiaries, the Group is also exposed to a variety of risks linked to the insurance business. In addition to balance sheet management risks (interest rate, valuation, counterparty and exchange rate risk), these risks include premium pricing risk, mortality risk and the risk of an increase in claims.
- In addition, **risks associated with climate change**, both physical (increased frequency of extreme weather events) and transition-related (new carbon regulations), have been identified as factors that could aggravate the Group's existing risks. ▲- See p. 259 "A system for managing climate change risks"

RISK FACTORS

1. The global economy and financial markets continue to display high levels of uncertainty, which may materially and adversely affect the Group's business, financial situation and results of operations.

As part of a global financial institution, the Group's businesses are sensitive to changes in financial markets and economic conditions generally in Europe, the United States and elsewhere around the world. The Group could be confronted with a significant deterioration in market and economic conditions resulting from, in particular, crises affecting capital or credit markets, liquidity constraints, regional or global recessions, sharp fluctuations in commodity prices (including oil), currency exchange rates or interest rates, inflation or deflation, sovereign debt rating downgrades, restructuring or defaults, or adverse geopolitical events (including acts of terrorism and military conflicts). Such events, which may develop quickly and thus potentially not be hedged, could affect the operating environment for financial institutions for short or extended periods and have a material adverse effect on the Group's financial situation, results of operations or cost of risk.

Financial markets have in recent years experienced significant disruptions as a result of concerns regarding the sovereign debt of various Eurozone countries and uncertainty relating to the pace of US monetary policy tightening as well as fears related to a slowdown of the Chinese economy. The insufficient adjustment of certain oil-producing countries to the drop in prices is another source of uncertainty. Recently, votes held in the United Kingdom and the United States have illustrated the risk of a return to increased protectionism. Such a movement, if it were to be confirmed and to result in the implementation of strong protectionist measures, could affect the strength of international trade. Moreover, the uncertainty caused by these sudden and major political changes, as well as potential consequences of the upcoming elections in EU countries, could impact economic activity and credit demand, while increasing the volatility of financial markets.

In the Eurozone, the prolonged period of weak demand and low inflation fosters the risk of deflation, which has in the past adversely affected banks, and may continue to do so in the future, through low interest rates, with a particular impact on interest rate margins for retail banks. The Group is exposed to the risk of substantial losses if sovereign states, financial institutions or other credit counterparties become insolvent or are no longer able to fulfil their obligations to the Group. A resumption of tensions in the Eurozone may trigger a significant decline in the Group's asset quality and an increase in its loan losses in the affected countries. The Group's inability to recover the value of its assets in accordance with the estimated percentages of recoverability based on past historical trends (which could prove inaccurate) could further adversely affect its performance. In the event of a pronounced macroeconomic downturn, it may also become necessary for the Group to invest resources to support the recapitalisation of its businesses and/or subsidiaries in the Eurozone or in countries closely connected to the Eurozone such as those in Central and Eastern Europe. The Group's activities and/or subsidiaries in certain countries could become subject to emergency legal measures or restrictions imposed by local or national authorities, which could adversely affect its business, financial situation and results of operations.

2. A number of exceptional measures taken by governments, central banks and regulators could be amended or terminated, and measures at the European level face implementation risks.

In response to the financial crisis, governments, central banks and regulators implemented measures intended to support financial institutions and sovereign states and thereby stabilise financial markets. Central banks took measures to facilitate financial institutions' access to liquidity, in particular by lowering interest rates to historic lows for a prolonged period. Various central banks decided to substantially increase the amount and duration of liquidity provided to banks, relax collateral requirements and, in some cases, implement "non-conventional" measures to inject substantial liquidity into the financial system, including direct market purchases of government bonds, corporate bonds, and mortgage-backed securities. These central banks may decide, acting alone or in concert, to tighten their policies, which could substantially and abruptly decrease the flow of liquidity in the financial system and influence the level of interest rates. In the United States, the Fed began raising its key interest rate in December 2015, and the market is now focusing on the pace of these rate increases and the potential monetary policy response to the budgetary and fiscal policy pursued by the new US Presidential administration of Donald Trump. Such changes in monetary policy, and concerns about their potential impact, could increase volatility in the financial markets and push US interest rates significantly higher. Given the uncertainty of the strength of global and US economic growth, such changes could have a significant adverse effect on financial institutions and, hence, on the Group's business, financial situation and results of operations.

In the Eurozone, since June 2014 the European Central Bank ("ECB") has lowered its key interest rates (including negative interest rates for deposit facilities), launched two Targeted Longer-Term Refinancing Operations ("TLTRO") and introduced and strengthened various asset purchase programmes (asset-backed securities – "ABS", covered bonds, sovereign bonds and, since 2016, corporate bonds). In December 2016, the ECB announced that the monthly amount of its asset purchases will be lowered to EUR 60 billion per month as from April 2017, compared to EUR 80 billion per month since April 2016, and that these asset purchases will be extended until at least December 2017. In spite of all these measures, a resurgence of financial tension in certain Eurozone member states cannot be ruled out, which could result in national policies restricting cross-border capital flows.

3. The Group's results may be affected by regional market exposures.

The Group's results are significantly exposed to economic, financial and political conditions in the principal markets in which it operates (namely France, other European Union countries and the United States). In France, the Group's principal market, recovery in growth and low interest rates have resulted in an upturn in the housing market, but a potential relapse of the activity in this area could have a material adverse impact on the Group's business, resulting in decreased demand for loans, higher rates of non-performing loans and decreased asset values. In the other European Union countries, a slowdown or halt of the current economic recovery, for instance following the effective exit of the United Kingdom from the European Union ("Brexit"), could result in increased loan losses or higher levels of provisioning.

The Group is involved in commercial banking and investment banking operations in emerging markets, in particular in Russia and other Central and Eastern European countries as well as in North Africa. Capital markets and securities trading activities in emerging markets may be more volatile than those in developed markets and may also be vulnerable to certain specific risks, such as political instability and currency volatility. It is likely that high levels of uncertainty will persist in relation to these markets and therefore the related risk. Unfavourable economic or political developments affecting these markets could have a material adverse effect on the business, results and financial position of the Group.

This is notably true in Russia. As a result of the Ukraine crisis, since March 2014 the United States, the European Union and other countries and international organisations have imposed several rounds of sanctions on Russian individuals and corporates. These sanctions, combined with the substantial decline in global oil prices, have adversely impacted the value of the rouble, as well as financing conditions and economic activity in Russia. There is a risk of further adverse developments in the event of increased geopolitical tensions and/or additional sanctions from Western countries and/or Russia, as well as in the event of a further drop in oil prices.

4. The Group operates in highly competitive industries, including in its home market.

The Group is subject to intense competition in the global and local markets in which it operates. On a global level, it competes with its peers principally in its core businesses (French Retail Banking, International Retail Banking and Financial Services, Global Banking and Investor Solutions, and Corporate Divisions). In local markets, including France, the Group faces substantial competition from locally-established banks, financial institutions, businesses providing financial and other services and, in some instances, governmental agencies. This competition exists in all of the Group's lines of business.

In France, the presence of major domestic competitors in the banking and financial services sector, as well as new market competitors (such as online retail banking and financial services providers), has increased competition for virtually all of the Group's products and services. The French market is a mature market and one in which the Group holds significant market share in most of its lines of business. Its financial situation and results of operations may be adversely affected if it is unable to maintain or increase its market share in key lines of business. The Group also faces competition from local participants in other geographic markets in which it has a significant presence. Gradually, certain sectors of the financial services industry have become more concentrated, as institutions offering a broad range of financial services have been acquired by or merged into other firms, or have declared bankruptcy. Such changes could result in the Group's remaining competitors benefiting from greater capital resources or other advantages, such as the ability to offer a broader range of products and services or greater geographic diversity. As a result of all these factors, and competitors' efforts to increase market share by reducing prices, the Group has experienced pricing pressures in the past, and may face similar pressures in the future.

Competition on a global level, as well as on a local level in France and in other key markets, could have a material adverse effect on the Group's business, results of operations and financial situation.

5. Reputational damage could harm the Group's competitive position.

The Group's reputation for financial strength and integrity is critical to its ability to foster loyalty and develop its relationships with customers and other counterparties (supervisors, suppliers, etc.). Its reputation could be harmed by events attributable to it, flaws in its control measures, non-compliance with its commitments or strategic decisions (business activities, risk appetite, etc.), as well as by events and actions of others outside its control. Negative comments concerning the Group, whether legitimate or not, could have adverse effects on its business and its competitive position.

The Group's reputation could be adversely affected by a weakness in its internal control measures (operational risk, regulatory risk, credit risk, etc.) or following misconduct by employees such as with respect to clients (non-compliance with consumer protection rules) or by issues affecting market integrity (market abuse and conflicts of interest). The Group's reputation could also be affected by external fraud. Similarly, reputational issues could also result from a lack of transparency, communication errors or a restatement of, or corrections to, its financial results. The impact of such events can vary depending on the context and whether they become the focus of extensive media reports. Reputational damage could translate into a loss of business or investor confidence or a loss of clients (and prospects) that could have a material adverse effect on the Group's results of operations and financial position or on its ability to attract and retain employees.

6. **The Group depends on access to financing and other sources of liquidity, which may be restricted for reasons beyond its control.**

The ability to access short-term and long-term funding is essential to the Group's businesses. Societe Generale funds itself on an unsecured basis, by accepting deposits, issuing long-term debt, promissory notes and commercial paper, and obtaining bank loans or lines of credit. The Group also seeks to finance many of its assets on a secured basis, including by entering into repurchase agreements. If the Group is unable to access secured or unsecured debt markets on terms it considers acceptable or if it experiences unforeseen outflows of cash or collateral, including material decreases in customer deposits, its liquidity could be impaired. In addition, if the Group is unable to maintain a satisfactory level of customer deposits collection (because, for example, competitors raise the interest rates that they are willing to pay to depositors, and accordingly, customers move their deposits elsewhere), the Group may be forced to turn to more expensive funding sources, which would reduce the Group's net interest margin and results.

The Group's liquidity could also be adversely affected by factors the Group can neither control nor anticipate, such as general market disruptions, operational difficulties affecting third parties, negative views about the financial services industry in general, or the Group's short-term or long-term financial prospects, as well as changes in credit ratings or even market participants' perception of the Group or other financial institutions.

The Group's credit ratings can have a significant impact on the Group's access to funding and also on certain trading revenues. In connection with certain OTC trading agreements and other securities agreements, the Group may be required to provide additional collateral to certain counterparties in the event of a credit rating downgrade. Rating agencies monitor in particular issuer-specific factors, such as governance, the level and quality of earnings, capital adequacy, funding, liquidity, risk appetite and management, asset quality, strategic direction, business mix and liability structure. Additionally, they take into account the regulatory and legislative context, as well as the macro-economic environment in which the bank operates. Therefore, a deterioration in any of the above factors may lead to a ratings downgrade for the Group or other players in the European banking industry.

Lenders have the right to accelerate some of the Group's debts upon the occurrence of certain events, including the Group's failure to obtain the necessary collateral following a downgrade of its credit rating below a certain threshold, and other events of default set out in the terms of such indebtedness. If the relevant lenders declare all amounts outstanding due and payable as a result of a default, the Group may be unable to find sufficient alternative financing on acceptable terms, or at all, and the Group's assets might not be sufficient to repay its outstanding indebtedness in full.

Moreover, the Group's ability to access capital markets and the cost of its long-term unsecured funding are directly related to its credit spreads in both the bond and credit derivatives markets, which the Group can neither control nor anticipate. Liquidity constraints may have a material adverse effect on the Group's business, financial situation, results of operations and ability to meet its obligations to its counterparties.

7. **The protracted decline of financial markets or reduced liquidity in such markets may make it harder to sell assets and could lead to material losses.**

In many of the Group's businesses, a protracted financial market decline, particularly in asset prices, could reduce the level of activity in the markets involved or reduce their liquidity. These developments could lead to material losses if the Group is not able to close out deteriorating positions in a timely way or adjust the hedge of its positions. This is especially true for the assets the Group holds for which the markets are relatively illiquid by nature. Assets that are not traded in regulated markets or other public trading platforms, such as derivatives contracts between banks, are valued based on the Group's internal models rather than on their market value. Monitoring or anticipating the deterioration of prices of assets like these is difficult and could lead to losses that the Group did not anticipate.

The continuation of low interest rates and accommodative monetary policy could cause certain participants in the financial markets seeking yield to engage in new behaviours, resulting in lengthened maturities, greater products complexity, the emergence of new market practices, etc. This context could reduce the liquidity of the financial markets in stress periods and increase the risk of dislocation or a flash crash, which could lead to losses or the impairment of assets owned by the Group.

8. **The volatility of the financial markets may cause the Group to suffer significant losses on its trading and investment activities.**

The volatility of the financial markets could adversely affect the Group's trading and investment positions in the debt, currency, commodity and equity markets, as well as its positions in private equity, property and other investments. Severe market disruptions and extreme market volatility have occurred in recent years and may occur again in the future, which could result in significant losses for the Group's capital markets activities. Such losses may extend to a broad range of trading and hedging products, including swaps, forward and future contracts, options and structured products.

The volatility of the financial markets makes it difficult to predict trends and implement effective trading strategies; it also increases risk of losses from net long positions when prices decline and, conversely, from net short positions when prices rise. Such losses, if significant, could have a material adverse effect on the Group's results of operations and financial situation.

9. **Changes in interest rates may adversely affect the Group's banking and asset management businesses.**

The share of the Group's performance arising from interest income is influenced by changes and fluctuations in interest rates in Europe and in the other markets in which it operates. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest margins and balance sheet values. Any mismatch between interest owed by the Group and interest due to it (in the absence of adequate hedging) could affect the Group's results of operations.

10. Fluctuations in exchange rates could adversely affect the Group's results of operations.

The Group's main operating currency is the euro. However, a significant portion of the Group's business is carried out in currencies other than the euro, such as the US dollar, the British pound sterling, the Japanese yen, the Czech koruna, the Romanian leu and the Russian rouble. The Group is exposed to exchange rate movements to the extent its revenues and expenses or its assets and liabilities are recorded in different currencies. Because the Group publishes its consolidated financial statements in euros, which is the currency of most of its liabilities, it is also subject to conversion risk in the preparation of its financial statements. Fluctuations in the exchange rate for these currencies against the euro may have a negative impact on the Group's consolidated results of operations, financial position and cash flows, despite any hedges that may be implemented by the Group to limit its foreign exchange exposure. Exchange rate fluctuations may also affect the value (denominated in euros) of the Group's investments in its subsidiaries outside the Eurozone.

11. The Group is subject to an extensive supervisory and regulatory framework in each of the countries in which it operates and changes in this regulatory framework could have a significant effect on the Group's businesses.

The Group is subject to extensive regulation and supervision in all jurisdictions in which it operates. The rules applicable to banks seek principally to limit their risk exposure, preserve their stability and financial solidity and protect clients, depositors, creditors and investors. The rules applicable to financial services providers govern, among other things, the sale, placement and marketing of financial instruments. The banking entities of the Group must also comply with requirements as to capital adequacy and liquidity in the countries in which they operate. Compliance with these rules and regulations requires significant resources. Non-compliance with applicable laws and regulations could lead to fines, damage to the Group's reputation, forced suspension of its operations or the withdrawal of operating licences.

Since the onset of the financial crisis, a variety of measures have been proposed, discussed and adopted by numerous national and international legislative and regulatory bodies, as well as other entities. Certain of these measures have already been implemented, while others are still under discussion. It therefore remains difficult to accurately estimate the future impacts or, in some cases, the likely consequences of these measures.

In particular, the Basel 3 reforms are being implemented in the European Union through the Capital Requirements Regulation ("CRR") and Capital Requirements Directive 4 ("CRD4") which came into effect on 1st January 2014, with certain requirements being phased in over a period of time, up until 2019 or even later. Basel 3 is an international regulatory framework to strengthen capital and liquidity requirements with the goal of promoting a more resilient banking sector. Recommendations and measures addressing systemic risk exposure of global banks, including additional loss absorbency requirements, have been adopted by the Basel Committee and the Financial Stability Board ("FSB"), which was established following the G20 London summit in 2009. Societe Generale, among other global banks, has been named by the FSB as a "systemically important bank" ("G-SIB") and as a result will be subject to additional capital buffer requirements.

In France, Act No. 2013-672 dated 26th July 2013 on the separation and regulation of banking activities (as amended by Ordinance No. 2014-158 dated 20th February 2014 stipulating various measures to align French legislation with EU financial law) (the "Banking Law") mandates the separation of certain market activities performed by significant credit institutions when such activities are considered "speculative" (i.e. those deemed not necessary for financing of the economy). Unless an exception applies under the law (such as market making, treasury management, etc.), this obligation covers all banks' proprietary trading. In accordance with the Banking Law, the Group has segregated the relevant activities in a special subsidiary since 1st July 2015.

Ordinance No. 2015-1024 dated 20th August 2015 stipulating various measures to align French legislation with EU financial law (the "Ordinance") amended the provisions of the French Monetary and Financial Code (Code monétaire et financier) to implement into French law Directive 2014/59/EU of 15th May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "BRRD"). Many of the provisions contained in the Banking Law were already similar in effect to the provisions of the Ordinance. Decree No. 2015-1160 dated 17th September 2015 and three orders dated 11th September 2015 regarding (i) recovery planning, (ii) resolution planning and (iii) criteria to assess the resolvability for institutions or groups, were published on 20th September 2015 to supplement the provisions of the Ordinance implementing the BRRD into French law.

The Ordinance requires that credit institutions subject to the direct supervision of the ECB (such as Societe Generale) and credit institutions and investment firms that represent a significant share of the financial system, draw up and submit to the ECB a recovery plan providing for measures to be taken by such institutions to restore their financial position following a significant deterioration of the same. The Ordinance expands the powers of the ACPR over institutions under resolution proceedings, in particular by allowing business disposals, the establishment of a bridge institution, the transfer of their assets to an asset management vehicle or the write-down and conversion or amendment of the terms (including changes to the maturity and/or interest payable and/or orders for temporary suspension of payments) of their capital instruments and eligible liabilities (referred to as the bail-in tool). These reforms could have a significant impact on the Group and its structure and the value of its equity and debt securities.

Regulation (EU) No. 806/2014 of 15th July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund created the Single Resolution Board (the SRB"). Since 1st January 2015, the SRB has had the authority to collect information and cooperate with the ACPR for resolution planning purposes. As from 1st January 2016, the resolution powers of the ACPR have been overridden by those of the SRB within the framework of the Single Resolution Mechanism. The entry into force of such mechanism could impact the Group and its structure in ways that cannot currently be estimated.

Since November 2014, Societe Generale and all other major financial institutions in the Eurozone have been subject to the supervision of the ECB as part of the implementation of the single supervisory mechanism. As set out above, Societe Generale has also been subject to the Single Resolution Mechanism since January 2016. The full impact of this new supervisory structure on the Group cannot yet be fully evaluated.

The MREL ratio ("Minimum Requirement for own funds and Eligible Liabilities") is defined in the BRRD and has been implemented into French law by the Ordinance. It entered into force on 1st January 2016. The MREL ratio is a minimum requirement for own funds and eligible liabilities that are available to absorb losses in the event of resolution. This requirement is calculated as the amount of own funds and eligible liabilities expressed as a percentage of the institution's total liabilities and own funds.

The TLAC ratio ("Total Loss Absorbing Capacity") has been developed by the FSB at the request of the G20. In November 2015, the FSB finalised its "Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution", including the TLAC Term Sheet. It introduced a new international standard for external and internal TLAC. The final Term Sheet, published on 9th November 2015 and approved by the G20 Leaders in Antalya, provides for the following TLAC principles, which will form the new international standard for G-SIBs:

(i) G-SIBs may be required to meet the TLAC ratio requirement alongside the minimum regulatory requirements set out in the Basel 3 framework. In particular, G-SIBs may be required to meet a minimum TLAC requirement of at least 16%, in addition to the Basel 3 regulatory capital buffers, of the resolution group's risk-weighted assets (TLAC RWA Minimum) as from 1st January 2019. As from 1st January 2022, the TLAC RWA Minimum will be at least 18%. Minimum TLAC must also be at least 6% of the Basel 3 leverage ratio denominator (TLAC Leverage Ratio Exposure Minimum) as from 1st January 2019, and at least 6.75% as from 1st January 2022. Home authorities may apply additional firm-specific requirements above these minimum standards.

(ii) The Term Sheet determines the core features for TLAC-eligible external instruments. TLAC instruments must be subordinated (structurally, contractually or statutorily) to operational liabilities, except for EU banks which will be allowed to include a limited amount of senior debt (2.5% of RWA in 2019, 3.5% of RWA in 2022) subject to regulatory approval. TLAC instruments must have a remaining maturity of at least one year. Insured deposits, sight or short-term deposits, derivatives and structured notes are excluded.

(iii) In order to reduce the risk of contagion, G-SIBs may be required to deduct exposures to eligible external TLAC instruments and liabilities issued by other G-SIBs from their own TLAC position.

The impact of the MREL and TLAC ratios on the Group and its structure cannot be currently fully estimated, but the Group's financial position and cost of funding could be materially affected.

The US Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") provides a general framework of important financial regulation reforms to enhance banking supervision and regulation and contribute to financial stability. The Dodd-Frank Act and other similar post-financial-crisis regulations implemented in the US have increased costs, restricted business and resulted in greater regulatory supervision, as well as an increased risk of the introduction of additional measures adversely affecting banks. The Dodd-Frank Act has also provided the US market regulators, mainly the CFTC and the SEC, with enhanced regulatory and jurisdictional authority over Societe Generale, and subjected the Group to additional control and monitoring measures.

The Dodd-Frank Act also provides for new measures enhancing systemic risk oversight, prudential norms for banks, the orderly resolution of failing systemically-important financial institutions, regulation of over-the-counter derivatives and consumer and investor protection, as well as regulating the ability of banking organisations and their affiliates in relation to proprietary trading activities and certain transactions involving hedge funds and private equity funds.

Although certain rules and regulations are still in draft form, yet to be implemented or subject to extended transition periods, the majority of the rules have already been finalised and have resulted or will result in additional costs as well as the imposition of certain limitations on the Group's activities. The new US Presidential administration has expressed different policy goals and could implement alternative financial regulations, although the impact of any such differences remains unknown for the time being. Such new policies and any proposed new regulations or legislation, once adopted, could affect the activities of the Group and/or the value and liquidity of securities issued by Societe Generale.

The European Market Infrastructure Regulation ("EMIR") published in 2012 places new constraints on derivatives market participants in order to improve the stability and transparency of this market. Specifically, EMIR requires these participants to use clearing houses for products deemed sufficiently liquid and standardised, the reporting of all derivative product transactions to a trade repository, and the implementation of risk mitigation procedures (e.g. exchange of collateral) for OTC derivatives not cleared by clearing houses. Some of these measures are already in effect (e.g. mandatory central clearing for certain interest rate and credit derivatives), while others are expected to come into force in 2017 (e.g. exchange of initial margins and variation margins for uncleared transactions), making it difficult to accurately estimate their impact. Initial and variation margins exchange requirements involve extensive collateral agreements' negotiations. In addition, Regulation (EU) 2015/2365 of 25th November 2015 on transparency of securities financing transactions and of reuse was published in the Official Journal of the European Union on 23rd December 2015. It constitutes the counterpart of EMIR for certain obligations, including the reporting requirement on securities financing to trade repositories. It also includes a key provision on the obligation to provide information to counterparties regarding the risk of re-use of collateral received in these transactions. The first stage of initial margins exchange requirements under the Dodd-Frank Act, relating to over-the-counter uncleared derivatives, entered into effect on 1st September 2016.

In January 2015, the European Banking Authority ("EBA") published the final draft Regulatory Technical Standards ("RTS") laying down the requirements related to prudent valuation. Even though a prudent valuation of fair value assets was already specified in CRD3, the RTS implement uniform prudent valuation standards across Europe. The Additional Valuation Adjustments ("AVAs") are defined as the difference between the prudent valuation and the accounting fair value. They are deducted from "Common Equity Tier 1 Capital" and therefore might affect the bank's capital adequacy ratio.

Lastly, additional reforms are being considered that seek to enhance the harmonisation of the regulatory framework and reduce variability in the measurement of Risk Weighted Assets ("RWA") across banks. In particular, the final text on the reform of internally-modelled and standardised approaches for market risk (*Minimum capital requirements for market risk*) was published in January 2016. Its implementation via the CRR2 framework is ongoing at the European level and the exact timeline has not been defined yet. A two-year implementation period would be granted to the banks after the date of publication in the Official Journal. Banks anticipate reporting under the new standards as from the end of 2020 or the beginning of 2021.

12. The Group is exposed to counterparty and concentration risks.

The Group is exposed to credit risk with respect to numerous counterparties in the ordinary course of its trading, lending, deposit-taking, clearing, settlement and other activities. These counterparties include, among others, institutional clients, brokers and dealers, commercial and investment banks, corporates, clearing houses and sovereign states. The Group may realise losses if a counterparty defaults on its obligations and the collateral that it holds does not represent a value equal to, or is liquidated at prices not sufficient to recover the full amount of, the loan or derivative exposure it is intended to cover. Many of the Group's hedging and other risk management strategies also involve transactions with financial services counterparties. Default or insolvency on the part of these counterparties may impair the effectiveness of the Group's hedging and other risk management strategies, which could in turn materially adversely affect its business, results of operations and financial situation. Regarding clearing houses, regulators have encouraged or imposed the mandatory netting of certain over-the-counter traded financial instruments following the financial crisis, which has increased the exposure of the Group and other financial market participants to these counterparties: the default of any one of them could significantly impact the Group.

The Group may also have concentrated exposure to a particular counterparty, borrower or issuer (including sovereign issuers), or to a particular country or industry. A ratings downgrade, default or insolvency affecting such a counterparty, or a deterioration of economic conditions in such a country or industry, could have a particularly adverse effect on the Group's business, results of operations and financial situation. The systems the Group uses to limit and monitor the level of its credit exposure to individual entities, industries and countries may prove ineffective in preventing concentration of credit risk. Such a concentration of risk could result in losses for the Group, even when economic and market conditions are generally favourable for its competitors.

13. The financial soundness and conduct of other financial institutions and market participants could adversely affect the Group.

The Group's ability to engage in funding, investment and derivative transactions could be adversely affected by the soundness of other financial institutions or market participants. Financial services institutions are interrelated as a result of trading, clearing, counterparty, funding and other relationships. As a result, defaults by, or even rumours or questions about, one or more financial services institutions, or a loss of confidence in the financial services industry generally, may result in market-wide liquidity scarcity and could lead to further losses or defaults. The Group has exposure to many counterparties in the financial industry, directly and indirectly, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients with which it regularly executes transactions. Many of these transactions expose the Group to credit risk in the event of default by counterparties or clients. It should be noted that the number of cleared transactions is increasing and will continue to do so, thereby increasing our exposure to clearing houses while reducing our bilateral positions.

14. The Group's hedging strategies may not prevent all risk of losses.

If any of the instruments or strategies that the Group uses to hedge its exposure to various types of risk in its businesses is not effective, it may incur significant losses. Many of its strategies are based on historical trading patterns and correlations that may not be appropriate in the future. For example, if the Group holds a long position in an asset, it may hedge that position by taking a short position in another asset whose value has historically moved in an offsetting direction. However, the hedge may cover only part of its exposure to the long position, and the strategies used may not protect against all future risks or may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk in the future. Unexpected market developments may also reduce the effectiveness of the Group's hedging strategies.

15. The Group's results of operations and financial situation could be adversely affected by a significant increase in new provisions or by inadequate provisioning for loan losses.

The Group regularly sets aside provisions for loan losses in connection with its lending activities. Its overall level of loan loss provisions, recorded as "cost of risk" in its income statement, is based on its assessment of the recoverability of the loans in question. This assessment relies on an analysis of various factors, including prior loss experience, the amount and type of lending being granted, industry standards, past due loans, certain economic conditions and the amount and type of any guarantees and collateral. Notwithstanding the care with which the Group carries out such assessments, it has had to increase its provisions for loan losses in the past and may have to substantially increase its provisions in the future following an increase in defaults or for other reasons. A significant increase in loan loss provisions, a substantial change in the Group's estimate of its risk of loss with respect to loans for which no provision has been recorded, or the occurrence of loan losses in excess of its provisions, could have a material adverse effect on its results of operations and financial situation.

16. The Group relies on assumptions and estimates which, if incorrect, could have a significant impact on its financial statements.

When applying the IFRS accounting principles disclosed in the Financial Information (Chapter 6 of this Registration Document) and for the purpose of preparing the Group's consolidated financial statements, the Group's Management makes assumptions and estimates that may have an impact on figures recorded in the income statement, on the valuation of assets and liabilities in the balance sheet, and on information disclosed in the notes to the consolidated financial statements.

In order to make these assumptions and estimates, the Group's Management exercises its judgement and uses information available at the date of preparation of the consolidated financial statements. By nature, valuations based on estimates involve risks and uncertainties relating to their occurrence in the future. Actual future results may therefore differ from these estimates, which could have a significant impact on the Group's financial statements.

The use of estimates principally relates to the following valuations:

- fair value of financial instruments that are not quoted on an active market, as presented in the balance sheet or the notes to the financial statements;
- the amount of impairment of financial assets (loans and receivables, available-for-sale financial assets, held-to-maturity financial assets), lease financing and similar agreements, tangible or intangible fixed assets and goodwill;
- provisions recognised under liabilities (including provisions for litigation in a complex legal context and provisions for employee benefits), underwriting reserves of insurance companies, and profit-sharing;
- the amount of deferred tax assets recognised in the balance sheet;
- initial value of goodwill determined for each business combination; and
- in the event of the loss of control over a consolidated subsidiary, fair value of the stake potentially retained by the Group in such entity, where applicable.

17. The Group is exposed to legal risks that could negatively affect its financial situation or results of operations.

The Group and certain of its former and current representatives may be involved in various types of litigation including civil, administrative, fiscal, criminal and arbitration proceedings. The large majority of such proceedings arise from transactions or events that occur in the Group's ordinary course of business. There has been an increase in client, depositor, creditor and investor litigation and regulatory proceedings against intermediaries such as banks and investment advisors in recent years, in part due to the challenging market environment. This has increased the risk, for the Group as well as for other financial institutions, of losses or reputational harm deriving from litigation and other proceedings. Such proceedings or regulatory enforcement actions could also lead to civil, administrative, tax or criminal penalties that would adversely affect the Group's business, financial situation and results of operations. For a description of the most significant ongoing proceedings, see "Compliance, reputational and legal risks".

It is inherently difficult to predict the outcome of litigation and proceedings involving the Group's businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, cases where claims for damages are of unspecified or indeterminate amounts or cases involving unprecedented legal claims.

In preparing the Group's financial statements, the Group's Management makes estimates regarding the outcome of civil, administrative, fiscal, criminal and arbitration proceedings, in which it is involved, and records a provision when losses with respect to such matters are probable and can be reasonably estimated. Should such estimates prove inaccurate or the provisions set aside by the Group to cover such risks inadequate, the Group's financial situation or results of operations could be materially and adversely affected.

18. If the Group makes an acquisition, it may be unable to manage the integration process in a cost-effective manner or achieve the expected benefits.

The selection of an acquisition target is carried out by the Group following a careful analysis of the businesses or assets to be acquired. However, such analyses often cannot be exhaustive due to various factors. As a result, certain acquired businesses may include undesirable assets or expose the Group to increased risks, particularly if the Group was unable to conduct full and comprehensive due diligence prior to the acquisitions.

The successful integration of a new business typically requires effectively coordinating business development and marketing initiatives, retaining key managers, recruitment and training, and consolidating information technology systems. These tasks may prove more difficult to implement than anticipated, or require more management time and resources than expected. Similarly, the Group may experience higher integration costs and lower savings or earn lower revenues than expected. The pace and degree of synergy building is also uncertain.

19. The Group's risk management system may not be effective and may expose the Group to unidentified or unanticipated risks, which could lead to significant losses.

The Group has devoted significant resources to develop its risk management policies, procedures and assessment methods, and intends to continue to do so in the future. Nonetheless, its risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risk, including risks that it fails to identify or anticipate. Some of its qualitative tools and metrics for managing risks are based upon observed historical market behaviour. The Group applies statistical and other tools to these observations in order to assess its risk exposures. These tools and metrics may fail to predict accurate future risk exposures that arise from factors the Group did not anticipate or correctly evaluate in its statistical models. Failure to anticipate or manage these risks could have a material adverse effect on the Group's business, financial situation and results of operations.

20. Operational failure, termination or capacity constraints affecting institutions the Group does business with, or failure or breach of the Group's information technology systems, could result in losses.

The Group is exposed to the risk of operational failure, termination or capacity constraints of third parties, including clients, financial intermediaries that it uses to facilitate cash settlement or securities transactions (such as clearing agents, exchanges and clearing houses), and other market participants. An increasing number of derivative transactions are now required to be cleared on exchanges, or will be in the near future, which has increased the Group's exposure to these risks, and could affect its ability to find adequate and cost-effective alternatives in the event of any such failure, termination or constraint.

The interconnectivity of multiple financial institutions with clearing agents, exchanges and clearing houses, and the increased concentration of these entities, increases the risk that an operational failure at one institution or entity may cause an industry-wide operational failure that could materially impact the Group's ability to conduct business. Industry concentration, whether among market participants or financial intermediaries, can exacerbate these risks, as disparate complex systems need to be integrated, often on an accelerated basis. As the Group becomes more interconnected with its clients, it also faces the risk of operational failure with respect to its clients' information technology and communication systems. Any failure, termination or constraint could adversely affect its ability to effect transactions, provide customer service, manage its exposure to risk or expand its businesses or result in financial losses, liability towards its clients, impairment of its liquidity, disruption of its businesses, regulatory intervention or reputational damage.

In addition, an increasing number of companies, including financial institutions, have experienced intrusion attempts or even breaches of their information technology security, some of which have involved sophisticated and targeted attacks on their computer networks and resulted in loss, theft or disclosure of confidential data. Because the techniques used to obtain unauthorised access, disable or degrade service or sabotage information systems change frequently, and often are not recognised until launched against a target, the Group may be unable to anticipate these techniques or to implement effective countermeasures in a timely manner. Similarly, technical internal and external fraud is fluid and protean, and closely follows the technological evolution of financial activities and customer behaviour, leading fraudsters to regularly develop new attack techniques. Such actions could have a material adverse effect on the Group's business and result in operational losses.

The Group relies heavily on communication and information systems to conduct its business. Any failure, interruption or breach in security of these systems, even if only brief and temporary, could result in business interruptions and lead to additional costs related to information retrieval and verification, reputational harm and a potential loss of business. Any failure, interruption or security breach of its information systems could have a material adverse effect on the Group's business, results of operations and financial situation.

21. The Group may incur losses as a result of unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks or natural disasters.

The occurrence of unforeseen or catastrophic events, including the emergence of a pandemic or other widespread health crisis (or concerns over the possibility of such crisis), terrorist attacks or natural disasters, could create economic and financial disruptions, lead to operational difficulties (including travel limitations or relocation of affected employees) that could impair the Group's ability to manage its businesses, and expose its insurance activities to significant losses and increased costs (such as re-insurance premiums).

22. The Group may generate lower revenues from brokerage and other commission and fee-based businesses during market downturns.

During the market downturn, the Group experienced a decline in the volume of transactions executed for its clients, resulting in lower revenues from this activity. There is no guarantee that the Group will not experience a similar trend in future market downturns, which may occur periodically and unexpectedly. Furthermore, changes in applicable regulations, such as the adoption of a financial transaction tax, could also impact the volume of transactions that the Group executes for its clients, resulting in lower revenues from these activities. In addition, because the fees that the Group charges for managing its clients' portfolios are in many cases based on the value or performance of the portfolios in question, a market downturn that reduces the value of its clients' portfolios or increases the amount of withdrawals would reduce the revenues the Group generates from its asset management, custodial and private banking businesses.

23. **The Group's ability to attract and retain qualified employees is critical to the success of its business, and failure to do so may materially adversely affect its performance.**

Societe Generale's employees are one of its most important resources, and industry competition for qualified personnel is intense. In order to attract and retain talented employees, the Group must offer career paths, training and development opportunities and compensation levels in line with its competitors and market practices. If the Group were unable to continue to attract highly-qualified employees, its performance, especially its competitive position and client satisfaction, could be materially adversely affected. Besides, the financial industry in Europe will continue to experience even more stringent regulation of employee compensation, including rules related to bonuses and other incentive-based compensation, and/or deferred payments for certain types of compensation, and the Group, like all participants in the financial industry, will need to adapt to this changing environment in order to attract and retain qualified employees.

In 2014, the CRD4 Directive, which applies to banks in the European Economic Area, introduced a ceiling on the variable component of compensation in relation to the fixed component for certain personnel categories. This regulatory constraint could cause a relative increase in the fixed compensation in the Group in relation to its variable component based on risk-adjusted performance. This could lead to challenges in attracting and retaining key personnel and to an increase in the fixed cost base of the affected population, which could be detrimental to the competitive position and flexibility of the Group in terms of personnel costs.

3. CAPITAL MANAGEMENT AND ADEQUACY

THE REGULATORY FRAMEWORK

Audited | In response to the financial crisis of recent years, the Basel Committee, mandated by the G20, has defined the new rules governing capital and liquidity aimed at making the banking sector more resilient. The new so-called Basel 3 rules were published in December 2010. They were translated into European law by a directive (CRD4) and a regulation (CRR) which entered into force on 1st January 2014.

The general framework defined by Basel 3 is structured around three pillars:

- Pillar 1 sets the minimum solvency requirements and defines the rules that banks must use to measure risks and calculate associated capital requirements, according to standard or more advanced methods;
- Pillar 2 relates to the discretionary supervision implemented by the competent authority, which allows them – based on a constant dialogue with supervised credit institutions – to assess the adequacy of capital requirements as calculated under Pillar 1, and to calibrate additional capital requirements with regard to all the risks to which these institutions are exposed;
- Pillar 3 encourages market discipline by developing a set of qualitative or quantitative disclosure requirements which will allow market participants to better assess a given institution's capital, risk exposure, risk assessment processes and, accordingly, capital adequacy.

In terms of capital, the main new measures introduced to strengthen banks' solvency were as follows:

- the complete revision and harmonisation of the definition of capital, particularly with the amendment of the deduction rules, the definition of a standardised Common Equity Tier 1 (or CET1) ratio, and new Tier 1 capital eligibility criteria for hybrid securities;
- new capital requirements for the counterparty risk of market transactions, to factor in the risk of a change in CVA (Credit Value Adjustment) and hedge exposures on the central counterparties (CCP);
- the set-up of capital buffers that can be mobilised to absorb losses in case of difficulties. The new rules require banks to create a conservation buffer and a countercyclical buffer to preserve their solvency in the event of adverse conditions. Moreover, an additional buffer is required for systemically important banks. As such, the Societe Generale Group, as a global systemically important bank (GSIB), has had its Common Equity Tier 1 ratio requirement increased by an additional 1%. Requirements related to capital buffers gradually entered into force as from 1st January 2016, for full application by January 2019;
- the set-up of restrictions on distributions, relating to dividends, AT1 instruments and variable remuneration;
- in addition to these measures, there will be measures to contain the size and consequently the use of excessive leverage. To this end, the Basel Committee defined a leverage ratio, for which the definitive regulations were published in January 2014, and included in the Commission's Delegated Regulation (EU) 2015/62. The leverage ratio compares the bank's Tier 1 capital to the balance sheet and off-balance sheet items, with restatements for derivatives and pensions. Banks have been obliged to publish this ratio since 2015.

From a regulatory perspective, the year 2016 was marked by the launch of the Basel 4 reform revamping the credit and operational risk frameworks. In early 2017, the GHOS (Group of Governors and Heads of Supervision) postponed indefinitely the meeting to endorse the Basel 4 package. Accordingly, the date of implementation of these provisions is still undetermined. Furthermore, on 23rd November 2016, the Commission published its draft text for CRR2/CRD5. The majority of the provisions will come into force two years after the entry into force of CRR2. Given the Trilogue deadline, it will likely not be before 2019 at the earliest. The final provisions will only be known at the end of the European legislative process. As such, the texts may still undergo changes.

This reform aims to transpose into European law the Basel texts that have already been finalised:

- leverage ratio: the minimum requirement of 3% Tier 1 is set, bearing in mind that any add-on for G-SIBs will result from a future standard introduced by the Basel Committee in 2017;
- transposition of the Net Stable Funding Ratio (NSFR), large exposures, the standardised method for calculating the counterparty risk of derivatives, the reform of the market risk framework (Fundamental Review of the Trading Book – FRTB), and of the standard relating to interest rate risk in the banking book (Interest Rate Risk in the Banking Book – IRRBB);
- inclusion in the Directive of the distinction between the Pillar 2 Requirement (P2R) and Pillar 2 Guidance (P2G) within the Pillar 2 framework. ▲

Finally, the European Central Bank confirmed the level of additional capital requirements in respect of Pillar 2 (P2R or "Pillar 2 Requirement") which will come into force as from 1st January 2017. This level was set at 1.50% for Societe Generale. Taking into account the combined regulatory buffers (excluding the counter-cyclical buffer), the phased-in CET1 ratio would be 7.75% in 2017.

Detailed information on the GSIB requirements and other prudential information is available at the Group's website, www.societegenerale.com, under "Registration Document" and "Pillar 3".

Throughout 2016, the Societe Generale Group complied with the minimum ratio requirements applicable to its activities.

SCOPE OF APPLICATION – PRUDENTIAL SCOPE

The Group's prudential reporting scope includes all fully and proportionally consolidated subsidiaries, with the exception of insurance subsidiaries, which are subject to separate capital supervision.

All of the Group's regulated subsidiaries comply with their prudential commitments on an individual basis.

Non-regulated subsidiaries outside of the scope of consolidation are subject to periodic reviews, at least annually. Any differences with respect to legal capital requirements are adequately provisioned in the Group's consolidated financial statements.

TABLE 1: DIFFERENCE BETWEEN ACCOUNTING SCOPE AND PRUDENTIAL REPORTING SCOPE

The following table provides the main differences between the accounting scope (consolidated Group) and the prudential scope (banking regulation requirements).

Type of entity	Accounting treatment	Prudential treatment under CRR/CRD4
Subsidiaries with a financial activity	Full consolidation	Capital requirement based on the subsidiary's activities
Subsidiaries with an insurance activity	Full consolidation	Weighted equity value
Holdings, joint ventures with a financial activity by nature	Equity method	Weighted equity value

The following table provides a reconciliation of the consolidated balance sheet and the accounting balance sheet within the prudential scope. The amounts presented are accounting data and not a measure of risk-weighted assets, EAD or prudential capital. Prudential filters related to subsidiaries and holdings not associated with an insurance activity are grouped together on account of their non-material weight (<0.4%).

TABLE 2: RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET AND THE ACCOUNTING BALANCE SHEET

ASSETS at 31.12.2016 *(in EUR m)*	**Consolidated balance sheet**	**Adjustments linked to insurance[(1)]**	**Other adjustments linked to consolidation methods**	**Accounting balance sheet within the prudential scope**
Cash and amounts due from Central Banks	96,186	(0)	0	96,186
Financial assets at fair value through profit and loss	514,715	(32,264)	48	482,499
Hedging derivatives	18,100	(428)	-	17,672
Available-for-sale assets	139,404	(75,302)	26	64,128
Loans and advances to credit institutions	59,502	(7,342)	453	52,613
of which subordinated loans to credit institutions	*157*	-	-	*157*
Loans and advances to clients	397,643	897	0	398,540
Lease financing and equivalent transactions	28,858	-	-	28,858
Revaluation of macro-hedged items	1,078	-	-	1,078
Financial assets held to maturity	3,912	-	-	3,912
Tax assets	6,421	(37)	2	6,386
of which deferred tax assets that rely on future profitability excluding those arising from temporary differences	*1,547*	-	*658*	*2,205*
of which deferred tax assets arising from temporary differences	*3,783*	-	*(683)*	*3,100*
Other assets	84,756	(622)	(4)	84,130
of which defined-benefit pension fund assets	*59*	-	-	*59*
Non-current assets held for sale	4,252	-	-	4,252
Investments in subsidiaries and affiliates accounted for by the equity method	1,096	3,457	(125)	4,428
Tangible and intangible assets	21,783	(664)	1	21,120
of which intangible assets exclusive of leasing rights	*1,717*	-	*(72)*	*1,645*
Goodwill	4,535	-	4	4,539
TOTAL ASSETS	**1,382,241**	**(112,305)**	**405**	**1,270,341**

LIABILITIES at 31.12.2016 *(in EUR m)*	**Consolidated balance sheet**	**Adjustments linked to insurance[(1)]**	**Other adjustments linked to consolidation methods**	**Accounting balance sheet within the prudential scope**
Central banks	5,238	-	-	5,238
Liabilities at fair value through profit or loss	455,620	1,102	-	456,722
Hedging derivatives	9,594	2	-	9,596
Amounts owed to credit institutions	82,584	(1,310)	147	81,421
Amounts owed to clients	421,002	2,017	-	423,019
Debt securities	102,202	4,586	-	106,788
Revaluation reserve of interest-rate-hedged portfolios	8,460	-	-	8,460
Tax liabilities	1,444	(317)	11	1,138
Other Liabilities	94,212	(5,002)	247	89,457
Debts related to Non-current assets held for sale	3,612	-	-	3,612
Technical provisions of insurance companies	112,777	(112,777)	-	-
Provisions	5,687	(23)	0	5,664
Subordinated debts	14,103	246	-	14,349
of which redeemable subordinated notes including revaluation differences on hedging items	*13,541*	*241*	-	*13,782*
Total debts	1,316,535	(111,476)	405	1,205,464
Equity				
Equity, Group share	*61,953*	(0)	(0)	61,953
of which capital and related reserves	*19,986*	-	-	*19,986*
of which other capital instruments	*9,680*	-	-	9,680
of which retained earnings	*4,096*	-	-	*4,096*
of which accumulated other comprehensive income (including gains and losses accounted directly in equity)	*24,317*	-	(0)	*24,317*
of which net income	*3,874*	-	-	*3,874*
Minority interests	3,753	-829	0	*2,924*
Total equity	65,706	-829	0	64,877
TOTAL LIABILITIES	**1,382,241**	**-112,305**	**405**	**1,270,341**

(1) Restatement of subsidiaries outside the prudential reporting scope and reconsolidation of intragroup transactions related to its subsidiaries.

ASSETS at 31.12.2015 *(in EUR m)*	Consolidated balance sheet	Adjustments linked to insurance[1]	Other adjustments linked to consolidation methods	Accounting balance sheet within the prudential scope
Cash and amounts due from Central Banks	78,565	(0)	0	78,565
Financial assets at fair value through profit and loss	519,333	(28,258)	42	491,117
Hedging derivatives	16,538	(378)	-	16,160
Available-for-sale assets	134,187	(72,328)	25	61,884
Loans and advances to credit institutions	71,682	(7,530)	267	64,419
of which subordinated loans to credit institutions	*458*	-	-	*458*
Loans and advances to clients	378,048	882	17	378,947
Lease financing and equivalent transactions	27,204	-	-	27,204
Revaluation of macro-hedged items	2,723	-	-	2,723
Financial assets held to maturity	4,044	-	-	4,044
Tax assets	7,367	(25)	2	7,344
of which deferred tax assets that rely on future profitability excluding those arising from temporary differences	*1,671*	-	*696*	*2,367*
of which deferred tax assets arising from temporary differences	*4,257*	-	*(699)*	*3,558*
Other assets	69,398	(978)	18	68,438
of which defined-benefit pension fund assets	*32*	-	-	*32*
Non-current assets held for sale	171	-	-	171
Investments in subsidiaries and affiliates accounted for by the equity method	1,352	3,108	(130)	4,330
Tangible and intangible assets	19,421	(649)	1	18,773
of which intangible assets exclusive of leasing rights	*1,511*	-	*(46)*	*1,465*
Goodwill	4,358	-	5	4,363
TOTAL ASSETS	**1,334,391**	**(106,154)**	**246**	**1,228,482**

LIABILITIES at 31.12.2015 (in EUR m)	Consolidated balance sheet	Adjustments linked to insurance[1]	Other adjustments linked to consolidation methods	Accounting balance sheet within the prudential scope
Central banks	6,951	-	-	6,951
Liabilities at fair value through profit or loss	454,981	1,412	-	456,393
Hedging derivatives	9,533	2	-	9,535
Amounts owed to credit institutions	95,452	(823)	61	94,690
Amounts owed to clients	379,631	2,039	46	381,716
Debt securities	106,412	4,415	-	110,827
Revaluation reserve of interest-rate-hedged portfolios	8,055	-	-	8,055
Tax liabilities	1,571	(528)	9	1,052
Other Liabilities	83,083	(4,811)	131	78,403
Debts related to Non-current assets held for sale	526	-	-	526
Technical provisions of insurance companies	107,257	(107,257)	-	-
Provisions	5,218	(22)	0	5,196
Subordinated debts	13,046	245	-	13,291
of which redeemable subordinated notes including revaluation differences on hedging items	*12,488*	*240*	-	*12,728*
Total debts	1,271,716	(105,328)	247	1,166,635
EQUITY				
Equity, Group share	59,037	(0)	(1)	59,036
of which capital and related reserves	*19,979*	-	-	*19,979*
of which other capital instruments	*8,772*	-	-	*8,772*
of which retained earnings	*4,921*	-	*(0)*	*4,921*
of which accumulated other comprehensive income (including gains and losses accounted directly in equity)	*21,364*	-	*(1)*	*21,363*
of which net income	*4,001*	-	*0*	*4,001*
Minority interests	3,638	(826)	0	2,811
Total equity	62,675	(826)	(1)	61,848
TOTAL LIABILITIES	**1,334,391**	**(106,154)**	**246**	**1,228,482**

(1) Restatement of subsidiaries outside the prudential reporting scope and reconsolidation of intra-group transactions related to these subsidiaries.

The main Group companies outside the prudential reporting scope are as follows:

TABLE 3: SUBSIDIARIES OUTSIDE THE PRUDENTIAL REPORTING SCOPE

Company	Activity	Country
Antarius	Insurance	France
ALD RE Designated Activity Company	Insurance	Ireland
Catalyst RE International Ltd.	Insurance	Bermuda
Societe Generale Strakhovanie Zhizni LLC	Insurance	Russia
Sogelife	Insurance	Luxembourg
Genecar – Societe Generale de courtage d'assurance et de réassurance	Insurance	France
Inora Life Ltd.	Insurance	Ireland
SG Strakhovanie LLC	Insurance	Russia
Sogecap	Insurance	France
Komercni Pojstovna A.S.	Insurance	Czech Republic
La Marocaine Vie	Insurance	Morocco
Oradea Vie	Insurance	France
Société Générale RE SA	Insurance	Luxembourg
Sogessur	Insurance	France
Societe Generale Life Insurance Broker SA	Insurance	Luxembourg
SG Reinsurance Intermediary Brokerage, LLC	Insurance	USA
La Banque Postale Financement	Bank	France
SG Banque au Liban	Bank	Lebanon

Regulated financial subsidiaries and affiliates outside of Societe Generale's prudential consolidation scope are all in compliance with their respective solvency requirements. More generally, all regulated Group undertakings are subject to solvency requirements set by their respective regulators.

The supervising authority accepted that some Group entities may be exempt from the application of prudential requirements on an individual basis or, where applicable, on a sub-consolidated basis. Accordingly, Societe Generale SA is not subject to prudential requirements on an individual basis.

Any transfer of equity or repayment of liabilities between the parent company and its subsidiaries shall be carried out in compliance with capital and liquidity requirements applicable locally.

REGULATORY CAPITAL

Reported according to international financial reporting standards (IFRS), Societe Generale's regulatory capital consists of the following components.

Common Equity Tier 1 capital

According to CRR/CRD4 regulations, Common Equity Tier 1 capital is made up primarily of the following:

- ordinary shares (net of repurchased shares and treasury shares) and related share premium accounts;
- retained earnings;
- components of other comprehensive income;
- other reserves;
- minority interest limited by CRR/CRD4.

Deductions from Common Equity Tier 1 capital essentially involve the following:

- estimated dividend payment;
- goodwill and intangible assets, net of associated deferred tax liabilities;
- unrealised capital gains and losses on cash flow hedging;
- income on own credit risk;
- deferred tax assets on tax loss carryforwards;
- deferred tax assets resulting from temporary differences beyond a threshold;
- assets from defined benefit pension funds, net of deferred taxes;
- any positive difference between expected losses on customer loans and receivables, risk-weighted using the Internal Ratings Based (IRB) approach, and the sum of related value adjustments and collective impairment losses;
- expected loss on equity portfolio exposures;
- value adjustments resulting from the requirements of prudent valuation;
- securitisation exposures weighted at 1,250%, where these positions are not included in the calculation of total risk-weighted exposures.

Additional Tier 1 Capital

According to CRR/CRD4 regulations, additional Tier 1 capital is made up of deeply subordinated notes that are issued directly by the bank, and have the following features:

- these instruments are perpetual and constitute unsecured, deeply subordinated obligations. They rank junior to all other obligations of the bank, including undated and dated subordinated debt, and senior only to common stock shareholders;
- in addition, Societe Generale may elect, on a discretionary basis, not to pay the interest and coupons linked to these instruments. This compensation is paid out of distributable items;
- they include neither a step-up in compensation nor any other incentive to redeem;
- they must have a loss-absorbing capacity;
- subject to the prior approval of the European Central Bank, Societe Generale has the option to redeem these instruments at certain dates, but no earlier than five years after their issuance date.

Deductions of additional Tier 1 capital essentially apply to the following:

- AT1 hybrid treasury shares;
- holding of AT1 hybrid shares issued by financial sector entities;
- minority interest beyond the minimum T1 requirement in the entities concerned.

Tier 2 Capital

Tier 2 capital includes:

- undated deeply subordinated notes;
- dated subordinated notes;
- any positive difference between (i) the sum of value adjustments and collective impairment losses on customer loans and receivables exposures, risk-weighted using the IRB approach and (ii) expected losses, up to 0.6% of the total credit risk-weighted assets using the IRB approach;
- value adjustments for general credit risk related to collective impairment losses on customer loans and receivables exposures, risk-weighted using the standard approach, up to 1.25% of the total credit risk-weighted assets.

Deductions of Tier 2 capital essentially apply to the following:

- Tier 2 hybrid treasury shares;
- holding of Tier 2 hybrid shares issued by financial sector entities;
- share of non-controlling interest in excess of the minimum capital requirement in the entities concerned.

All capital instruments and their features are detailed online (www.societegenerale.com / *Investors / Registration Document and Pillar 3*).

TABLE 4: CHANGES IN DEBT INSTRUMENTS ELIGIBLE FOR THE SOLVENCY CAPITAL REQUIREMENTS

(In EUR m)	31.12.2015	Issues	Redemptions	Prudential supervision valuation haircut	Others	31.12.2016
Debt instruments eligible for Tier 1	9,338	1,423	0	0	101	10,862
Debt instruments eligible for Tier 2	11,143	2,410	(27)	(620)	133	13,039
Total eligible debt instruments	**20,481**	**3,833**	**(27)**	**(620)**	**234**	**23,901**

Solvency ratio

The solvency ratio is set by comparing the group's equity with the sum of risk-weighted assets for credit risk and the capital requirement multiplied by 12.5 for market risks and operational risks.

Since 1st January 2014, the new regulatory framework sets minimum requirements to be met for the CET1 ratio and the Tier 1 ratio. For 2015, the minimum requirement for CET1 was 4%, and that of Tier 1 5.5%, excluding the Pillar 2 requirement. The total equity requirement, including CET1, AT1 and Tier 2 equity, was set at 8%. In 2016, the minimum requirement for CET1 will be 4.5%, and that of Tier 1 will be 6%.

In 2016, under Pillar 2, following the results of the Supervisory Review and Evaluation Process (SREP) performed by the European Central Bank (ECB), the Societe Generale Group is required to meet a Common Equity Tier 1 (CET1) ratio of 9.5% (phased-in ratio, including conservation buffer, but excluding countercyclical buffer). Accordingly, the Group's prudential capital requirement amounted to 9.75% at 1st January 2016.

At 1st January 2017, the Common Equity Tier 1 (CET1) requirement applicable to the Societe Generale Group was set to 7.75% (excluding the countercyclical buffer).

The G-SIB buffer required by the Financial Stability Board (FSB) to be applied on top of this SREP ratio is equal to 0.50% and will be increased by 0.25% per annum thereafter, ultimately reaching 1% in 2019.

The countercyclical buffer – just like the conservation buffers – plays a role in determining the overall buffer requirement. The countercyclical buffer rate is set by country. Each establishment calculates its countercyclical buffer requirement by measuring the average countercyclical buffer rate for each country, adjusted to take into account the relevant credit risk exposures in these countries. The countercyclical buffer rate, in force as of 1st January 2016, generally lies between 0% and 2.5% by country, with a transitional period where the rate is capped (0.625% in 2016, 1.25% in 2017 and 1.875% in 2018).

The countercyclical buffer requirement for the Societe Generale Group in 2016 is not material.

TABLE 5: BREAKDOWN OF PRUDENTIAL CAPITAL REQUIREMENT FOR SOCIETE GENERALE AS AT 01.01.2017 (IN %) – FULLY-LOADED RATIO

	01.01.2017
Minimum requirement for Pillar 1	4.50%
Minimum requirement for Pillar 2 (P2R)	1.50%
Minimum requirement for conservation buffer	1.25%
Minimum requirement for systemic buffer	0.50%
Minimum requirement for countercyclical buffer	0.04%
Minimum requirement for CET1 ratio	**7.79%**

TABLE 6: REGULATORY CAPITAL AND CRR/CRD4 SOLVENCY RATIOS – FULLY LOADED

(In EUR m)	31.12.2016	31.12.2015
Shareholders' equity (Group share)	**61,953**	**59,037**
Deeply subordinated notes	(10,663)	(9,552)
Undated subordinated notes	(297)	(366)
Consolidated shareholders' equity, Group share, net of deeply subordinated and undated subordinated notes	**50,993**	**49,119**
Non-controlling interests	2,623	2,487
Intangible assets	(1,626)	(1,443)
Goodwill	(4,709)	(4,533)
Proposed dividends (General Meeting of Shareholders) and interest expenses on deeply subordinated and undated subordinated notes	(1,950)	(1,764)
Deductions and regulatory adjustments	(4,394)	(5,000)
Common Equity Tier 1 Capital	**40,937**	**38,865**
Deeply subordinated notes and preference shares	10,862	9,338
Other additional Tier 1 capital	(113)	46
Additional Tier 1 deductions	(138)	(137)
Tier 1 Capital	**51,548**	**48,112**
Tier 2 instruments	13,039	11,143
Other Tier 2 capital	374	278
Tier 2 deductions	(1,400)	(1,400)
Total regulatory capital	**63,561**	**58,134**
Total risk-weighted assets	**355,478**	**356,725**
Credit risk-weighted assets	294,220	293,543
Market risk-weighted assets	16,873	19,328
Operational risk-weighted assets	44,385	43,854
Solvency ratios		
Common Equity Tier 1 Ratio	11.5%	10.9%
Tier 1 Ratio	14.5%	13.5%
Total capital adequacy ratio	17.9%	16.3%

The phased-in CRR/CRD4 solvency ratio at 31st December 2016 totalled 11.8% in Common Equity Tier 1 (11.4% at 31st December 2015), 14.8% in Tier 1 (14.0% at 31st December 2015) for a total ratio of 18.2% (16.8% at 31st December 2015).

Shareholders' equity (Group share) at 31st December 2016 totalled EUR 62 billion (compared to EUR 59 billion at 31st December 2015).

After taking into account non-controlling interests and regulatory adjustments, CET1 regulatory capital was EUR 40.9 billion at 31st December 2016, vs. EUR 38.9 billion at 31st December 2015.

The table below shows the key factors in this change.

TABLE 7: REGULATORY DEDUCTIONS AND ADJUSTMENTS UNDER CRR/CRD4

(In EUR m)	31.12.2016	31.12.2015
Unrecognised minority interests	(1,102)	(1,131)
Deferred tax assets	(2,123)	(2,318)
Prudent Valuation Adjustment	(746)	(735)
Adjustments related to changes in the value of own liabilities	468	200
Other	(891)	(1,016)
Total CRR/CRD4 regulatory deductions and adjustments	**(4,394)**	**(5,000)**

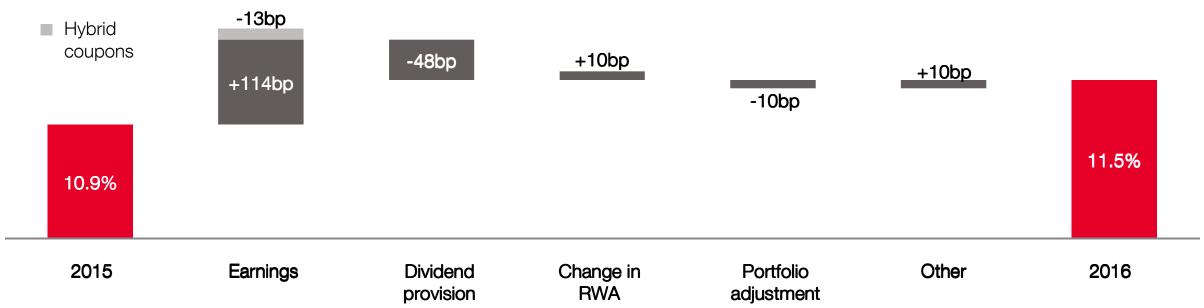
CRR/CRD4 prudential deductions and restatements included in

- any positive difference between expected losses on customer loans and receivables, measured according to the Internal Ratings Based (IRB) approach, and the sum of related value adjustments and collective impairment losses;
- expected losses on equity portfolio exposures;

"Others" essentially involve the following:

- unrealised gains and losses on cash flow hedges;
- assets from defined benefit pension funds, net of deferred taxes;
- securitisation exposures weighted at 1,250%, where these positions are not included in the calculation of total risk-weighted exposures.

CHANGES IN THE FULLY-LOADED COMMON EQUITY TIER (CET1) RATIO



The fully-loaded Common Equity Tier 1 ratio, calculated according to CRR/CRD4 rules, including the Danish compromise for insurance activities, amounted to 11.5% at 31st December 2016, versus 10.9% at 31st December 2015. This increase is due primarily to the earnings for the financial year.

CAPITAL REQUIREMENTS

The Basel 3 Accord established the new rules for calculating minimum capital requirements in order to more accurately assess the risks to which banks are exposed. The calculation of credit risk-weighted assets takes into account the transaction risk profile based on two approaches for determining risk-weighted assets: (i) a standard method, and (ii) advanced methods based on internal models for rating counterparties.

The following table has been changed compared to that of 2015, and is prepared using the format of the OV1 table as defined by the European Banking Authority (EBA) as part of the revision of Pillar 3.

TABLE 8: GROUP CAPITAL REQUIREMENTS AND RISK-WEIGHTED ASSETS (IN EUR M)

	RWA		Capital requirements	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Credit risk (excluding counterparty credit risk - CCR)	**260,632**	**258,748**	**20,851**	**20,700**
Of which the standardised approach	*106,105*	*106,701*	*8,489*	*8,536*
Of which the Foundation IRB (F-IRB) approach	*3,998*	*3,678*	*320*	*294*
Of which the Advanced IRB (A-IRB) approach	*133,241*	*129,907*	*10,659*	*10,393*
Of which equity under the internal ratings-based approach	*17,288*	*18,462*	*1,383*	*1,477*
Counterparty credit risk	**30,860**	**32,219**	**2,468**	**2,578**
Of which CVA	*5,089*	*5,534*	*407*	*443*
Contribution to CCP guarantee funds	**899**	**710**	**72**	**57**
Settlement risk	**8**	**2**	**1**	**-**
Securitisation exposures in the banking book	**1,821**	**1,864**	**146**	**149**
Of which IRB approach	*154*	*328*	*13*	*26*
Of which IRB Supervisory Formula Approach (SFA)	*27*	*42*	*2*	*3*
Of which Internal Assessment Approach (IAA)	*1,380*	*1,205*	*110*	*96*
Of which Standardised Approach (SA)	*260*	*289*	*21*	*23*
Market risk	**16,873**	**19,328**	**1,350**	**1,546**
Of which Standardised Approach (SA)	*1,238*	*1,988*	*99*	*159*
Of which Internal Models Approach (IMA)	*15,635*	*17,340*	*1,251*	*1,387*
Operational risk	**44,385**	**43,854**	**3,550**	**3,508**
Of which Basic Indicator Approach (BIA)	*0*	*0*	*0*	*-*
Of which Standardised Approach (SA) / Alternative Standardised Approach (ASA)	*3,071*	*3,137*	*246*	*251*
Of which Advanced Measurement Approach	*41,314*	*40,717*	*3,305*	*3, 257*
Floor adjustment	0	0	0	-
Total	**355,478**	**356,725**	**28,438**	**28,538**

Change in risk-weighted assets and capital requirements

The following table presents the risk-weighted assets by pillar (fully loaded).

TABLE 9: RISK-WEIGHTED ASSETS (RWA) BY PILLAR AND RISK TYPE (IN EUR BN)

	Credit	Market	Operational	Total 2016	Total 2015
French Retail Banking	92.56	0.03	4.75	**97.34**	96.65
International Retail Banking and Financial Services	105.69	0.04	6.98	**112.71**	105.51
Global Banking and Investor Solutions	85.23	16.51	29.29	**131.03**	138.18
Corporate Centre	10.74	0.29	3.37	**14.40**	16.39
Group	**294.22**	**16.87**	**44.39**	**355.48**	**356.73**

At 31st December 2016, RWA (EUR 355.5 billion) broke down as follows:

- credit risk accounted for 83% of RWA (of which 36% for International Retail Banking and Financial Services);
- market risk accounted for 5% of RWA (of which 98% for Global Banking and Investor Solutions);
- operational risk accounted for 12% of RWA (of which 66% for Global Banking and Investor Solutions).

CAPITAL MANAGEMENT

Audited | As part of managing its capital, the Group (under the supervision of the Finance Division) ensures that its solvency level is always compatible with the following objectives:

- maintaining its financial solidity and respecting the Risk Appetite targets;
- preserving its financial flexibility to finance organic growth and growth through acquisitions;
- adequate allocation of capital to the various business lines according to the Group's strategic objectives;
- maintaining the Group's resilience in the event of stress scenarios;
- meeting the expectations of its various stakeholders: supervisors, debt and equity investors, rating agencies, and shareholders.

The Group determines its internal solvency targets in accordance with these objectives and regulatory thresholds.

The Group has an internal process for assessing the adequacy of its capital that measures the adequacy of the Group's capital ratios in light of regulatory constraints. ▲

At 31st December 2016, the Group's Common Equity Tier 1 ratio was 11.5% (fully loaded) and 11.8% (phased-in).

In 2016, the Group's capital generation funded growth in risk-weighted assets and the developments in its operations portfolio (specifically the year's acquisitions), all while maintaining a sufficient margin to ensure dividend and hybrid coupons payment.

In addition, the Group maintains a balanced capital allocation among its three strategic pillars:

- French Retail Banking;
- International Retail Banking and Financial Services;
- Global Banking and Investor Solutions.

Each of the Group's three pillars accounts for around a third of all risk-weighted assets (RWA), with French and International Retail Banking (more than 59% of total business line loans and receivables) and credit risks (representing 67% of the Group's risk-weighted assets) accounting for the largest share.

At 31st December 2016, the Group's risk-weighted assets were down 0.3% to EUR 355.5 billion, compared to EUR 356.7 billion at end-December 2015.

LEVERAGE RATIO MANAGEMENT

The Group steers its leverage effect according to the CRR leverage ratio rules, as amended by the delegated act of 10th October 2014.

Steering the leverage ratio means both calibrating the amount of Tier 1 capital (the ratio's numerator) and controlling the Group's leverage exposure (the ratio's denominator) to achieve the target ratio levels that the Group sets for itself. To this end, the "leverage" exposure of the different business lines is contained under the Finance Division's control.

The Group aims to maintain a consolidated leverage ratio that is significantly higher than the 3% minimum in the Basel Committee's recommendations. The leverage ratio is in an observation phase in order to set the minimum requirements. Once they have been set, the Group's target will be adjusted as needed.

At the end of 2016, sustained by the higher Common Equity Tier 1 capital and additional Tier 1 capital, and the control of the Group's leverage exposure, Societe Generale's leverage ratio was 4.2% (compared with 4.0% at end-2015). Return on assets (i.e. Net Income divided by the total balance sheet per consolidated accounts) for Societe Generale stood at 0.31% in 2016 and 0.33% in 2015. On a prudential basis (fully-loaded), this ratio was 0.31% in 2016 and 0.23% in 2015, calculated by dividing the Group Net Income reflected in Table 2, page 171 by the Total Balance Sheet for prudential purposes (Table 2, page 171).

TABLE 10: LEVERAGE RATIO SUMMARY AND RECONCILIATION OF PRUDENTIAL BALANCE SHEET AND LEVERAGE EXPOSURE

(In EUR m)	31.12.2016	31.12.2015
Tier 1 capital(1)	**51 548**	**48,112**
Total assets in prudential balance sheet(2)	1,270,341	1,228,482
Adjustments for fiduciary assets recognised in the balance sheet but excluded from the leverage ratio	0	0
Adjustments for derivative financial instruments	(111,830)	(88,837)
Adjustments for securities financing transactions(3)	(22,029)	(25,097)
Off-balance sheet exposure (loan and guarantee commitments)	90,602	90,374
Technical and prudential adjustments (Tier 1 capital prudential deductions)	(10,232)	(10,117)
Leverage ratio exposure	**1,216,851**	**1,194,805**
CRR fully-loaded leverage ratio(4)	**4.2%**	**4.0%**

(1) The capital overview is available in Table 5 Regulatory capital and Basel 3 solvency ratio.
(2) See Table 2 for the reconciliation of the consolidated balance sheet and the accounting balance sheet within the prudential scope.
(3) Securities financing transactions: repurchase transactions, securities lending or borrowing transactions and other similar transactions.
(4) Fully-loaded ratio based on the CRR adopted in October 2014 by the European Commission (delegated act).

RATIO OF LARGE EXPOSURES

The CRR (European Capital Requirements Regulation) incorporates the provisions regulating large exposures. As such, the Societe Generale Group must not have any exposure where the total amount of net risks incurred on a single beneficiary exceeds 25% of the Group's capital.

The eligible capital used to calculate the large exposure ratio is the total regulatory capital, with a limit on the amount of Tier 2 capital. Tier 2 capital cannot exceed one-third of Tier 1 capital.

The final rules of the Basel Committee on large exposures will be transposed in Europe via CRR2. The main change compared with the current CRR is the calculation of the regulatory limit (25%), henceforth expressed as a proportion of Tier 1 (instead of total capital), as well as the introduction of a cross-specific limit on systemic institutions (15%).

FINANCIAL CONGLOMERATE RATIO

The Societe Generale Group, also identified as a "Financial conglomerate", is subject to additional supervision by the French Prudential Supervisory and Resolution Authority (ACPR).

At 31st December 2016, Societe Generale Group's financial conglomerate equity covered the solvency requirements for both banking activities and insurance activities. At 31st December 2015, the financial conglomerate ratio was 194%, consisting of a numerator "Own funds of the Financial Conglomerate" of EUR 62 billion, and a denominator "Regulatory requirement of the Financial Conglomerate" of EUR 32 billion.

4. CREDIT RISKS

CREDIT RISK MANAGEMENT: ORGANISATION AND STRUCTURE

The Risk Division has defined a control and monitoring system, in conjunction with the business divisions and based on the credit risk policy, to provide a framework for the Group's credit risk management. This framework is periodically reviewed and approved by the Board of Director's Risk Committee.

Credit risk supervision is organised by business division (French Retail Banking Networks, International Retail Banking and Financial Services, Global Banking and Investor Solutions) and is supplemented by departments with a more cross-business approach (monitoring of country risk, risk linked to financial institutions, etc.). In addition, the definition of counterparty risk assessment methods is provided by the Market Risk Department. Within the Risk Division, each of these departments is responsible for:

- setting global and individual credit limits by client, client category or transaction type;
- authorising transactions submitted by the sales departments;
- approving ratings or internal client rating criteria;
- monitoring and supervising large exposures and various specific credit portfolios;
- approving specific and general provisioning policies.

In addition, a specific department performs comprehensive portfolio analyses and provides the associated reports, including those for the supervisory authorities. A monthly report on the Risk Division's activity is presented to the Group Risk Committee (CORISQ) and specific analyses are submitted to the General Management.

CREDIT POLICY

Audited I Societe Generale's credit policy is based on the principle that approval of any credit risk undertaking must be based on sound knowledge of the client and the client's business, an understanding of the purpose and structure of the transaction, and of the sources of repayment of the debt. Credit decisions must also ensure that the structure of the transaction will minimise the risk of loss in the event that the counterparty defaults. Furthermore, the credit approval process takes into consideration the overall commitment of the group to which the client belongs. Risk approval forms part of the Group's risk management strategy in line with its risk appetite.

The risk approval process is based on four core principles:

- all transactions involving credit risk (debtor risk, settlement/delivery risk, issuer risk and replacement risk) must be pre-authorised;
- responsibility for analysing and approving transactions lies with the dedicated primary customer relation unit and risk unit, which examine all authorisation requests relating to a specific client or client group, to ensure a consistent approach to risk management;
- The primary customer relation unit and the risk unit must be independent from each other;
- credit decisions must be systematically based on internal risk ratings (obligor rating), as provided by the primary customer relation unit and approved by the Risk Division.

The Risk Division submits recommendations to CORISQ on the limits which it deems appropriate for certain countries, geographic regions, sectors, products or customer types, in order to reduce risks with strong correlations. The allocation of limits is subject to final approval by the Group's General Management and is based on a process that involves the operating divisions exposed to risk and the Risk Division. ▲

RISK SUPERVISION AND MONITORING SYSTEM

Portfolio review and sector risk monitoring

Authorisation limits are set by counterparty and the credit approval process must comply with the overall authorisation limit for the group to which the counterparty belongs.

Individual large exposures are reviewed by the Large Exposures Committee chaired by the General Management. Societe Generale complies with regulations governing large exposures[1].

Concentrations are measured using an internal model and individual concentration limits are defined for larger exposures. Any concentration limit breach is managed over time by reducing exposures and/or hedging positions using credit derivatives.

Concentration targets are defined for the biggest counterparties at Concentration Committee meetings.

In addition, the Group regularly reviews its entire credit portfolio through analyses by type of counterparty or business sector. In addition to industry research and regular sector concentration analyses, sector research and more specific business portfolio analyses are carried out at the request of the bank's General Management and/or Risk Division and/or business divisions.

Monitoring of Country Risk

Country risk arises when an exposure (loan, security, guarantee or derivative) becomes liable to negative impact from changing regulatory, political, economic, social and financial conditions in the country of exposure.

It includes exposure to any kind of counterparty, including a sovereign state (sovereign risk is also controlled by the system of counterparty risk limits).

Country risk breaks down into two major categories:

- political and non-transfer risk covers the risk of non-payment resulting from either actions or measures taken by local government authorities (decision to prohibit the debtor from meeting its commitments, nationalisation, expropriation, non-convertibility, etc.), domestic events (riots, civil war, etc.) or external events (war, terrorism, etc.);
- commercial risk occurs when the credit quality of all counterparties in a given country deteriorates due to a national economic or financial crisis, independently of each counterparty's individual financial situation. This could be a macroeconomic shock (sharp slowdown in activity, systemic banking crisis, etc.), currency depreciation, or sovereign default on external debt possibly entailing other defaults.

Overall limits and strengthened monitoring of exposures have been established for countries based on their internal ratings and governance indicators. Supervision is not limited to emerging markets.

Country limits are approved annually by General Management. They can also be revised downward at any time if the country's situation deteriorates or is expected to deteriorate.

All Group exposures (securities, derivatives, loans and guarantees) are taken into account by this monitoring. The Country Risk methodology determines an initial country of risk and a final country of risk (after the effects of any guarantees) within the country limits framework.

Specific monitoring of hedge funds

Hedge funds are important counterparties for the Group. Whether they are regulated or not, and regardless of the nature of the end investor, hedge funds pose specific risks: they are able to use significant leverage as well as investment strategies that involve illiquid financial instruments, which leads to a strong correlation between credit risk and market risk.

Activities carried out in the hedge fund sector are governed by various rules, including a set of global limits established by General Management:

- a Credit VaR limit, which controls the maximum replacement risk that may be taken in this segment;
- a stress test limit governing market risks and the risks associated with financing transactions guaranteed by shares in hedge funds.

Credit stress tests

With the aim of identifying, monitoring and managing credit risk, the Risk Division works with the business divisions to conduct a set of specific stress tests relating to a country, subsidiary or activity. These specific stress tests combine both recurring stress tests, conducted on those portfolios identified as structurally carrying risk, and occasional stress tests, designed to recognise emerging risks. Some of these stress tests are presented to the Risk Committee and used to determine how to govern the activities concerned.

Like global stress tests, specific stress tests draw on a core scenario and a stressed scenario, which are defined by the Group's sector experts and economists. The core scenario draws on an in-depth analysis of the situation surrounding the activity or the country concerned. The stressed scenario describes triggering events and assumptions regarding the development of a crisis, both in quantitative terms (changes in a country's GDP, the unemployment rate, deterioration in a sector) and qualitative terms.

Structured around the portfolio analysis function, the Risk Division teams translate these economic scenarios into impacts on risk parameters (default exposure, default rate, provisioning rate at entry into default, etc.). To this end, the leading methods are based in particular on the historical relationship between economic conditions and risk parameters. As with the global stress tests, in connection with the regulatory pillar, stress tests routinely take into account the possible effect of counterparty performance for counterparties in which the Group is most highly concentrated in a stressed environment.

(1) Ratio of large exposures, p. 180

Impairment

Impairments include impairments on groups of homogeneous assets, which cover performing loans, and specific impairments, which cover counterparties in default.

The applicable accounting principles are set out in Note 3.8 to the consolidated financial statements provided in Chapter 6 of this Registration Document, p. 359.

IMPAIRMENT ON GROUPS OF HOMOGENEOUS ASSETS

Impairments on groups of homogeneous assets are collective impairments booked for portfolios that are homogeneous and have a deteriorated risk profile although no objective evidence of default can be observed at an individual level.

These homogeneous groups include sensitive counterparties, sectors or countries. They are identified through regular analyses of the portfolio by sector, country or counterparty type.

These impairments are calculated on the basis of assumptions on default rates and loss rates after default. These assumptions are calibrated by homogeneous group based on their specific characteristics, sensitivity to the economic environment and historical data. They are reviewed periodically by the Risk Division.

SPECIFIC IMPAIRMENT

Decisions to book specific impairments on certain counterparties are taken where there is objective evidence of default. The amount of impairment depends on the probability of recovering the amounts due. The expected cash flows are based on the financial position of the counterparty, its economic prospects and the guarantees called up or that may be called up.

A counterparty is deemed to be in default when at least one of the following conditions is verified:

- a significant decline in the counterparty's financial position leads to a high probability of it being unable to fulfil its overall commitments (credit obligations), thereby generating a risk of loss to the bank whether or not the debt is restructured; and/or
- regardless of the type of loan (property or other), one or more receivables past due at least 90 days have been recorded (with the exception of loans restructured on probation, which are considered to be in default at the first missed payment, in accordance with the technical standard published in 2013 by the EBA relative to restructured loans); and/or
- a recovery procedure is under way; and/or
- the debt was restructured less than one year previously; and/or
- legal proceedings such as a bankruptcy, legal settlement or compulsory liquidation are in progress.

The Group applies the default contagion principle to all of a counterparty's outstandings. When a debtor belongs to a group, all of the group's outstandings are generally defaulted as well.

REPLACEMENT RISK

Replacement risk, i.e. counterparty risk associated with market transactions, is a type of credit risk (potential loss in the event that the counterparty defaults). It represents the current cost to the Group of replacing transactions with a positive market value should the counterparty default. Transactions giving rise to a replacement risk are, inter alia, security repurchase agreements, securities lending and borrowing, purchase/sale transactions or foreign exchange transactions in Delivery Versus Payment (DVP) and derivative contracts such as swaps, options and futures traded over the counter or with central counterparty clearing houses (CCP).

Management of counterparty risk linked to market transactions

Audited | Societe Generale places great emphasis on carefully monitoring its credit and counterparty risk exposure in order to minimise its losses in case of default. Counterparty limits are assigned to all counterparties (banks, other financial institutions, corporates, public institutions and CCP).▲

In order to quantify the potential replacement risk, Societe Generale uses an internal model: the future fair value of market transactions with counterparties is modelled taking into account any netting and correlation effects. The forecasts are derived from Monte-Carlo models developed by the Risk Division, based on a historical analysis of market risk factors, and take into account guarantees and collateral.

This internal model is used to compute the Effective Expected Positive Exposure (EEPE), a metric which is used to determine the counterparty risk regulatory capital requirements.

From an economic standpoint, in order to follow the positions, Societe Generale uses two indicators to characterise the distribution resulting from the Monte-Carlo simulations:

- current average risk, particularly suitable for analysing the risk exposure for a portfolio of customers;
- credit VaR (or CVaR): the largest loss that would be incurred after eliminating the top 1% of the most adverse occurrences, used to set the risk limits for individual counterparties.

Societe Generale has also developed a set of stress test scenarios used to calculate the exposure linked to changes in the fair value of transactions with all its counterparties in the event of an extreme shock on market parameters.

Setting individual counterparty limits

The credit profile of counterparties is reviewed on a regular basis and limits are set both according to the type and maturity of the instruments concerned. The intrinsic creditworthiness of counterparties and the reliability of the associated legal documentation are two factors considered when setting these limits.

Information technology systems allow both traders and the Risk Division to ensure that counterparty limits are not exceeded.

Audited I Any significant weakening in the bank's counterparties also prompts urgent internal rating reviews. A specific supervision and approval process is put in place for more sensitive counterparties or more complex financial instruments. ▲

Calculation of Exposure at Default(1) within the regulatory framework

The *Autorité de Contrôle Prudentiel et de Résolution* (ACPR – French Prudential Supervisory and Resolution Authority) approved the use of the internal model described above to determine the Effective Expected Positive Exposure (EEPE), which corresponds to the average of the positive exposure expected over a one-year period for a given counterparty.

This internal model covers 96% of transactions, excluding the former Newedge scope (Societe Generale Investment Limited).

For other transactions, the Group uses the marked-to-market valuation method. In this method, the EAD relative to the Bank's counterparty risk is determined by aggregating the positive market values of all the transactions (replacement cost), and increasing the sum with an add-on. This add-on, which is calculated in line with the CRD (Capital Requirement Directive) guidelines, is a fixed percentage depending on the type of transaction and the residual maturity, which is applied to the transaction's nominal value.

In both cases, the effects of netting agreements and collateral are factored in, either by their simulation in the internal model, or by applying the netting rules as defined by the marked-to-market method and by subtracting guarantees or collateral. Regulatory capital requirements also depend on the internal rating of the debtor counterparty.

Credit valuation adjustment for counterparty risk

Derivatives and security financing transactions are subject to a Credit Valuation Adjustment (CVA) to take into account counterparty risk. The Group includes in this adjustment all clients which are not subject to a daily margin call or for which the collateral only partially covers the exposure. This adjustment also reflects the netting agreements existing for each counterparty. CVA is determined on the basis of the Group entity's positive expected exposure to the counterparty, the counterparty's probability of default (conditional on the entity not defaulting), and the loss in the event of default.

Furthermore, since 1st January 2014, financial institutions must determine capital requirements related to CVA, covering its variation over 10 days. The scope of counterparties is reduced to financial counterparties as defined in the EMIR (European Market Infrastructure Regulation) or certain corporates that would use derivatives beyond certain thresholds and for purposes other than hedging. Societe Generale has implemented an internal model to compute these capital requirements, covering 65% of the scope. The method used is the same as the one used for the market VaR computation (refer to the "Market Risk" chapter of the Registration Document): it consists of carrying out a historical simulation of the change in CVA due to the variations observed in the credit spreads of the counterparties, with a 99% confidence level. The computation is done on the credit spreads variation observed, on the one hand, over a one-year rolling period (VaR on CVA), and, on the other hand, over a fixed one-year historical window corresponding to a period of significant tension regarding credit spreads (Stressed VaR on CVA). The associated capital requirements are equal to the sum of these two computations multiplied by a factor set by the regulator, specific to each bank. For the remaining part determined according to the standard method, Societe Generale applies the rules defined by the Capital Requirement Regulation: weighting by a normative factor of the EAD multiplied by a recomputed maturity.

The management of this exposure and regulatory capital charge led the Group to buy protection (such as Credit Default Swaps) from major financial institutions. In addition to reducing the credit risk, it decreases their variability resulting from a change in the credit spreads of counterparties.

Wrong-way risk adjustment

Wrong-way risk is the risk that occurs when the Group exposure to a counterparty strongly increases whereas the probability that the counterparty defaults also increases.

There are two cases of wrong-way risk:

- general wrong-way risk, where there is a significant correlation between some market factors and the creditworthiness of the counterparty;
- specific wrong-way risk, where the amount of exposure is directly related to the credit quality of the counterparty.

The specific wrong-way risk is subject to dedicated regulatory capital requirements, through an add-on applied when calculating the capital requirements. The transactions identified facing a specific wrong way risk are re-assessed in the EEPE computation with the hypothesis of a default from the counterparty. More specifically, these transactions are re-assessed in a conservative way, taking into account i) a null value for the counterparty's equity and ii) a value equal to the recovery rate for the bonds issued by the counterparty. This process leads to an increase of the capital requirements regarding counterparty risks on this kind of transaction. The economic counterparty risk (replacement risk) is also increased, thereby limiting the exposure on this kind of transaction, as there is no change in the risk limit framework.

The general wrong-way risk is monitored through stress tests (stress tests based on mono- or multi-risk factors covering all transactions with a given counterparty, relying on scenarios also applicable to global market risk stress tests):

- a quarterly analysis of the stress tests regarding all the counterparties, making it possible to identify the most adverse scenarios linked to a joint deterioration of the quality of the counterparties and the associated positions;
- regarding Systemically Important Financial Institutions (SiFi), a monthly follow-up of dedicated stress tests framed by limits.

(1) Exposure at default (EAD) of a loan is equal to its nominal amount. The potential loss amount of a derivative product is its marked-to-market valuation when the counterparty defaults, which can be only statistically approximated. Therefore, two methods for the calculation of the EAD of derivative products are allowed, one using the marked-to-market valuation and one using the internal model approach (see above).

HEDGING OF CREDIT RISK

Audited I Guarantees and collateral

The Group uses credit risk mitigation techniques both for market and commercial banking activities. These techniques provide partial or full protection against the risk of debtor insolvency.

There are two main categories:

- personal guarantees are commitments made by a third party to replace the primary debtor in the event of the latter's default. These guarantees encompass the protection commitments and mechanisms provided by banks and similar credit institutions, specialised institutions such as mortgage guarantors (e.g. Crédit Logement in France), monoline or multiline insurers, export credit agencies, etc. By extension, credit insurance and credit derivatives (purchase of protection) also belong to this category;
- collateral can consist of physical assets in the form of property, commodities or precious metals, as well as financial instruments such as cash, high-quality investments and securities, and also insurance policies.

Appropriate haircuts are applied to the value of collateral, reflecting its quality and liquidity.

The Group proactively manages its risks by diversifying guarantees: physical collateral, personal guarantees and others (including CDS).

During the credit approval process, an assessment is performed on the value of guarantees and collateral, their legal enforceability and the guarantor's ability to meet its obligations. This process also ensures that the collateral or guarantee successfully meets the criteria set forth in the Capital Requirements Directive (CRD).

Guarantor ratings are reviewed internally at least once a year and collateral is subject to revaluation at least once a year. The Risk function is responsible for approving the operating procedures established by the business divisions for the regular valuation of guarantees and collateral, either automatically or based on an expert opinion, whether during the approval phase for a new loan or upon the annual renewal of the credit application.

The amount of guarantees and collateral is capped at the amount of outstanding loans less provisions, i.e. EUR 265.08 billion at 31st December 2016 (compared with EUR 248.59 billion at 31st December 2015), of which EUR 131.68 billion for retail customers and EUR 133.39 billion for other types of counterparty (compared with EUR 128.74 billion and EUR 119.85 billion at 31st December 2015, respectively).

The outstanding loans covered by these guarantees and collateral correspond mainly to loans and receivables in the amount of EUR 222.10 billion at 31st December 2016, and to off-balance sheet commitments in the amount of EUR 39.01 billion (compared with EUR 207.95 and EUR 37.06 billion at 31st December 2015, respectively).

Guarantees and collateral received for outstanding loans not individually impaired amounted to EUR 2.21 billion at 31st December 2016 (versus EUR 2.11 billion at 31st December 2015), of which EUR 1.21 billion for retail customers and EUR 0.99 billion for other types of counterparty (versus EUR 1.24 billion and EUR 0.87 billion at 31st December 2015, respectively).

Guarantees and collateral received for individually impaired loans amounted to EUR 7.32 billion at 31st December 2016 (versus EUR 6.69 billion at 31st December 2015), of which EUR 3.42 billion for retail customers and EUR 3.90 billion for other types of counterparty (versus EUR 3.13 billion and EUR 3.56 billion at 31st December 2015, respectively). These amounts are capped at the amount of outstanding individually impaired loans.

Use of credit derivatives to manage corporate concentration risk

Within Corporate and Investment Banking, the Credit Portfolio Management (CPM) team is responsible for working in close cooperation with the Risk Division and the core businesses to reduce excessive portfolio concentrations and react quickly to any deterioration in the creditworthiness of a particular counterparty. CPM has now been merged with the department responsible for managing scarce resources for the credit and loan portfolio.

The Group uses credit derivatives in the management of its Corporate credit portfolio, primarily to reduce individual, sector and geographic concentrations and to implement a proactive risk and capital management approach. Individual protection is essentially purchased under the over-concentration management policy. For example, the ten most hedged names account for 96% of the total amount of individual protections purchased (versus 90% at 31st December 2015). The notional value of Corporate credit derivatives (Credit Default Swaps, CDS) purchased for this purpose is booked in off-balance sheet commitments under guarantee commitments received.

Total outstanding purchases of protection through Corporate credit derivatives decreased to EUR 0.8 billion at end-December 2016 (compared to EUR 0.7 billion at end-December 2015).

The amounts recognised as assets (EUR 3.9 billion at 31st December 2016 versus EUR 7.1 billion at 31st December 2015) and liabilities (EUR 4.2 billion at 31st December 2016 versus EUR 7.3 billion at 31st December 2015) correspond to the fair value of credit derivatives mainly held under a transaction activity but also under the aforementioned protection purchases.

In 2016, the Credit Default Swap (CDS) spreads from European investment-grade issuances (iTraxx index) widened during the first half of the year before tightening back to beginning of the year opening levels. The overall sensitivity of the portfolio to spreads widening declined, since the average maturity of protection is now much shorter.

All protection was purchased from bank counterparties (from now on mainly through clearing houses) with ratings of BBB+ or above, the average being AA- The Group is also careful to avoid an excessive concentration of risks with respect to any particular counterparty.

Mitigation of counterparty risk linked to market transactions

Societe Generale uses different techniques to reduce this risk. With regard to counterparties dealing with market transactions, it seeks to implement master agreements with a termination-clearing clause wherever it can. In the event of default, they allow netting of all due and payable amounts. These contracts usually call for the revaluation of the required collateral at regular intervals (often on a daily basis) and for the payment of the corresponding margin calls. Collateral is largely composed of cash and high-quality liquid assets, such as government bonds with a good rating. Other tradable assets are also accepted, provided that the appropriate haircuts are made to reflect the lower quality and/or liquidity of the asset.

Accordingly, at 31st December 2016, most over-the-counter (OTC) transactions were secured: by amount[(1)], 65% of transactions with positive mark to market (collateral received by Societe Generale) and 72% of transactions with negative mark to market (collateral posted by Societe Generale).

Management of OTC collateral is monitored on an ongoing basis in order to minimise operational risk:

- the exposure value of each collateralised transaction is certified on a daily basis;
- specific controls are conducted to make sure the process goes smoothly (settlement of collateral, cash or securities; monitoring of suspended transactions, etc.);
- all outstanding secured transactions are reconciled with those of the counterparty according to a frequency set by the regulator (mainly on a daily basis) in order to prevent and/or resolve any disputes on margin calls;
- any legal disputes are monitored daily and reviewed by a committee.

Moreover, regulations encourage or stipulate that a greater number of OTC derivative instruments be cleared through clearing houses certified by competent authorities and subject to prudential regulations. In this context, the European Market Infrastructure Regulation (EMIR) in 2012 published various measures on derivatives market participants in order to improve the stability and transparency of this market. Specifically, the EMIR requires the use of central counterparties for products deemed sufficiently liquid and standardised, the reporting of all derivative products transactions to a trade repository, and the implementation of risk mitigation procedures (e.g. exchange of collateral, timely confirmation, portfolio compression[(2)], etc.) for OTC derivatives not cleared by central counterparties. Some of these measures are already in effect (portfolio reconciliation, dispute resolution, first clearing obligation), while others are expected to come into force only gradually (exchange of initial margins and variation margins for transactions which are not cleared). In particular, the first step regarding the mandatory exchange of initial margins as defined in the Dodd Frank Act for the non-cleared OTC derivatives transactions with American counterparts came into force on 1st September 2016.

Accordingly, at the end of December 2016, 17% of the OTC transactions (amounting to 45% of the nominal) are cleared through clearing houses.

Credit insurance

In addition to using export credit agencies (for example Coface and Exim) and multilateral organisations (for example the European Bank for Reconstruction and Development – EBRD), Societe Generale has been developing relationships with private insurers over the last several years in order to hedge some of its loans against commercial and political non-payment risks.

This activity is performed within a risk framework and monitoring system approved by the Group's General Management. The system is based on an overall limit for the activity, along with sub-limits by maturity, and individual limits for each insurance counterparty which must meet strict eligibility criteria.

The implementation of such a policy contributes overall to a sound risk reduction. ▲

TABLE 11: COLLATERAL

(in EUR m)	31.12.2016			31.12.2015		
	Personal guarantees	Collateral	EAD	Personal guarantees	Collateral	EAD
Sovereigns	5,318	44	197,182	5,666	733	180,710
Institutions	2,222	1,364	130,218	2,334	1,129	100,912
Corporates	21,772	40,703	306,598	23,011	38,605	290,879
Retail	69,845	42,752	177,086	68,195	41,808	171,199
Other	40	228	49,257	69	272	46,685
TOTAL	99,197	85,090	860,342	99,275	82,546	790,385

(1) Excluding OTC deals cleared in clearing houses.

(2) Process which consists in (i) identifying the deals for which risks can be offset, and (ii) replacing them by a lower number of transactions, while keeping the same residual exposure.

RISK MEASUREMENT AND INTERNAL RATINGS

In 2007, Societe Generale obtained authorisation from its supervisory authorities to apply the Internal Ratings-Based (IRB) approach to most of its exposures in order to calculate the capital requirements in respect of credit risk.

Since the initial authorisation was given, the transition from the standard approach to the IRB approach for some of its activities and exposures has been selective and marginal.

TABLE 12: BREAKDOWN OF EAD BY THE BASEL METHOD

	31.12.2016	31.12.2015
IRB	75%	77%
Standard	25%	23%
Total	**100%**	**100%**

TABLE 13: SCOPE OF APPLICATION OF THE IRB AND STANDARD APPROACHES FOR THE GROUP

	IRB Approach	Standard Approach
French Retail Banking	Majority of portfolios	Some retail customer portfolios, including those of the SOGELEASE subsidiary
International Retail Banking and Financial Services	The subsidiaries KB (Czech Republic), CGI, Fiditalia, GEFA and SG Finans, SG leasing SPA and Fraer Leasing SPA, SGEF Italy	The other subsidiaries
Global Banking and Investor Solutions	Majority of Corporate and Investment Banking portfolios As for Private Banking, Securities Services and Brokerage, mainly the Retail portfolios of the following subsidiaries: SG Hambros, SGBT Luxembourg, SGBT Monaco, SG Private Banking Suisse	For Private Banking, Securities Services and Brokerage, the exposures granted to banks and companies
Corporate Centre	Majority of portfolios	-

General framework of the internal approach

Audited | To calculate its capital requirements under the IRB method, Societe Generale estimates the Risk-Weighted Asset (RWA) and the Expected Loss (EL), a loss that may be incurred due to the nature of the transaction, the quality of the counterparty and all measures taken to mitigate risk.

To calculate its RWA, Societe Generale uses its own Basel parameters, which are estimated using its internal risk measurement system:

- the Exposure at Default (EAD) value is defined as the Group's exposure in the event that the counterparty should default. The EAD includes exposures recorded on the balance sheet (loans, receivables, income receivables, market transactions, etc.), and a proportion of off-balance sheet exposures calculated using internal or regulatory Credit Conversion Factors (CCF);
- the Probability of Default (PD): the probability that a counterparty of the bank will default within one year;
- the Loss Given Default (LGD): the ratio between the loss incurred on an exposure in the event a counterparty defaults and the amount of the exposure at the time of the default.

The Societe Generale Group also takes into account:

- the impact of guarantees and credit derivatives with the substitution of the PD, the LGD and the risk-weighting calculation of the guarantor with that of the obligor (the exposure is considered to be a direct exposure to the guarantor) in the event that the guarantor's risk weighting is more favourable than that of the obligor;
- collaterals used as guarantees (physical or financial). This impact is factored either at the level of the LGD models in the pools concerned or on a line-by-line basis.▲

To a very limited extent, Societe Generale also applies an IRB Foundation approach (where only the Probability of Default is estimated by the bank, while the LGD and CCF parameters are determined directly by the supervisor) to a portfolio of specialised lending exposures granted to the French subsidiary Franfinance Entreprises.

Moreover, the Group has received authorisation from the regulator to use the IAA (Internal Assessment Approach) method to calculate the regulatory capital requirement for ABCP (Asset-Backed Commercial Paper) securitisation. Besides the capital requirement calculation objectives under the IRBA method, the Group's credit risk measurement models contribute to the management of the Group's operational activities. They also constitute tools to structure, price and approve transactions and participate in the setting of approval limits granted to business lines and the Risk Department.

Credit risk measurement for wholesale clients

The Group's credit risk measurement system, which estimates internal Basel parameters, uses a quantitative evaluation mechanism coupled with an expert judgement.

For Corporate, Banking and Sovereign portfolios, the measurement system is based on three key pillars:

- a counterparty rating system;
- a system that automatically assigns Loss Given Default (LGD) and Credit Conversion Factor (CCF) parameters according to the characteristics of each transaction;
- a collection of procedures also sets out the rules relating to ratings (scope, revision frequency, rating approval procedure, etc.), as well as for the supervision, backtesting and validation of models. Among other things, these procedures help to support the human judgement that brings critical scrutiny to the models for these portfolios.

RATING SYSTEM

The rating system consists in assigning a rating to each counterparty according to an internal scale, for which each grade corresponds to a probability of default determined using historical series observed by Standard & Poor's over more than 20 years.

The following table presents Societe Generale's internal rating scale and the corresponding scales of the main external credit assessment institutions, as well as the corresponding mean estimated probability of default.

The rating assigned to a counterparty is generally proposed by a model and then adjusted and approved by experts in the Risk Department following the individual analysis of each counterparty.

The counterparty rating models are structured in particular according to the type of counterparty (companies, financial institutions, public entities, etc.), the country, geographical region and size of the company (usually assessed through its annual turnover).

The company rating models are underpinned by statistical models (regression methods) of client default. They combine quantitative parameters derived from financial data that evaluate the sustainability and solvency of counterparties and qualitative parameters that evaluate economic and strategic dimensions.

TABLE 14: SOCIETE GENERALE'S INTERNAL RATING SCALE AND CORRESPONDING SCALES OF RATING AGENCIES

Counterparty internal rating	DBRS	FitchRatings	Moody's	S&P	1 year probability
1	AAA	AAA	Aaa	AAA	0.01%
2	AA high to AA low	AA+ to AA-	Aa1 to Aa3	AA+ to AA-	0.02%
3	A high to A low	A+ to A-	A1 to A3	A+ to A-	0.04%
4	BBB high to BBB low	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	0.30%
5	BB high to BB low	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	2.16%
6	B high to B low	B+ to B-	B1 to B3	B+ to B-	7.93%
7	CCC high to CCC low	CCC+ to CCC-	Caa1 to Caa3	CCC+ to CCC-	20.67%
8, 9 and 10	CC and below	CC and below	Ca and below	CC and below	100.00%

LGD MODELS

The loss given default (LGD) is an economic loss that is measured by taking into account all parameters pertaining to the transaction, as well as the fees incurred for recovering the receivable in the event of a counterparty default.

The models used to estimate the loss given default (LGD) excluding retail clients are applied by regulatory sub-portfolios, type of asset, size and geographical location of the transaction or of the counterparty, depending on the existence or not of collateral and its nature. This makes it possible to define homogenous risk pools, notably in terms of recovery, procedures and the legal environment.

These estimates are built on a statistical basis when the number of loans in default is sufficient. They are based in this case on the observation of recovery data over a long period.

When the number of defaults is insufficient, the estimate is revised or determined by an expert.

CCF MODELS (CREDIT CONVERSION FACTOR)

For its off-balance sheet exposures, the Group is authorised to use the internal approach for "term loan with drawing period" products and revolving credit lines.

TABLE 15: WHOLESALE CLIENTS – MODELS AND PRINCIPAL CHARACTERISTICS OF MODELS USED

Modelled Parameter	Portfolio/Category of Basel assets	Number of models	Model and methodology Number of years default/loss
		WHOLESALE CLIENTS	
Probability of default (PD)	Sovereigns	Expert rating	Expert-type model, use of the external ratings of agencies. Low default portfolio.
	Public sector entities	4 models according to the geographical regions (FR-US-Czech Rep.- Other).	Statistical-type models (regression) for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Low default portfolio.
	Financial institutions	5 models according to the type of counterparty: Banks, Insurances, Funds, Financial intermediaries, Funds of Funds.	Expert-type models based on a qualitative questionnaire. Low default portfolio.
	Specialised financing	5 models according to the type of transaction.	Expert-type models based on a qualitative questionnaire.
	Large corporates	9 models according to the geographical regions.	Statistical-type models (regression) for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Defaults observed over a period of 8 to 10 years.
	Small and medium-sized companies	12 models according to the size of companies and the geographical region.	Statistical-type models (regression) for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Defaults observed over a period of 8 to 10 years.
Loss given default (LGD)	Public sector entities - Sovereigns	4 models – According to the type of counterparty.	Calibration based on historical data and expert judgments. Losses observed over a period of more than 10 years.
	Large corporates - Flat-rate Approach	>20 models Flat-rate approach according to the type of collateral.	Calibration based on historical data adjusted by the expert judgments. Losses observed over a period of more than 10 years.
	Large corporates - Discount Approach	12 models Discount approach according to the type of recoverable collateral.	Calibration based on historical market data adjusted by the expert judgments. Losses observed over a period of more than 10 years.
	Small and medium-sized companies	13 models Flat-rate approach according to the type of collateral or unsecured.	Calibration based on historical data adjusted by the expert judgments. Losses observed over a period of more than 10 years.
	Project financing	10 models Flat-rate approach according to the project type.	Calibration based on historical data adjusted by the expert judgments. Losses observed over a period of more than 10 years.
	Financial institutions	8 models Flat-rate approach according to the type of counterparty: banks, insurances, funds, etc. and the nature of the collateral.	Calibration based on historical data adjusted by the expert judgments. Losses observed over a period of more than 10 years.
	Other specific portfolios	6models: factoring, leasing with option to purchase and other specific cases.	Calibration based on historical data adjusted by the expert judgments. Losses observed over a period of more than 10 years.
Credit conversion factor (CCF)	Large corporates	3 models: Term loans with drawing period, revolving credits, Czech Corporates.	Models calibrated by segment. Defaults observed over a period of more than 10 years.
Expected Loss (EL)	Real estate transaction	1 model by slotting.	Statistical model based on expert opinion and a qualitative questionnaire. Low default portfolio.

BACKTESTS

The performance level of the entire wholesale client credit system is measured by regular backtests that compare estimates with actual results by PD, LGD, CCF and portfolios.

The compliance of this system is based on the consistency between the parameters used and the long-term trends analysed, with safety margins that take into account areas of uncertainty (cyclicity, volatility, quality of data, etc.).

The safety margins applied are regularly estimated, checked and revised if necessary.

The results of backtests can justify the implementation of remedial plans or the application of add-ons if the system is deemed to be insufficiently prudent. The results of backtests, remedial plans and add-ons are presented to the Committee of Experts for discussion and approval (see Governance of the modelling of risks, p. 194).

TABLE 16: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL PD VALUES – WHOLESALE CLIENTS

	31.12.2016		
Basel Portfolio	**Estimated probability of default (EAD-weighted average)**	**Estimated probability of default* (arithmetic average weighted by receivables)**	**Historical annual default rate****
Sovereigns	0.1%	0.8%	0.2%
Banks	0.3%	2.1%	1.1%
Public sector entities	0.1%	0.3%	0.1%
Specialised financing	1.9%	3.0%	2.6%
Large corporates	1.1%	2.9%	1.6%
Small and medium-sized companies	3.6%	5.5%	3.7%

Please note: for 2016, the Probability of Default results are reported with a higher level of granularity, in accordance with the revised guidelines of the EBA publication of 14th December 2016 (EBA/GL/2016/11).

* The performance of the credit system is measured by way of regular backtests, in accordance with regulations. Backtests compare the estimated probability of default (arithmetic average weighted by receivables) with the observed results (the historical annual default rate), which confirms the overall prudence of the rating system

** The historical annual default rate was calculated based on a five-year period, except for Banking and Sovereign portfolios, for which a longer history was used (taking into account the 2008 financial crisis and the 2010 sovereign debt crisis).

TABLE 17: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL LGD AND EAD VALUES FOR WHOLESALE CLIENTS

	31.12.2016		
Basel portfolio	**Estimated LGD***	**Actual LGD excluding safety margin**	**Actual EAD** / estimated EAD**
Large corporates	35%	25%	95%
Small and medium-sized companies	40%	36%	

* Senior unsecured LGD

** Modelled CCF (revolving, term loans), only for defaults

	31.12.2015		
Basel portfolio	**Estimated LGD***	**Actual LGD excluding safety margin**	**Actual EAD** / estimated EAD**
Large corporates	34%	24%	95%
Small and medium-sized companies	41%	37%	

* Senior unsecured LGD

** Modelled CCF (revolving, term loans), only for defaults

Credit risk measurements of retail clients

PROBABILITY OF DEFAULT MODELS

The modelling of the probability of default of retail client counterparties is carried out specifically by each of the Group's business lines recording its assets using the IRBA method. The models incorporate data on the payment behaviour of counterparties. They are segmented by type of customer and distinguish between retail customers, professional customers, very small businesses and real estate investment companies (SCI, Sociétés Civiles Immobilières).

The counterparties of each segment are classified automatically using statistical models in homogenous risk pools, each of which is assigned probabilities of default.

Once the counterparties are classified in statistically distinct homogenous risk pools, the probability of default parameters are estimated by observing the average long-term default rates for each product. These estimates are adjusted by a safety margin to estimate as best as possible a complete default cycle using a Through the Cycle (TTC) approach.

LGD MODELS

The models for estimating the loss given default (LGD) of retail customers are specifically applied by business line portfolio. LGD values are estimated by product, according to the existence or not of collateral.

Consistent with operational recovery processes, estimate methods are generally based on a two-step modelling process that initially estimates the proportion of defaulted loans in loan termination, followed by the loss incurred in case of loan termination.

The expected losses are estimated with internal long-term historical recovery data for exposures that have defaulted. These estimates are adjusted with safety margins in order to reflect the possible impact of a downturn.

CCF MODELS

For its off-balance sheet exposures, Societe Generale applies its estimates for revolving loans and overdrafts on current account held by retail and professional customers.

TABLE 18: RETAIL CUSTOMERS – MODELS AND PRINCIPAL CHARACTERISTICS OF MODELS USED

Modelled Parameter	Portfolio/Category of Basel assets	Number of models	Model and methodology Number of years of default/loss
		RETAIL CUSTOMERS	
Probability of default (PD)	Residential real estate	12 models according to the entity, the type of guarantee (security, mortgage), the type of counterparty: individuals or professionals / VSB, Real estate investment company (SCI).	Statistical-type model (regression), behavioural score. Defaults observed over a period of more than 5 years.
	Other loans to individual customers	> 20 models according to the entity, the nature and the object of the loan: personal loan, consumer loan, automobile, etc.	Statistical-type model (regression), behavioural score. Defaults observed over a period of more than 5 years.
	Renewable exposures	13 models according to the entity, the nature of the loan: overdraft on current account, revolving credit or consumer loan.	Statistical-type model (regression), behavioural score. Defaults observed over a period of more than 5 years.
	Professionals and very small businesses	14models according to the entity, the nature of the loan: medium and long-term investment credits, short-term credit, automobile, the type of counterparty (individual or Real estate investment company (SCI)).	Statistical-type model (regression or segmentation), behavioural score. Defaults observed over a period of more than 5 years.
Loss given default (LGD)	Residential real estate	12 models according to the entity, the type of guarantee (security, mortgage), the type of counterparty: individuals or professional / VSB, Real estate investment company (SCI).	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Other loans to individual customers	> 20 models according to the entity, the nature and the object of the loan: personal loan, consumer loan, automobile, etc.	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Renewable exposures	13 models according to the entity, the nature of the loan: overdraft on current account, revolving credit or consumer loan.	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Professionals and very small businesses	13 models according to the entity, the nature of the loan: medium and long-term investment credits, short-term credit, automobile, the type of counterparty (individual or Real estate investment company (SCI)).	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
Credit Conversion Factor (CCF)	Renewable exposures	10 calibrations by entities for revolving products and personal overdrafts.	Models calibrated by segments over a period of observation of defaults of more than 5 years.
Expected Loss (EL)	Private Banking exposures	PD and LGD derived from loss observations.	Models restructured into a PD/LGD based approach. Pending authorisation for use by supervision authorities.

BACKTESTS

The performance level of the whole retail client credit system is measured by regular backtests, which check the performance of PD, LGD and CCF models and compare estimated figures with actual figures.

Each year, the average long-term default rates observed by homogenous risk pools are compared with the probabilities of default. If necessary, the calibrations of probabilities of default are adjusted to preserve a satisfactory safety margin. The discrimination level of the models and changes in the portfolio's composition are also measured.

Regarding the LGD, the backtest consists in comparing the last estimation of the LGD obtained by computing the average level of payments observed and the value used to calculate regulatory capital.

The difference should in this case reflect a sufficient safety margin to take into account a potential economic slowdown, uncertainties about estimation, and changes in the performance of recovery processes. The appropriateness of this safety margin is assessed by a Committee of experts.

Likewise for the CCF, the level of conservatism of estimates is assessed annually by comparing estimated drawdowns and observed drawdowns on the undrawn part.

The results presented below for the PD cover all the portfolios of the Group entities with the exception of Private Banking, where the restructured models are currently awaiting authorisation for use by the supervision authorities.

The exposures to retail customers of subsidiaries specialised in Equipment Financing are integrated into the retail customer portfolio under the "VSB and professionals" sub-portfolio (exposures of GEFA, SGEF Italy, SG Finans).

The figures below aggregate French, Czech, German, Scandinavian and Italian exposures. For all the Basel portfolios of retail clients, the actual default rate over a long period is lower than the estimated probability of default, which confirms the overall conservatism of the rating system.

TABLE 19: COMPARISON OF ESTIMATED RISK PARAMETERS: ESTIMATED AND ACTUAL PD VALUES – RETAIL CUSTOMERS

	31.12.2016		
Basel portfolio	**Estimated probability of default (EAD-weighted average)**	**Estimated probability of default* (arithmetic average weighted by receivables)**	**Historical annual default rate (5-year historical period**
Real estate loans**	1.4%	1.4%	1.2%
Other loans to individual customers	3.5%	4.7%	4.4%
Revolving credit	5.5%	5.5%	3.4%
VSB and professionals	4.6%	6.2%	5.8%

* The performance of the credit system is measured by way of regular backtests, in accordance with regulations. Backtests compare the estimated probability of default (arithmetic average weighted by receivables) with the observed results (the historical annual default rate), which confirms the overall prudence of the rating system.

** Guaranteed and non-guaranteed exposures.

TABLE 20: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL LGD AND EAD VALUES – RETAIL CUSTOMERS

	31.12.2016		
Basel Portfolio	Estimated LGD*	Actual LGD excluding safety margin	Actual EAD** / estimated EAD
Real estate loans (excl. guaranteed exposures)	17%	13%	-
Revolving credits	43%	39%	71%
Other loans to individual customers	26%	22%	-
VSB and professionals	26%	22%	77%
Total Group Retail Customers*	**24%**	**20%**	**73%**

* Excluding guaranteed exposures

** Revolving credits and current accounts of individual and professional customers

	31.12.2015		
Basel Portfolio	Estimated LGD*	Actual LGD excluding safety margin	Actual EAD** / estimated EAD
Real estate loans (excl. guaranteed exposures)	17%	14%	-
Revolving credits	44%	41%	70%
Other loans to individual customers	25%	23%	_
VSB and professionals	26%	21%	65%
Total Group Retail Customers*	**24%**	**21%**	**67%**

* Excluding guaranteed exposures.

** Revolving credits and current accounts of individual and professional customers.

Governance of the modelling of risks

Governance consists in developing, validating and monitoring decisions on changes with respect to internal credit risk measurement models. An independent and dedicated validation department within the Risk Division is more specifically responsible for validating the credit models and parameters used for the IRB method and monitoring the use of the rating system. The internal model validation team draws up an annual audit plan specifying the nature and extent of work that needs to be carried out, notably according to regulatory constraints, model risks, issues covered by the model and the strategic priorities of the business lines. It is careful to coordinate its work with the Internal Audit Division to ensure a simultaneous overall review (modelling and banking aspects) of the business scopes requiring such a review. The model validation team is included within the scope subject to inspections by the Internal Audit Division.

The internal validation protocol for new models and annual backtesting is broken down into three stages:

- a preparation stage during which the validation team takes control of the model and the environment in which it is built and/or backtested, ensures that the expected deliverables are complete, and draws up a working plan;
- an investigation stage intended to collect all statistical and banking data required to assess the quality of the models. For subjects with statistical components, a review is performed by the independent model control entity, whose conclusions are formally presented to the modelling entities within the framework of a committee (Models Committee);
- a validation stage that is structured around a Committee of experts whose purpose is to validate the consistency of the Basel parameters of an internal model from a banking perspective. The Committee of experts is a body reporting to the Group Chief Risk Officer and to the Management of the business lines concerned.

  The Committee of experts is also responsible for defining the review guidelines and for revising models at the proposal of the Models Committee. These guidelines take into account the regulatory requirements and economic and financial issues of the business lines.

In accordance with the Delegated Regulation (EU) No. 529/2014 of 20th May 2014 regarding the monitoring of internal models used to calculate capital requirements, changes to the Group’s credit risk measurement system are subject to three types of notification to the competent supervisor according to the significant nature of the change, evaluated according to this rule:

- significant changes are subject to a request for authorisation prior to their implementation;
- the supervisor is notified of changes which are not significant according to the criteria defined by the regulation. Barring a negative response within a two-month period, such changes may be implemented;
- the competent authorities are notified of other changes after their implementation at least once annually in a specific report.

CREDIT RISK: QUANTITATIVE INFORMATION

Audited I The measurement used for credit exposures in this section is EAD – Exposure At Default (on- and off-balance sheet). Under the Standard Approach, EAD is calculated net of collateral and provisions. EAD is broken down according to the guarantor's characteristics, after taking into account the substitution effect (unless otherwise indicated). ▲

Further to the publication of guidelines on prudential disclosure requirements by the European Banking Authority (EBA) in December 2016 (document EBA/GL/2016/11), changes were made in respect of the presentation and scope of the information published.

In particular, equity investments, fixed assets and accruals have been included in the reporting scope. Breakdowns by portfolio now include an "Other" category, 90% of which is made up of such items, as well as securitisation.

In addition, exposure classes refer to portfolios of COREP regulatory financial statements, so as to link in with the new EBA requirements on Pillar 3.

The data for 31st December 2015 is presented on a pro forma basis to allow for a comparison between the two years.

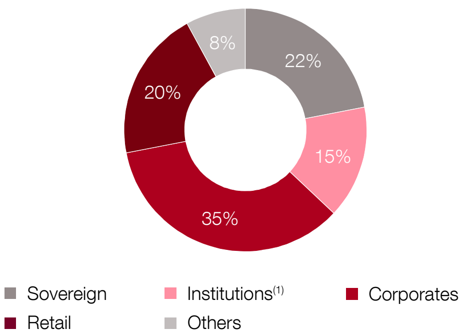
At 31st December 2015, the Group's pro forma EAD was EUR 806 billion and included equity investments (EUR 7 billion), fixed assets (EUR 5 billion) and accruals (EUR 13 billion).

Audited I Credit risk exposure

At 31st December 2016, the Group's Exposure at Default (EAD) amounted to EUR 878 billion.

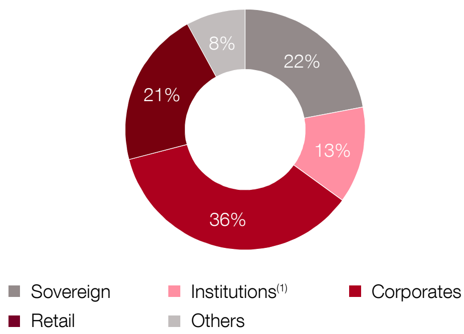
CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2016

On- and off-balance sheet exposures (EUR 878 billion in EAD)



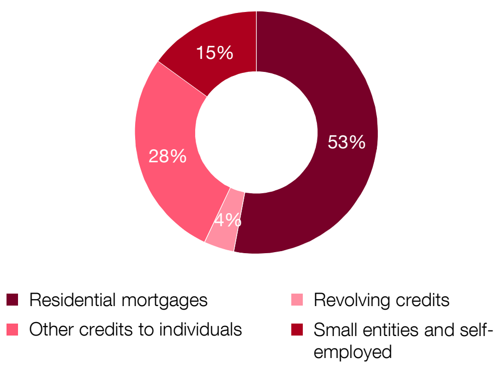
CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2015

On- and off-balance sheet exposures (EUR 806 billion in EAD).



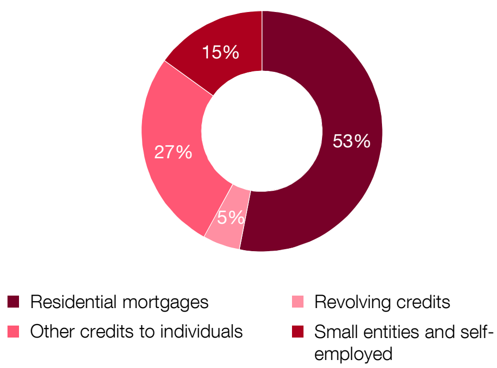
RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2016

On- and off-balance sheet exposures (EUR 177 billion in EAD)



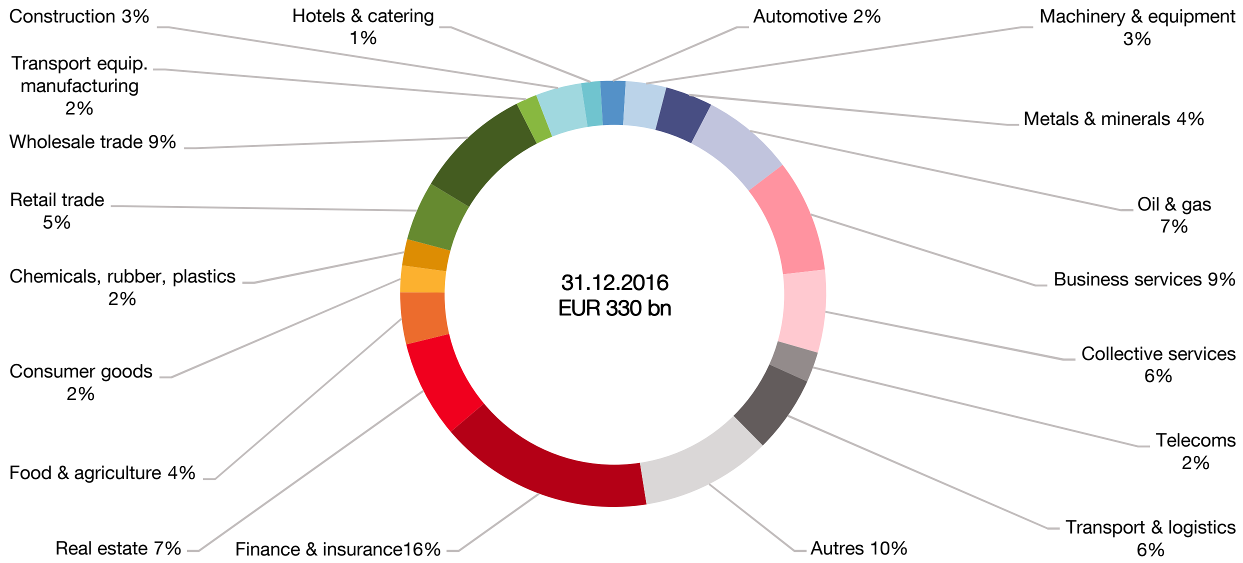
RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2015

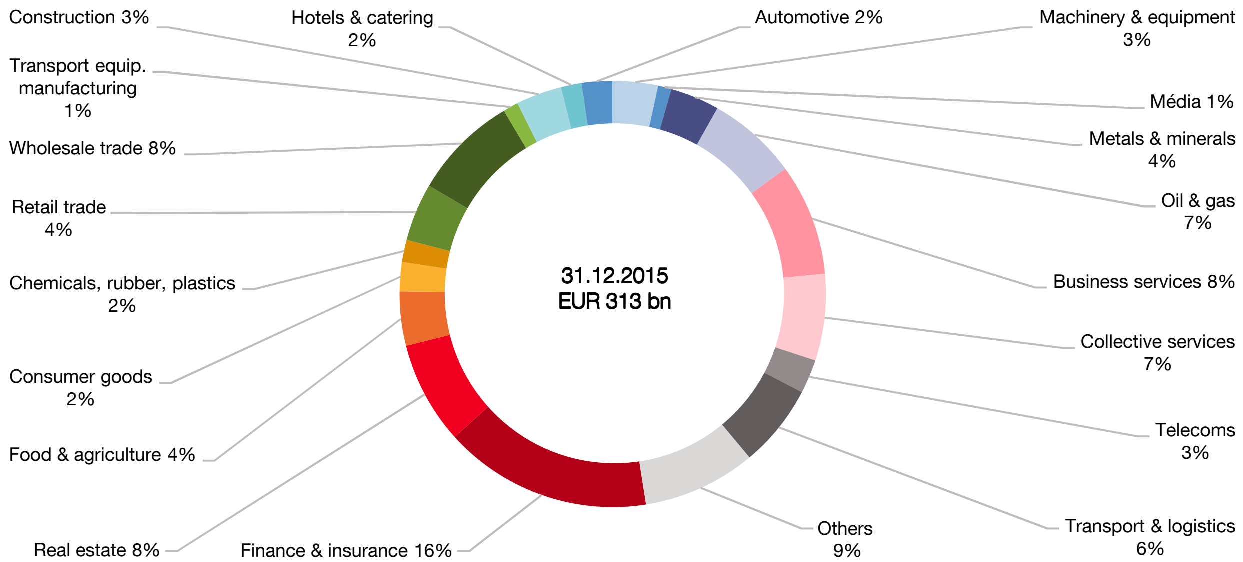
On- and off-balance sheet exposures (EUR 171 billion in EAD)



(1) Institutions: Basel classification bank and public sector portfolios.

SECTOR BREAKDOWN OF GROUP CORPORATE EXPOSURE (BASEL PORTFOLIO)



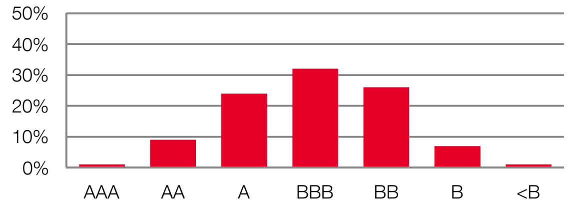


EAD of the Corporate portfolio is presented in accordance with the Basel rules (major corporates, including insurance companies, funds and hedge funds, SMEs, specialist financing, factoring businesses), based on the obligor's characteristics, before taking into account the substitution effect (credit risk scope: debtor, issuer and replacement risk).

At 31st December 2016, the Corporate portfolio amounted to EUR 330 billion (on- and off-balance sheet exposures measured in EAD). Only the Finance and Insurance sector accounts for more than 10% of the portfolio. The Group's exposure to its ten largest Corporate counterparties accounts for 4% of this portfolio. ▲

Corporate and bank counterparty exposure

AUDITED I BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AT 31ST DECEMBER 2016 (AS % OF EAD)

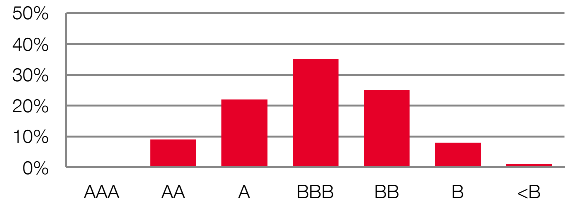


Audited I The scope includes performing loans recorded under the IRB method (excluding prudential classification criteria, by weight, of specialised financing) for the entire Corporate client portfolio, all divisions combined, and represents EAD of EUR 242 billion (out of total EAD for the Basel Corporate client portfolio of EUR 307 billion, standard method included).

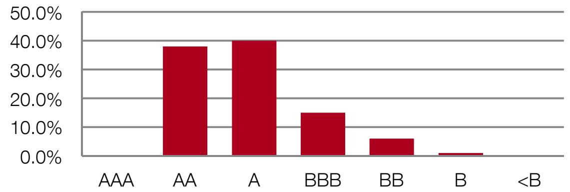
The breakdown by rating of the Societe Generale Group's Corporate exposure demonstrates the sound quality of the portfolio. It is based on an internal counterparty rating system, presented above as its S&P equivalent.

At 31st December 2016, the majority of the portfolio (65% of Corporate customers) had an investment grade rating, i.e. counterparties with an S&P-equivalent internal rating higher than BBB-. Transactions with non-investment grade counterparties are very often backed by guarantees and collateral in order to mitigate the risk incurred. ▲

BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AT 31ST DECEMBER 2015 (AS % OF EAD)



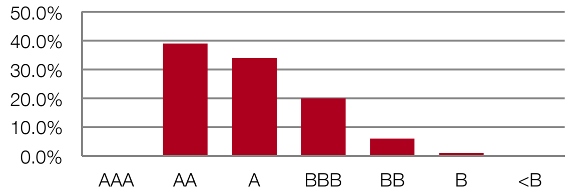
AUDITED I BREAKDOWN OF RISK BY INTERNAL RATING FOR GROUP BANKING CLIENTS AT 31ST DECEMBER 2016 (AS % OF EAD)



Audited I The scope includes performing loans recorded under the IRB method for the entire Bank client portfolio, all divisions combined, and represents EAD of EUR 55 billion (out of total EAD for the Basel Bank client portfolio of EUR 130 billion, standard method included). The breakdown by rating of the Societe Generale Group's bank counterparty exposure demonstrates the sound quality of the portfolio. It is based on an internal counterparty rating system, presented above as its S&P equivalent.

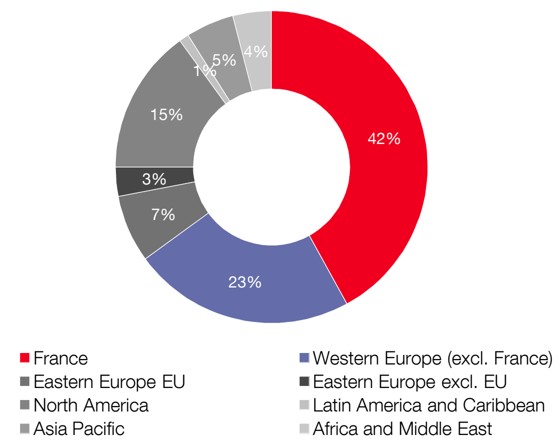
At 31st December 2016, exposure was concentrated in investment grade counterparties (93% of exposure), as well as in developed countries (92%). ▲

BREAKDOWN OF RISK BY INTERNAL RATING FOR GROUP BANKING CLIENTS AT 31ST DECEMBER 2015 (AS % OF EAD)

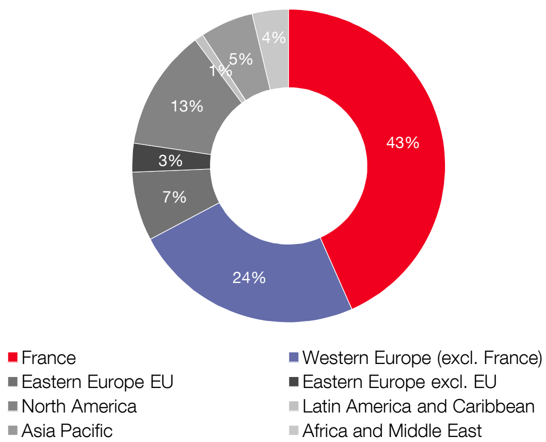


Audited I Geographic breakdown of Group credit risk exposure

GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK EXPOSURE AT 31ST DECEMBER 2016 (ALL CLIENT TYPES INCLUDED): EUR 878 BN

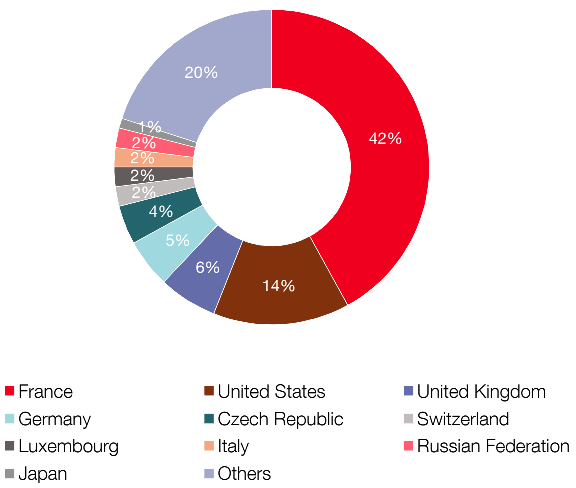


GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK EXPOSURE AT 31ST DECEMBER 2015 (ALL CLIENT TYPES INCLUDED): EUR 806 BN

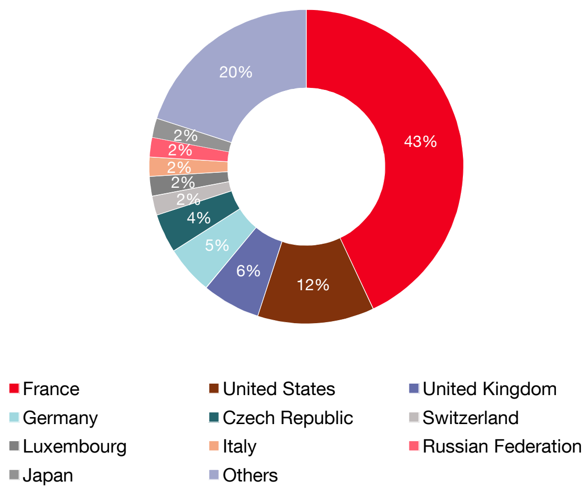


At 31st December 2016, 89% of the Group's on- and off-balance sheet exposure was concentrated in the major industrialised countries. Almost half of the overall amount of outstanding loans was to French customers (27% exposure to non-retail portfolio and 15% to retail portfolio). ▲

GEOGRAPHICAL BREAKDOWN OF GROUP CREDIT EXPOSURE ON TOP TEN COUNTRIES AT 31ST DECEMBER 2016: EUR 712 BN



GEOGRAPHICAL BREAKDOWN OF GROUP CREDIT EXPOSURE ON TOP TEN COUNTRIES AT 31ST DECEMBER 2015: EUR 649 BN



The Group's exposure on its top ten countries represents 80% of total exposure (i.e. EUR 712 billion of EAD) at 31st December 2016, i.e. the same percentage as in 2015 (EUR 649 billion of EAD at 31st December 2015).

TABLE 21: GEOGRAPHICAL BREAKDOWN OF GROUP CREDIT EXPOSURE ON TOP FIVE COUNTRIES BY EXPOSURE CLASS (IN %)

	France		United States		United Kingdom		Germany		Czech Republic	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Sovereign	20%	19%	32%	37%	9%	6%	21%	19%	25%	29%
Institutions	8%	7%	25%	15%	39%	39%	25%	20%	5%	5%
Corporates	30%	30%	34%	38%	39%	43%	25%	31%	32%	30%
Retail	36%	37%	0%	0%	5%	6%	21%	21%	34%	32%
Others	6%	7%	9%	10%	8%	6%	8%	8%	4%	4%

Counterparty risk

TABLE 22: COUNTERPARTY RISK, EAD AND RWA BY METHOD AND EXPOSURE CLASS (IN EUR M)

Counterparty risk is broken down as follows:

	31.12.2016								
	IRB			Standard			Total		
Exposure class	**Exposure**	**EAD**	**RWA**	**Exposure**	**EAD**	**RWA**	**Exposure**	**EAD**	**RWA**
Sovereign	10,442	10,442	235	56	56	1	10,498	10,498	236
Institutions	19,639	19,639	4,411	38,213	38,213	941	57,852	57,852	5,352
Corporates	51,010	51,010	14,754	4,754	4,754	4,344	55,764	55,764	19,098
Retail	42	42	5	249	249	15	291	291	20
Others	15	15	0	1,062	1,062	1,062	1,077	1,077	1,062
Total	**81,148**	**81,148**	**19,406**	**44,333**	**44,333**	**6,363**	**125,481**	**125,481**	**25,770**

	31.12.2015								
	IRB			Standard			Total		
Exposure class	**Exposure**	**EAD**	**RWA**	**Exposure**	**EAD**	**RWA**	**Exposure**	**EAD**	**RWA**
Sovereign	11,485	11,577	321	160	160	144	11,645	11,737	465
Institutions	17,452	17,589	4,521	23,946	23,945	1,263	41,398	41,534	5,784
Corporates	46,866	46,637	15,976	4,510	4,510	4,258	51,376	51,148	20,234
Retail	55	55	15	2	2	2	58	58	18
Others	37	37	33	185	185	185	222	222	218
Total	**75,896**	**75,896**	**20,866**	**28,804**	**28,803**	**5,852**	**104,699**	**104,699**	**26,718**

Change in risk-weighted assets (RWA) and capital requirements for credit and counterparty risks

TABLE 23: CHANGE IN RISK-WEIGHTED ASSETS (RWA) BY METHOD AND EXPOSURE CLASS ON OVERALL CREDIT RISK (CREDIT AND COUNTERPARTY IN EUR M)

	RWA - IRB	RWA - Standard	RWA - Total	Capital requirements - IRB	Capital requirements - Standard	Capital requirements - Total
RWA as at end of previous reporting period (31.12.2015)	**174,456**	**113,552**	**288,008**	**13,956**	**9,084**	**23,041**
Asset size	2,934	(1,365)	1,569	235	(109)	125
Asset quality	(807)	(227)	(1,035)	(65)	(18)	(83)
Model updates	98	0	98	8	0	8
Methodology	0	0	0	0	0	0
Acquisitions and disposals	0	1,129	1,129	0	90	90
Foreign exchange movements	867	1,199	2,065	69	96	165
Other	(2,055)	(659)	(2,713)	(164)	(53)	(217)
RWA as at end of reporting period (31.12.2016)	**175,493**	**113,628**	**289,121**	**14,039**	**9,090**	**23,130**

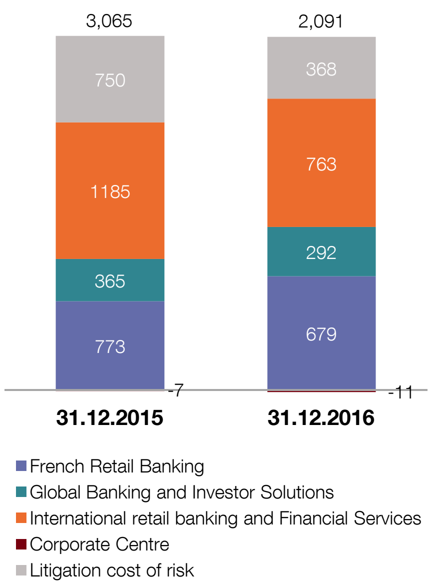
The table above presents the data without the CVA (Credit Value Adjustment).

The CVA represented EUR 5.1 billion at 31st December 2016 (compared to EUR 5.5 billion at 31st December 2015). Credit risk-weighted assets had increased slightly at 31st December 2016 compared to the previous year.

This increase is due partly to an increase in volumes and partly to a foreign exchange effect.

Net cost of risk

CHANGE IN GROUP NET COST OF RISK (*IN EUR M*)



The Group's net cost of risk in 2016 amounted to EUR -2,091 million, down -31.8% vs. 2015, reflecting the improvement year after year in the Group's risk profile. The provision for litigation issues totalled EUR 2 billion at end-2016, further to an additional net provision of EUR 350 million in respect of 2016.

The commercial cost of risk (excluding litigation issues, in basis points for the average assets at the beginning of the calendar year preceding the closing date, including operating leases) continued to decline. It totalled 37 basis points for 2016 (vs. 52 basis points in 2015).

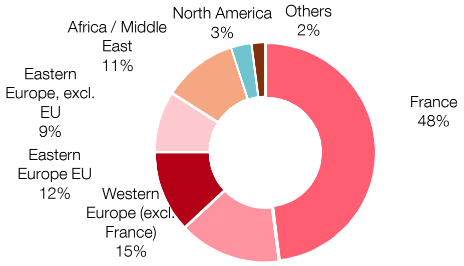
- In **French Retail Banking**, the commercial cost of risk was down, at 36 basis points for 2016 vs. 43 basis points for 2015, reflecting the quality of the loan approval policy.
- At 64 basis points for 2016 (vs. 102 basis points for 2015), **International Retail Banking and Financial Services**' cost of risk was substantially lower, testifying to the effectiveness of the policies implemented to improve the quality of the loan portfolio.

  More specifically, the cost of risk in Russia and Romania was significantly lower, dropping from 293 and 185 basis points respectively in 2015 to 182 and 98 basis points in 2016.
- **Global Banking and Investor Solutions**' cost of risk was at 20 basis points for the year (vs. 27 basis points for 2015).

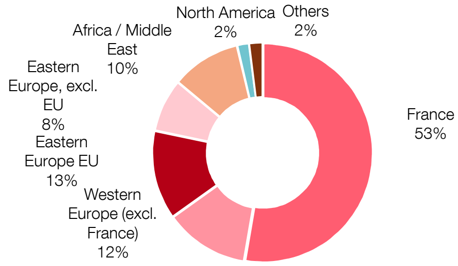
Audited I Specific provisions and impairments for credit risks

Impairments and provisions for credit risks are primarily booked for doubtful and disputed loans (customer loans and receivables, amounts due from banks, operating leases, lease financing and similar agreements).

BREAKDOWN OF DOUBTFUL AND DISPUTED LOANS BY GEOGRAPHIC REGION AT 31ST DECEMBER 2016

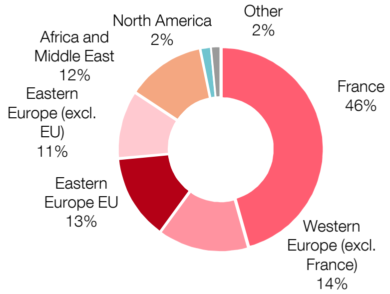


BREAKDOWN OF DOUBTFUL AND DISPUTED LOANS BY GEOGRAPHIC REGION AT 31ST DECEMBER 2015

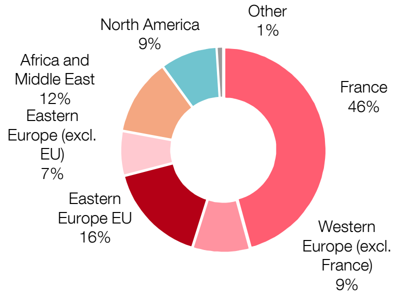


At 31st December 2016, these individually impaired loans amounted to EUR 23.9 billion (versus EUR 24.6 billion at 31st December 2015).▲

BREAKDOWN OF PROVISIONS AND IMPAIRMENTS BY GEOGRAPHIC REGION AT 31ST DECEMBER 2016



BREAKDOWN OF PROVISIONS AND IMPAIRMENTS BY GEOGRAPHIC REGION AT 31ST DECEMBER 2015



At 31st December 2016, these loans were provisioned or impaired for an amount of EUR 13.6 billion (vs. EUR 14.3 billion at 31st December 2015).

Audited I Impairments on groups of homogeneous assets

At 31st December 2016, the Group's provisions for groups of homogeneous assets amounted to EUR 1.5 billion (vs. EUR 1.4 billion at 31st December 2015). ▲

TABLE 24: PROVISIONING OF DOUBTFUL LOANS (IN EUR BN)

	31.12.2016	31.12.2015
Gross book outstandings	479.1	461.4
Doubtful loans	23.9	24.6
Gross doubtful loans ratio	5.0%	5.3%
Specific provisions	13.7	14.3
Provisions on groups of homogeneous assets	1.5	1.4
Gross doubtful loans coverage ratio (Overall provisions/doubtful loans)	**64%**	**64%**

Scope: customer loans, amounts due from banks, operating leases, lease financing and similar agreements.

Detail regarding guarantees and collateral is available on p.185.

Restructured debt

Audited I For the Societe Generale Group, "restructured" debt refers to loans whose amount, term or financial conditions have been contractually modified due to the borrower's insolvency (whether insolvency has already occurred or will definitely occur unless the debt is restructured). Societe Generale aligns its definition of restructured loans with the EBA definition.

Restructured debt does not include commercial renegotiations involving customers for which the bank has agreed to renegotiate the debt in order to retain or develop a business relationship, in accordance with credit approval rules in force and without giving up any of the principal or accrued interest.

Any situation leading to debt restructuring entails placing the customers in question in the Basel default category and classifying the loans themselves as impaired.

The customers whose loans have been restructured are kept in the default category for as long as the bank remains uncertain of their ability to meet their future commitments and for a minimum of one year.

Restructured debt totalled EUR 6.85 billion at 31st December 2016. ▲

TABLE 25: RESTRUCTURED DEBT (IN EUR M)

	31.12.2016	31.12.2015
Non-performing restructured debt	5,819	6,036
Performing restructured debt	1,031	992
Total restructured debt	**6,850**	**7,028**

Audited I Loans and advances past due but not individually impaired

Outstanding loans in the on-balance-sheet credit portfolio are broken down as follows:

TABLE 26: LOANS AND ADVANCES PAST DUE BUT NOT INDIVIDUALLY IMPAIRED (IN EUR BN)

	31.12.2016					31.12.2015				
	Between 1 and 30 days	Between 31 and 90 days	Between 91 and 180 days	More than 180 days	Total	Between 1 and 30 days	Between 31 and 90 days	Between 91 and 180 days	More than 180 days	Total
Due from banks (A)	**0.03**	**0.02**	**0.00**	**0.00**	**0.05**	**0.04**	**0.03**	**0.01**	**0.00**	**0.08**
Sovereign (B)	0.06	0.00	0.00	0.00	0.06	0.02	0.08	0.03	0.00	0.13
Corporates (C)	1.74	0.64	0.14	0.22	2.74	1.03	1.20	0.18	0.29	2.70
Retail (D)	2.08	0.76	0.06	0.04	2.94	2.08	0.83	0.08	0.08	3.07
Customer loans (E = B + C + D)	**3.88**	**1.40**	**0.20**	**0.26**	**5.74**	**3.13**	**2.11**	**0.29**	**0.37**	**5.90**
Total (F = A + E)	**3.91**	**1.42**	**0.20**	**0.26**	**5.79**	**3.17**	**2.14**	**0.30**	**0.37**	**5.98**

The amounts presented in the table above include loans and advances that are past due for technical reasons, which primarily affect the “less than 31 days old” category. Loans past due for technical reasons are loans that are classified as past due on account of a delay between the value date and the date of recognition in the customer’s account.

Total declared past due loans not individually impaired includes all receivables (outstanding principal, interest and past due amounts) with at least one recognised past due amount. These outstanding loans can be placed on a watch list as soon as the first payment is past due.

At 31st December 2016, outstanding performing assets with past due amounts accounted for 1.3% of unimpaired on-balance sheet assets excluding debt instruments and including loans that are past due for technical reasons (for a total of EUR 440.10 billion). The amount is stable compared to 31st December 2015 (1.4% of outstanding performing assets excluding debt/securities).▲

5. MARKET RISKS

Audited I Market risks are the risks of loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters, and the correlations between them. These parameters include, but are not limited to, exchange rates, interest rates, prices of securities (equities or bonds), commodities, derivatives and other assets. They concern all trading book transactions and some banking book portfolios.

ORGANISATION

Although primary responsibility for managing risk exposure lies with the front office managers, the supervision system is based on an independent structure: the Market Risk Department of the Risk Division.

The Department is responsible for:

- ensuring the existence and implementation of an effective market risks framework based on suitable limits;
- approving the limit requests submitted by the different businesses within the framework of the overall limits granted by the Board of Directors and the General Management, and based on the use of these limits;
- proposing appropriate market risk limits to the Group Risk Committee by Group activity;
- defining internal models used to compute capital requirements related to market risk;
- defining market risk measurement methods;
- approving the valuation models used to calculate risks and results;
- defining the methodologies used for the calculation of market risk provisions (reserves and adjustments to earnings).

To carry out these different duties, the Market Risk Department relies on information provided by the department responsible for the production, certification and first-level analysis of the risk metrics within the Group's Corporate and Investment Banking division (MACC – Market Analysts & Certification Community). MACC monitors the Group's market positions on a permanent, daily and independent basis, notably via the:

- daily calculation and certification of market risk indicators based on a formal and secure procedure;
- reporting and first-level analysis of these indicators;
- daily monitoring of the limits set for each activity, in conjunction with the Market Risk Department;
- verification of the market parameters used to calculate risks and results (the Market Risk Department being in charge of the source validation and the methods of determination of the parameters);
- monitoring and control of the gross nominal value of positions: this monitoring is based on alert levels applied to all instruments and desks, and contributes to the detection of possible rogue trading operations.

Accordingly, in conjunction with the Market Risk Department, MACC defines the architecture and functionalities of the information system used to produce the risk indicators for market transactions to ensure it meets the needs of the different business lines.

A daily report on the use of limits on VaR (Value at Risk), stress tests (extreme scenarios) and other major market risks metrics (sensitivity, nominal, etc.) at various levels (Societe Generale, Global Banking and Investors Solutions, or Global Market) is submitted to the General Management and the managers of the business lines, in addition to a monthly report which summarizes the key events in the area of market risk management. ▲

INDEPENDENT PRICING VERIFICATION

Market products are marked to market, when such market prices exist. Otherwise, they are valued using parameter-based models.

Firstly, each valuation model is independently validated by the Market Risk Department.

Secondly, the parameters used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division and MACC (Independent Pricing Verification), the sources of the parameters having been approved by the Market Risk Department beforehand. If necessary, the valuations obtained are supplemented by reserves or adjustments (such as bid-ask spreads and liquidity), based on computation methodologies approved by the Market Risk Department.

Accounting valuation governance is enforced through two valuation committees, both attended by representatives of the Global Markets Division, the Market Risk department and the Finance Division.

- The Global Valuation Committee is convened whenever necessary, at least every quarter, to discuss and approve financial instrument valuation methodologies (model refinements, reserve methodologies, parameter marking methods, etc.). This committee, chaired by the Finance Division and organised by its valuation expert team (Valuation Group) has worldwide accountability, and is the only body empowered to approve the valuation policies concerning financial instruments on market activities;
- On a quarterly basis, the Global Valuation Review Committee reviews changes in reserves, valuation adjustment figures, and related accounting impacts. This analytical review is performed by the Valuation Group.

Lastly, a corpus of Valuation Policies describes the valuation framework and its governance, specifying the breakdown of responsibilities between the stakeholders.

In addition, Additional Valuation Adjustments (AVAs) are computed on fair value assets, in compliance with the Regulatory Technical Standards (RTS) published by the European Banking Authority (EBA), which lay out the requirements related to Prudent Valuation, in addition to the principles already specified in the CRD3 (Capital Requirements Directive). The RTS define the various uncertainties which have to be taken into account in the Prudent Valuation, and set a target level of confidence to reach (the bank must be 90% confident that the transaction could be liquidated at a better price than the prudent valuation).

Within this framework, in order to take into account the various factors which could generate additional exit costs compared to the expected valuation (model risk, concentration risk, liquidation cost, uncertainty on market prices, etc.), Prudent Valuation Adjustments (PVAs) are computed for each exposure. The Additional Valuation Adjustments (AVAs) are defined as the difference between the Prudent Valuation obtained and the accounting fair value of the positions, in order to comply with the target level of confidence to reach. These amounts of AVA are deducted from the Common Equity Tier 1 Capital.

In terms of governance, the topics related to Prudent Valuation are dealt with during methodological committees and validation committees, organised quarterly, and both attended by representatives of the Global Markets Division, the Market Risk Department and the Finance Division.

METHODS FOR MEASURING MARKET RISK AND DEFINING LIMITS

Audited | The Group's market risk assessment is based on three main indicators, which are monitored through limits:

- the 99% Value-at-Risk (VaR) method: in accordance with the regulatory internal model, this global indicator is used for the day-to-day monitoring of the market risks incurred by the Group within the scope of its trading activities;
- a stress test measurement, based on a decennial shock-type indicator. Stress test measurements make it possible to restrict and monitor the Group's exposure to systemic risk and exceptional market shocks;
- complementary metrics such as sensitivity (showing local risks taken on trading activities), nominal (giving a more readily understandable order of magnitude on the exposures without netting effects), concentration or holding period, etc.

The following indicators are also calculated: stressed VaR on a daily basis, IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure) on a weekly basis. The capital charges arising from these internal models complement the VaR by taking into account the rating migration risks and the default risks, and by limiting the procyclical nature of capital requirements.▲

99% VALUE AT RISK (VAR)

Audited I The Internal VaR Model was introduced at the end of 1996 and has been approved by the French regulator within the scope of the regulatory capital requirements.

The Value-at-Risk assesses the potential losses on positions over a defined time horizon and for a given confidence interval (99% for Societe Generale). The method used is the "historical simulation" method, which implicitly takes into account the correlation between the various markets and is based on the following principles:

- storage in a database of the risk factors that are representative of Societe Generale's positions (i.e. interest rates, share prices, exchange rates, commodity prices, volatility, credit spreads, etc.);
- definition of 260 scenarios corresponding to one-day variations in these market parameters over a rolling one-year period;
- application of these 260 scenarios to the market parameters of the day;
- revaluation of daily positions, on the basis of the 260 sets of adjusted market parameters.

Within the framework described above, the one-day 99% Value-at-Risk corresponds to the average of the second and third largest losses computed.

The day-to-day follow-up of the market risks is performed via the one-day VaR, which is computed on a daily basis. For regulatory capital requirements, however, we have to take into account a ten-day horizon, thus we also compute a ten-day VaR, which is obtained by multiplying the one-day VaR by the square root of ten. This methodology complies with Basel 2 requirements and has been reviewed and validated by the regulator.

The VaR assessment is based on a model and a certain number of conventional assumptions, the main limitations of which are as follows:

- by definition, the use of a 99% confidence interval does not take into account losses arising beyond this point; VaR is therefore an indicator of losses under normal market conditions and does not take into account exceptionally significant fluctuations;
- VaR is computed using closing prices, meaning that intra-day fluctuations are not taken into account.

The Market Risk Department mitigates the limitations of the VaR model by performing stress tests and other additional measurements.

At present, the market risks for almost all of Corporate and Investment Banking's activities (including those related to the most complex products) are monitored using the VaR method, as are the main market activities of Retail Banking and Private Banking. The few activities not covered by the VaR method, either for technical reasons or because the stakes are too low, are monitored using stress tests, and capital charges are calculated using the standard method or through alternative in-house methods.

The relevance of the model is checked through ongoing backtesting in order to verify whether the number of days for which the negative result exceeds the VaR complies with the 99% confidence interval.

Daily profit and loss used for backtesting includes in particular the change in value of the portfolio (book value) and the impact of new transactions and of transactions modified during the day (including their sales margins), refinancing costs, the various related commissions (brokerage fees, custody fees, etc.), as well as provisions and parameter adjustments made for market risk. ▲

In 2016, daily losses were observed on 13 occasions, and one backtesting breach occurred on 29th December 2016, due to significant movements on the short-term cross-currency basis curves.

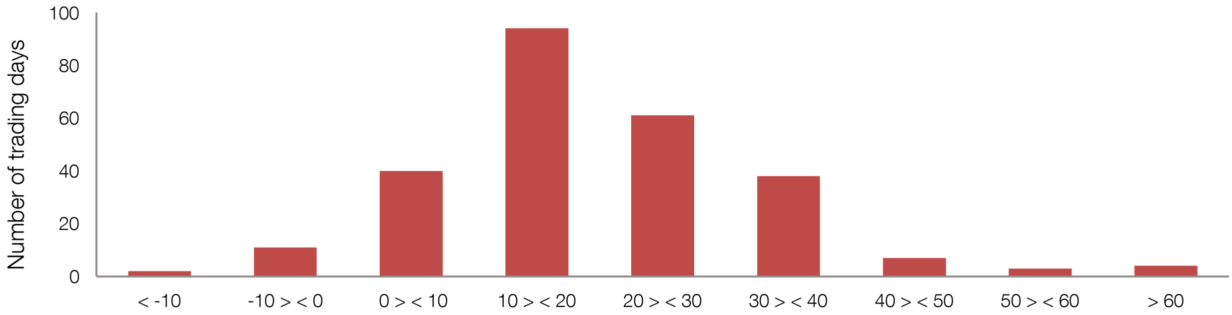
The following histograms show the distribution of this daily P&L over 2016, as well as the difference between daily P&L and VaR (negative values corresponding to backtesting breaches).

TABLE 27: REGULATORY TEN-DAY 99% VaR AND ONE-DAY 99% VAR (IN EUR M)

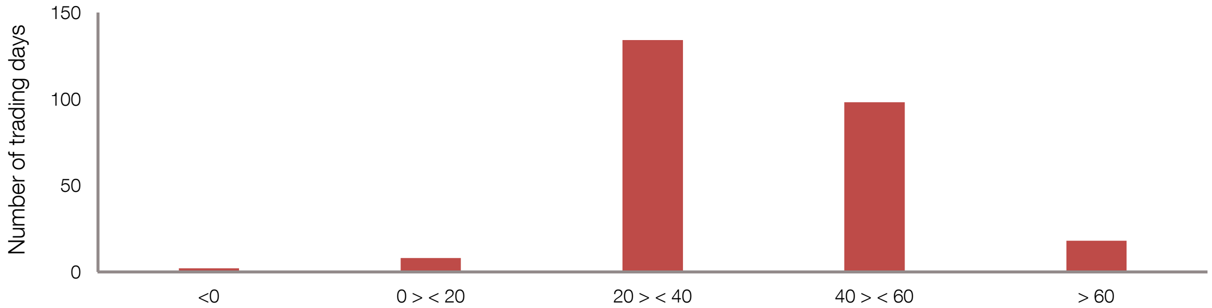
	31.12.2016		31.12.2015	
	VaR (ten-day, 99%)(1)	VaR (one-day, 99%)(1)	VaR (ten-day, 99%)(1)	VaR (one-day, 99%)(1)
Period start	55	17	66	21
Maximum value	99	31	99	31
Average value	67	21	68	22
Minimum value	43	13	43	14
Period end	97	31	59	19

(1) Over the scope for which capital requirements are assessed by internal model.

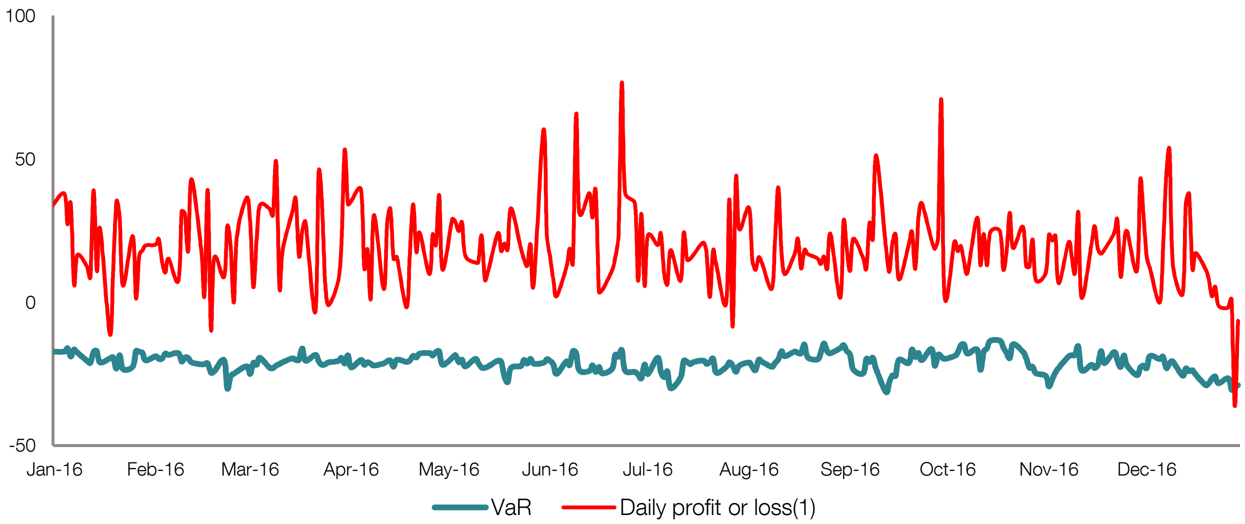
BREAKDOWN OF THE DAILY P&L[(1)] TRADING PORTFOLIOS (2016, IN EUR M)



DIFFERENCE BETWEEN DAILY VAR AND DAILY P&L[(1)] (2016, IN EUR M)

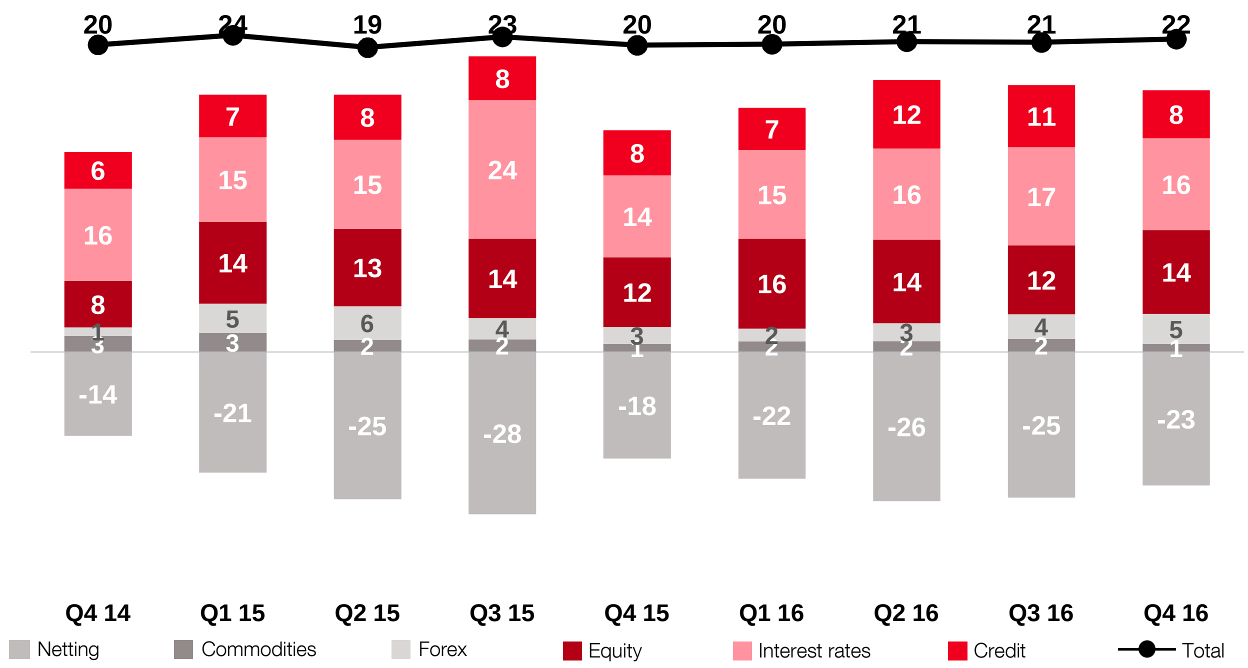


TRADING VAR (ONE-DAY, 99%) AND DAILY P&L[(1)] OF THE TRADING PORTFOLIOS (2016, IN EUR M)



(1) Daily profit or loss as defined in the "Value at Risk 99%(VaR)" section of the Group consolidated financial statements on the previous page.

AUDITED I BREAKDOWN BY RISK FACTOR OF TRADING VAR (ONE-DAY, 99%) – CHANGES IN QUARTERLY AVERAGE OVER THE 2015-2016 PERIOD (IN MILLIONS OF EUROS)



In 2016, VaR levels (one-day, 99%) remained low overall (EUR 21 million on average in 2016) due to a defensive risk profile on equity, in a market environment that remained uncertain, marked by a number of major unexpected political events (Brexit, US election) which brought about significant short-term market adjustments. VaR reached EUR 30 million on several occasions, such sporadic variations stemming from:

- the inclusion of normalisation scenarios within the VaR computation window at the beginning of the year, reflecting downwards equity volatility, which penalised our defensive equity positions;
- over the year, new positions related to client flows and passive deformations due to market movements on certain risk factors, in particular equity;
- new client flows on equity and the inclusion of new volatile scenarios within the computation window, in December.

Stressed VaR (SVaR)

At end-2011, Societe Generale was authorised by the French Prudential and Resolution Supervisory Authority (*Autorité de Contrôle Prudentiel et de Résolution* – ACPR) to supplement its internal models with the CRD3 requirements, in particular Stressed VaR, for the same scope as VaR.

The calculation method used for the 99% one-day SVaR is the same as under the VaR approach. It consists in carrying out a historical simulation with one-day shocks and a 99% confidence interval. Contrary to VaR, which uses 260 scenarios for one-day fluctuations over a rolling one-year period, SVaR uses a fixed one-year historical window corresponding to a period of significant financial tension.

The 99% ten-day SVaR used for the computation of the regulatory capital is obtained, as for VaR, by multiplying the 99% one-day SVaR by the square root of ten.

The historical stress window, which is determined using a method approved by the regulator, captures significant shocks on all risk factors (risks related to equity, fixed income, foreign exchange, credit and commodities). It is subject to an annual review. In 2016, this window covered the period from September 2008 to September 2009.▲

The average SVaR decreased in 2016 compared to 2015, mainly due to more defensive positions on equity.

TABLE 28: REGULATORY SVAR IN 2016 (TEN-DAY, 99%) AND VAR (ONE-DAY, 99%) (IN EUR M)

	31.12.2016		31.12.2015	
	SVaR (ten-day, 99%)[1]	SVaR (one-day, 99%)[1]	SVaR (ten-day, 99%)[1]	SVaR (one-day, 99%)[1]
Period start	155	49	243	77
Maximum value	216	68	299	95
Average value	142	45	172	55
Minimum value	89	28	86	27
Period end	164	52	129	41

(1) Over the scope for which capital requirements are assessed by internal model.

STRESS TEST ASSESSMENT

Methodology

Audited | Alongside the internal VaR model, Societe Generale monitors its exposure using stress test simulations to take into account exceptional market occurrences.

A stress test estimates the loss resulting from an extreme change in market parameters over a period corresponding to the time required to unwind or hedge the positions affected.

This stress test risk assessment is applied throughout all the Bank's market activities. It is based on a set of 18 scenarios (3 historical and 15 hypothetical), which include the "Societe Generale Hypothetical Financial Crisis Scenario" (or "Generalised" scenario) based on the events observed in 2008. These scenarios apply shocks to all substantial risk factors, including exotic parameters.

Together with the VaR model, this stress test risk assessment methodology is one of the main pillars of the risk management framework. The underlying principles are as follows:

- the stress test corresponds to the worst result arising from the set of historical and hypothetical scenarios;
- the shocks applied are calibrated on time horizons specific to each risk factor (the time horizon can range from 5 days for the most liquid risk factors, to more than 20 days for the least liquid ones);
- risks are calculated every day for each of the Bank's market activities (all products together), using the historical and hypothetical scenarios;
- stress test limits are established for Societe Generale's activity as a whole, and then for the Group's various business lines.

The various stress test scenarios are reviewed by the Risk Division on a regular basis, in conjunction with the Group's teams of economists and specialists. These reviews are presented during dedicated committee meetings hold every six months, attended by the head of the Market Risk department, Societe Generale economists and representatives of the Trading activities of the Group. These committee meetings cover the following topics: changes in scenarios (creation, removal, shock review), appropriate coverage of the risk factors by the scenarios, review of the approximations made in terms of calculation, correct documentation of the whole process. The delegation level needed to validate the changes in stress test scenarios depends on the impact of the modification contemplated. At the end of 2016, the time horizons used for shock calibration were reviewed: for some parameters (equity dividends, equity repos, implicit correlations on equity markets), the time horizons used previously were deemed inadequate in view of the evolution of market conditions, which led us to adjust the shocks used in the scenarios at the beginning of 2017.

HISTORICAL STRESS TESTS

this method consists of an analysis of the major economic crises that have affected the financial markets since 1995 (date from which the financial markets have become global and subject to increased regulatory requirements): the changes in the prices of financial assets (equities, interest rates, exchange rates, credit spreads, etc.) during each of these crises have been analysed 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. Accordingly, Societe Generale uses three significant historical scenarios related to the period from October to December 2008.

HYPOTHETICAL STRESS TESTS

The hypothetical scenarios are defined with the Group's economists and are designed to identify possible sequences of events that could lead to a major crisis in the financial markets (e.g. a major terrorist attack, political instability in the main oil-producing countries, etc.). The Group's aim is to select extreme but plausible events which would have major repercussions on all international markets. ▲

Accordingly, Societe Generale has adopted the 15 hypothetical scenarios described below:

- **generalised scenario (Societe Generale's hypothetical financial crisis scenario):** considerable mistrust of financial institutions after the Lehman Brothers' bankruptcy; collapse of equity markets, sharp decline in implied dividends, significant widening of credit spreads, pivoting of yield curves (rise in short-term interest rates and decline in long-term interest rates), substantial flight to quality;
- **GIIPS crisis:** mistrust in risky sovereign issuers and increased interest in higher-rated sovereign issuers such as Germany, followed by the spreading of fears to other markets (equities, etc.);
- **Middle East crisis:** instability in the Middle East leading to a significant shock in oil prices and other energy sources, a stock market crash, and a steepening of the yield curve;
- **terrorist attack:** major terrorist attack on the United States leading to a stock market crash, strong decline in interest rates, widening of credit spreads and sharp decline of the US dollar;
- **bond crisis:** crisis in the global bond markets inducing the decoupling of bond and equity yields, strong rise in US interest rates (and a more modest rise for other international rates), moderate decline on the equity markets, flight to quality with strong widening of credit spreads, rise in the US dollar;
- **US dollar crisis:** collapse of the US dollar against major international currencies due to the deterioration of the US trade balance and budget deficit, rise in interest rates and narrowing of US credit spreads;
- **Eurozone crisis:** decline in euro exchange rates, sharp rise in Eurozone interest rates, sharp fall in euro equities and rise in US equities, significant widening of euro credit spreads;
- **Yen carry trade unwinding:** change in monetary policy in Japan leading to yen carry trade strategies being abandoned: significant widening of credit spreads, decline in yen interest rates, rise in US and Eurozone long-term interest rates and flight to quality;
- **assets drop:** unexpected halt in Central Bank quantitative easing policies leading to a widespread drop in risky assets (equity, credit, emerging) combined with a significant increase in worldwide interest rates;
- **two other Eurozone crisis scenarios:** exit of Greece from the Eurozone, triggering a widespread drop in risky assets (equity, credit, emerging), more particularly in Europe, and a tightening of the US and Japanese sovereign spreads, mitigated with ECB support (activation of the OMT programme resulting in a decrease of interest rates in the Eurozone) or without ECB support (dislocation of the basis rates reflecting the freeze of the interbank market);
- **Russian crisis:** significant depreciation of the Russian currency, default of the Russian government, crisis in the bond markets and drop in equities, more particularly in emerging markets (see Russian crisis in September 1998);
- **major hedge fund crisis:** risk of dislocation of the international financial system stemming from the near-bankruptcy of a major hedge fund, triggered by a crisis in the bond markets (as seen with the near-bankruptcy of Long Term Capital Management in October 1998);
- **sudden economic rebound:** sharp rise in equity markets and in US and Eurozone interest rates (as seen with the anticipation of the beginning of the Iraq war in March 2003);
- **bursting of an equity bubble:** significant drop in the equity markets following the bursting of an equity bubble in a specific business sector (as seen with the Worldcom bankruptcy in July 2002).

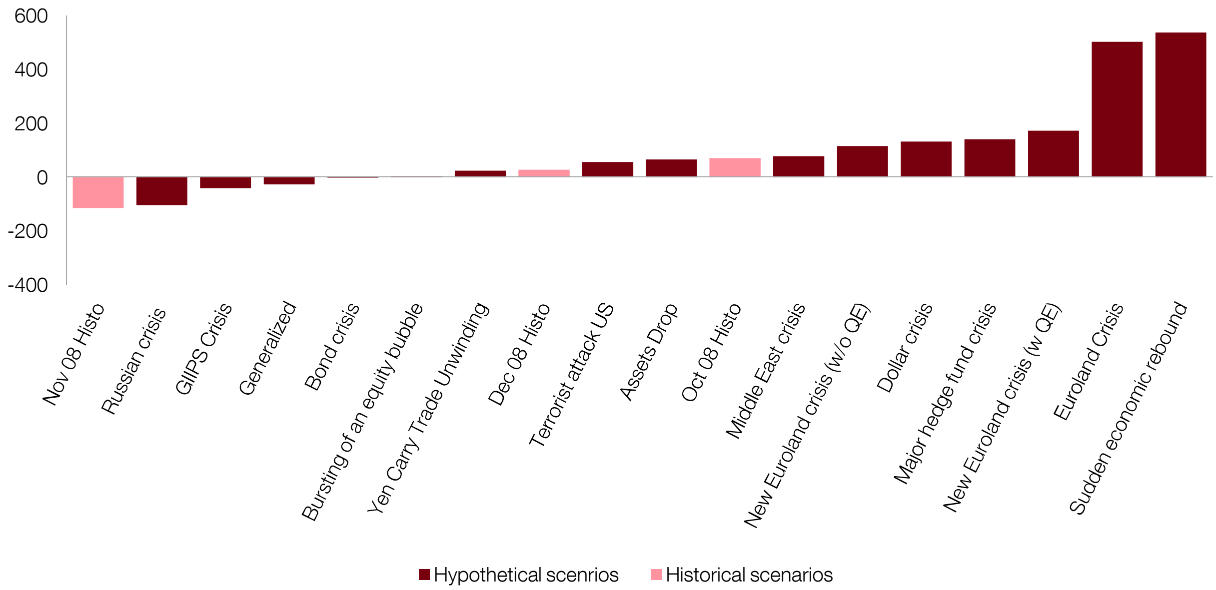
Average stress tests in 2016[1]

2016 was affected by numerous economic and political uncertainties, which resulted in a volatile and unstable market environment:

- worldwide economic growth remained low, mainly due to the uncertainty surrounding Brexit and the new US political context, which triggered fears of a reduction in international trade in goods and services. These two major political events brought about significant short-term adjustments in the markets, which nonetheless quickly returned to normal conditions;
- after reaching very low levels in the summer of 2016 in a context of accommodating monetary policies, the long-term rates finally increased following the US elections;
- the European banking sector remained fragile, especially in Italy and Portugal.

In this context, the Group's global stress test was relatively stable over 2016, at a low level, down from 2015 (-49% vs. 2015), due to more defensive equity positions reflecting the reduced risk profile adopted. As a result, the worst scenarios observed in 2016 include scenarios which apply relatively moderate shocks on equity activities.

SIMULATION OF IMPACT OF STRESS SCENARIOS (2016 AVERAGES IN EUR M)



(1) Excluding legacy assets which are subject to specific risk monitoring.

Market risk capital requirements

At end-2011, Societe Generale received approval from the ACPR to expand its internal market risk modelling system and in particular to include Stressed VaR (VaR on one-year historical window corresponding to a period of significant financial tensions), IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure), for the same scope as for VaR.

VaR and Stressed VaR were detailed in the previous section. IRC and CRM estimate the capital charge on debt instruments that is related to rating migration and issuer default risks. Societe Generale estimates these capital charges using a simulation model that distributes the various risk factors covered by regulatory requirements, while taking into account the relationships between these factors. IRC and CRM are 99.9% VaR factors, corresponding to the highest risk obtained after eliminating the 0.1% most adverse occurrences. Capital charges are incremental, meaning they are added to charges calculated based on VaR and SVaR.

A constant one-year liquidity horizon is used for all the portfolios on which IRC and CRM are calculated. This hypothesis means that the shocks applies to the positions in order to determine these two metrics (rating migrations, and spread of market parameters for CRM) are instantaneous one-year shocks. This hypothesis appears to be the most prudent choice in terms of models and capital, as compared to shorter liquidity horizons.

Governance

IRC and CRM are subject to the same governance as other internal models that meet the regulatory Pillar 1 requirements. In particular:

- a weekly analysis is performed on these metrics;
- these metrics are compared with standard stress tests defined by the regulator;
- a review of model assumptions at least once a year and an ex-post consistency control are carried out;
- the methodology and its implementation have been approved by the Group Internal Audit Division and the ACPR.

In accordance with the regulations, IRC is applied to debt instruments already measured using internal models, other than securitisations and the correlation portfolio. In particular, this includes bonds, CDS and related derivative products.

CRM exclusively covers the correlation portfolio, i.e. CDO tranches for liquid issuers and “first-to-default” products as well as their hedging using CDS and indices. Aside from the credit-migration and default risk, CRM also covers any other pricing risks (for example, spread, recovery and correlation risks). Ultimately, the capital charge corresponds to the largest value between the charge calculated using the internal model and 8% of the charge calculated using the standard method for market risks.

TABLE 29: IRC (99.9%) AND CRM (99.9%) (IN EUR M)

	31.12.2016	31.12.2015
Incremental Risk Charge (99.9%)		
Period start	354	338
Maximum value	396	619
Average value	286	383
Minimum value	184	276
Period end	187	403
Comprehensive Risk capital charge (99.9%)		
Period start	163	172
Maximum value	263	295
Average value	194	150
Minimum value	142	115
Period end	214	147

MARKET RISK CAPITAL REQUIREMENTS

TABLE 30: RWA AND CAPITAL REQUIREMENTS BY RISK FACTOR (MARKET RISK) (IN EUR M)

	Capital requirement			Risk-weighted assets		
	31.12.2016	31.12.2015	*Change*	31.12.2016	31.12.2015	*Change*
VaR	339	311	28	4,233	3,892	341
Stressed VaR	511	510	1	6,389	6,379	10
Incremental Risk Change (IRC)	187	403	(216)	2,343	5,038	(2,695)
Correlation portfolio (CRM)	214	163	51	2,669	2,031	638
Total market risks assessed by internal model*	**1,251**	**1,387**	**(136)**	**15,635**	**17,340**	**(1,705)**
Specific risk related to securitisation positions in the	6	37	(31)	73	467	(394)
Risk assessed for currency positions	48	41	7	600	513	87
Risks assessed for interest rates (excl.	20	33	(13)	246	414	(168)
Risk assessed for ownership positions	18	41	(23)	225	510	(285)
Risk assessed for commodities	8	7	1	94	83	11
Total market risks assessed by standard approach	**99**	**159**	**(60)**	**1,238**	**1,987**	**(749)**
Total	**1,350**	**1,546**	**(196)**	**16,873**	**19,327**	**(2,454)**

* See below: table presenting the main changes by effect (type of effect defined by the European Banking Authority) – CR8 and CCR7 tables

TABLE 31: RWA AND CAPITAL REQUIREMENTS BY TYPE OF MARKET RISK (IN EUR M)

	Capital requirement		Risk-weighted assets	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Risk assessed for currency positions	96	75	1,206	941
Risk assessed for credit (excl. deductions)	551	793	6,893	9,912
Risk assessed for commodities	20	18	252	227
Risk assessed for ownership positions	304	306	3,805	3,821
Risks assessed for interest rates	377	354	4,717	4,426
Total	**1,350**	**1,546**	**16,873**	**19,327**

Over 92% of Societe Generale's capital requirements related to market risk are determined using an internal model approach. The standard approach is mainly used for the positions taken by the head office and presenting a foreign exchange risk, which are not part of the trading book, as well as for the Group's subsidiaries that do not have access to the core IT tools developed internally, and for subsidiaries for which the Group is awaiting approval from the regulator to use the internal models. The main entities concerned are Societe Generale Investment Limited (formerly Newedge UK), and some International Banking and Financial Services entities (Rosbank, SGMA, BRD, Splitska Banka, Mobiasbanca). The decrease in capital requirements related to market risk, observed both on internal model perimeter and on standard approach perimeter, is mainly due to (i) a reduction in IRC, stemming from a progressive repositioning on safer issuers from Q2 2016 onwards and a reduction in positions, and (ii) the amortisation of the positions on the securitisation portfolio.

Change in RWA using the IRB approach (EUR m)	VaR	SVaR	IRC	CRM	Other	Total RWA	Capital requirements
RWA at the end of the previous period (31.12.2015)	**3,892**	**6,379**	**5,038**	**2,030**	**0**	**17,340**	**1,387**
Regulatory adjustments	2,017	4,761	0	195	0	6,974	558
End-of-day RWA of the previous period	1,875	1,618	5,038	1,835	0	10,366	829
Movement in risk levels	(34)	(89)	(2,694)	639	0	(2,179)	(174)
Model changes/updates	367	82	0	0	0	449	36
Forex movements	8	16	0	0	0	25	2
End-of-day RWA of the period	2,412	2,049	1,770	2,531	0	8,762	701
Regulatory adjustments	1,822	4,340	574	138	0	6,873	550
RWA end of period (31.12.2016)	**4,233**	**6,389**	**2,343**	**2,669**	**0**	**15,635**	**1,251**

6. OPERATIONAL RISKS

OPERATIONAL RISK MANAGEMENT: ORGANISATION AND GOVERNANCE

Societe Generale implements and continuously improves its processes, management tools and control infrastructure to enhance the Group-wide control and management of operational risks. These include, among others, the monitoring of losses and incidents, managerial supervision, business continuity plans[(1)], the New Product Committees[(2)], and specific complementary schemes dedicated to the management of compliance risks[(3)] and information system security risks[(4)].

The Operational Risk Department

The Operational Risk Department within the Group's Risk Division works in close cooperation with operational risk staff in the core businesses and Corporate Divisions.

The Operational Risk Department is notably responsible for:

- organising the Operational Risk function;
- designing and implementing the Group's operational risk management system, in consultation with the business divisions and Corporate Divisions;
- promoting high vigilance of operational risk within the Group.

The Operational Risk Department is also in charge of:

- preparing the overall Group business continuity and crisis management policy, managing the policy and coordinating its implementation;
- managing schemes for first-level permanent control of the Group and organising the managers coordinating first-level permanent control;
- performing second-level permanent control with respect to operational risks, the latter including in particular risks specific to the various business lines, and the risks related to purchasing, communication, property, human resources and information technology.

The Operational Risk function

In addition to the Operational Risk Department, the Operational Risk function includes Operational Risk Managers (ORMs) in the core businesses and Corporate Divisions, who are under the operational authority of the Group's Chief Operational Risk Officer.

ORMs operate throughout the Group's entities and are responsible for implementing the Group's procedures, instructions and guidelines, and for monitoring and managing operational risks, with the support of dedicated operational risk staff in the business lines and entities, and in close collaboration with the respective entities' operational managers.

Operational Risk Committees have been set up at Group level, as well as in the core businesses, Corporate Divisions and subsidiaries.

OPERATIONAL RISK MEASUREMENT

Since 2004, Societe Generale has used the Advanced Measurement Approach (AMA), as proposed by the Capital Requirements Directive, to measure operational risk. This approach, implemented across the main Group entities, notably makes it possible to:

- identify the businesses that have the greatest risk exposures;
- identify the types of risk that have the greatest impact on the Group's risk profile and overall capital requirements;
- enhance the Group's awareness, vigilance and management of operational risks.

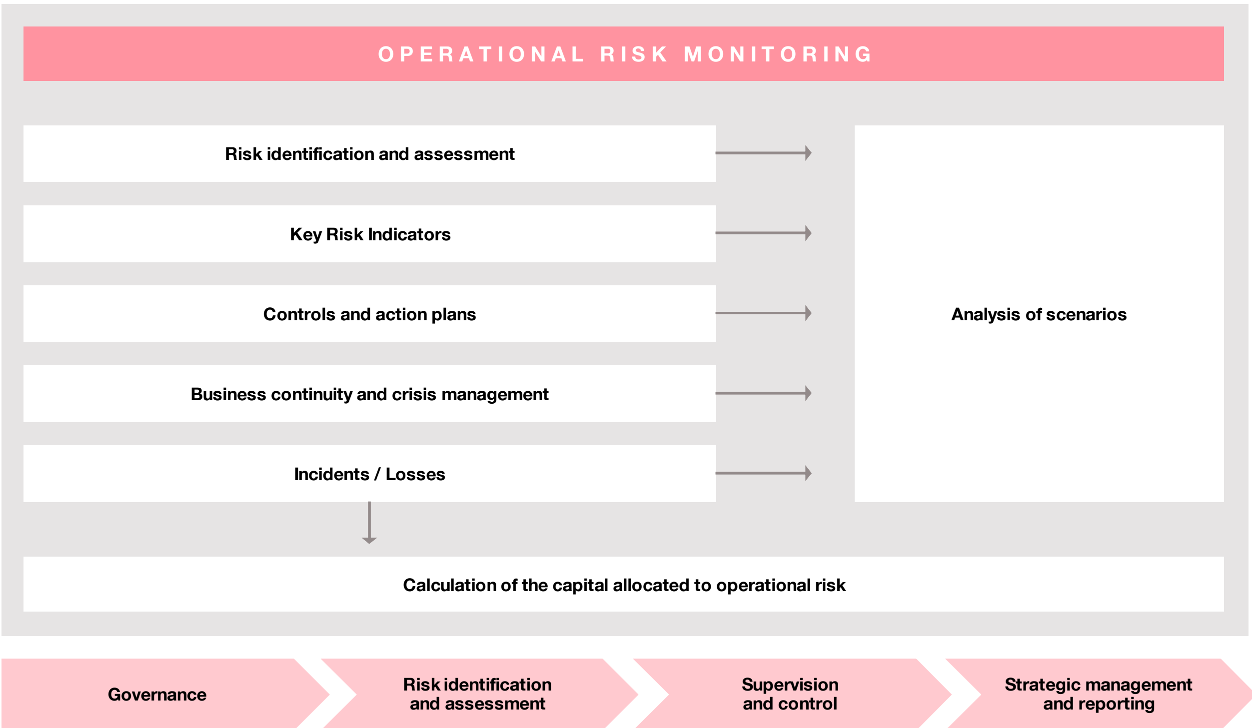
In 2007, the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) conducted an in-depth review of the system in place at Societe Generale. As a result, it authorised the Group to use the most advanced measurement approach, as defined by the Basel 2 Accord (i.e. the AMA or Advanced Measurement Approach) to calculate the Group's capital requirements for operational risks, starting from 1st January 2008. This authorisation covers more than 90% of the Societe Generale Group's total net banking income.

(1) See Chapter 3, page 142 and Chapter 4, page 217.
(2) See Chapter 3, page 143.
(3) See Chapter 4, page 232 and following.
(4) See Chapter 3, page 142.

OPERATIONAL RISK MONITORING PROCESS

The frameworks specifically established by regulations[1] have been implemented on the basis of existing procedures wherever possible. They notably include:

- the gathering of internal data on operational risk losses;
- the analysis of external loss data;
- the analysis of scenarios;
- Risk and Control Self-Assessment (RCSA) processes;
- Key Risk Indicators (KRI);
- permanent second-level control;
- crisis management and business continuity planning;
- combating fraud;
- New Product Committees;
- the monitoring of external service providers.



(1) Regulatory reference texts:
- Order of 20th February 2007 relating to capital requirements for credit institutions and investment firms – Article 370 on internal control and environmental factors;
- International Convergence of Capital Measurement and Capital Standards – Basel Committee on Banking Supervision – June 2004;
- Sound Practices for the Management and Supervision of Operational Risk – Basel Committee on Banking Supervision – February 2003;
- Order of 3rd November 2014 relating to the internal control of credit institutions and investment firms, replacing the CRBF (French Banking and Financial Regulation Committee) regulation No. 97-02.

Societe Generale's classification of operational risks in eight event categories and 49 mutually exclusive sub-categories is the cornerstone of its risk modelling, ensuring consistency throughout the system and enabling cross-business analyses throughout the Group. The eight event categories are as follows:

- commercial disputes;
- disputes with authorities;
- pricing or risk valuation errors;
- execution errors;
- fraud and other criminal activities;
- rogue trading;
- loss of operating resources;
- IT system interruptions.

Internal loss data collection

Internal loss (but also gains and near loss) data has been compiled throughout the Group since 2003, enabling operational staff to:

- define and implement the appropriate corrective actions;
- achieve a deeper understanding of their risk areas;
- enhance the awareness of and vigilance with respect to operational risks in the Group.

The minimum threshold above which a loss (or gain or near loss) is recorded is EUR 10,000 throughout the Group, except for global market activities, where this threshold is EUR 20,000 due to the scope of its activity and the volumes involved.

Below these thresholds, the losses representing weak-signal risks are collected by the Group's various businesses and reported as an aggregation if they concern the same risk event and the total exceeds the reporting threshold.

Risk and Control Self-Assessment

The purpose of Risk and Control Self-Assessment (RCSA) is to assess the Group's exposure to operational risks in order to improve their monitoring. Based on the results of other operational risk management frameworks (internal losses, key risk indicators, etc.), risk areas are identified by the functions based on their respective fields of expertise, and interviews are conducted with Group experts.

The objectives are as follows:

- identifying and assessing the major operational risks to which each business is exposed (the "intrinsic" risks, i.e. those inherent in the nature of a business, while disregarding prevention and control systems). Where necessary, risk mapping established by the functions (e.g. Compliance, Information Systems Security, etc.) contribute to this assessment of intrinsic risks;
- assessing the quality of major risk prevention and mitigation measures (including their existence and effectiveness in detecting and preventing major risks and/or their capacity to reduce their financial impact);
- assessing the risk exposure of each business that remains once the risk prevention and mitigation measures are taken into account (the "residual risk"), while disregarding insurance coverage;
- correcting any deficiencies in risk prevention and mitigation measures and implementing corrective action plans;
- facilitating and/or supporting the implementation of key risk indicators;
- adapting the risk insurance strategy, if necessary. As part of this exercise, the risks within a given scope are described using a double scale of severity and frequency.

Key risk indicators

Key risk indicators (KRIs) supplement the overall operational risk management system by providing a dynamic view (warning system) of changes in business line risk profiles. Accordingly, regular KRI monitoring assists managers of the business entities in their assessment of the Group's operational risk exposure, thereby providing them with:

- a quantitative, verifiable risk measurement;
- a regular assessment of the improvements or deteriorations in the risk profile and the control and prevention environment which require particular attention or an action plan.

A cross analysis of Group-level KRIs and operational losses is presented to the Group's Executive Committee on a quarterly basis via a specific dashboard.

Analysis of scenarios

The analysis of scenarios serves two purposes: informing the Group of potential significant areas of risk and contributing to the calculation of the capital required to cover operational risks.

For the calculation of capital requirements, the Group uses *scenario* analyses to:

- measure its exposure to potential losses arising from low frequency/very high severity events;
- provide an expert's opinion of loss distribution for event categories whose internal loss data history is insufficient.

In practice, various scenarios are reviewed by experts who gauge the severity and frequency of the potential impacts for the Group by factoring in internal and external loss data as well as the internal framework (controls and prevention systems) and the external environment (regulatory, business, etc.). Analyses are undertaken for two types of scenarios:

- major Group stress scenarios, involving very severe events that cut across businesses and departments, having an external cause in most cases and requiring, if necessary, a business continuity plan (BCP);
- business line scenarios that do not, strictly speaking, fall into the category of business continuity, but are used to measure the unexpected losses to which the businesses may be exposed. Specific actions are performed in order to prevent the portfolio from being diluted over too many scenarios and to maintain the system's focus on risks that could severely impact the Group;

Governance is established in order to, notably:

- allow the approval of the annual scenario update programme by the Risk Committee (CORISQ);
- allow the approval of the scenarios by the senior management of the core businesses and Corporate Divisions, through internal control coordination committees (CCCI) for the departments involved or through ad hoc meetings;
- conduct an overall review of the Group's risk hierarchy and of the suitability of the scenarios through the "Expert Committees" chaired by the Group Chief Risk Officer.

Analysis of external losses

External losses are the data of operational losses suffered by the banking and financial sector, coming from databases managed by external providers, as well as data shared by the banking industry as part of consortia.

This data is used to enhance the identification and assessment of the Group's exposure to operational risks by benchmarking internal loss records against industry-wide data.

Permanent second-level control

The permanent second-level control in the Operational Risk Department covers all Group business lines with a team dedicated to the review of IS/ISS controls.

These second-level controls cover the operational risks specific to the business lines and related to purchases, communication, real estate, human resources and information systems. They are intended to ensure that the first-level controls are defined, implemented and effective, and that corrective measures are implemented for any anomalies.

Verifications made by the second-level control teams concern all the Group's business activities. They are applied first and foremost to controls covering the major risks and to controls selected randomly.

Crisis management and business continuity

The crisis management and business continuity systems aim to mitigate as much as possible the impacts of potential damages on customers, staff, activities and infrastructure, thus protecting the Group's reputation, its brands' image and its financial resiliency. The systems also meet regulatory requirements.

The approach used to implement and optimise the business continuity systems of each Group entity is based on a methodology that meets international standards. It consists primarily in identifying risks to which the company is exposed as well as their possible impacts, implementing an effective response capability to withstand various crisis scenarios (including extreme shocks), and maintaining these systems to ensure they remain effective.

Combating fraud

The Group pays particular attention to preventing and detecting fraud. Losses due to fraud are contained after dropping remarkably from 2010 to 2014, notably due to the implementation of effective systems in all core businesses and Corporate Divisions. Acting as a second line of defence, the Operational Risk Department carefully monitors fraudulent events causing losses for the Group, monitors the action plans defined by entities, and shares best practices.

OPERATIONAL RISK MODELLING

The method used by the group for operational risk modelling is based on the loss distribution approach (LDA).

Under this approach, operational risks are modelled using segments, each segment representing a type of risk and a Group core business. The frequency and severity of operational risks, based on past internal losses, external losses or scenario analyses, are estimated and the distribution of annual losses is calculated for each segment. This approach is supplemented by cross-business scenario analyses that measure cross-business risks for core businesses, such as, for example, property destruction and pandemic risks.

Aside from the individual risks associated with each segment or cross-business scenario analysis, the model takes into account the diversification between various types of risks and core businesses, as well as the effect of insurance policies underwritten by the Group.

The Group's regulatory capital requirements for operational risks within the scope eligible for the AMA (Advanced Measurement Approach) internal model are then defined as the 99.9% quantile of the Group's annual loss distribution.

Societe Generale's total capital requirements for operational risks were EUR 3.6 billion at the end of 2016, representing EUR 44.7 billion in risk-weighted assets. This assessment integrates capital requirements on both the AMA and Standard scopes.

Insurance cover in risk modelling

In accordance with regulations, Societe Generale incorporates risk cover provided by insurance policies when calculating regulatory capital requirements for operational risks, within the limit of 20% of said requirements.

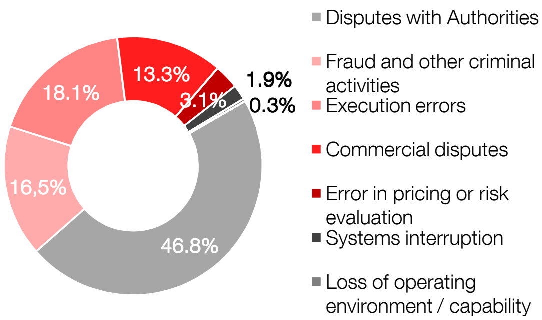
These insurance policies cover part of the Group's major risks, i.e. civil liability, fraud, fire and theft, as well as systems interruptions and operating losses due to a loss of operating resources.

Risk reduction through insurance policies results in a 6% decrease in total capital requirements for operational risks.

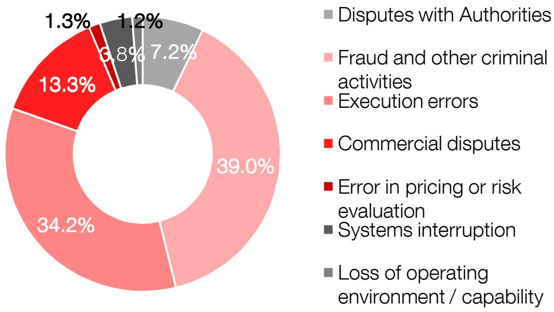
Quantitative data

The following charts break down operating losses by risk category for the 2012-2016 period.

OPERATIONAL RISK LOSSES: BREAKDOWN BY SOCIETE GENERALE RISK EVENT TYPE – AMOUNTS



OPERATIONAL RISK LOSSES: BREAKDOWN BY SOCIETE GENERALE RISK EVENT TYPE – NUMBER OF EVENTS



Over the past five years, Societe Generale's operational risks were concentrated on average on four types, accounting for 95% of the Group's total operating losses:

- **Disputes with authorities represented 47% of the Group's operating losses over the period. Losses incurred through this type** of litigation are relatively high unit amounts, so that this category represents only 7% of the total number of losses. 2016 was marked by the reduction, by the European Commission, of the fine on the Euribor litigation (a loss in 2013). This loss now accounts for 25% of the total amount of losses in this category over the period.
- **Execution errors** represented 18% of total operating losses, thereby representing the second leading cause of loss for the Group. Although losses of this type generally increased over the period, they remain volatile, linked to the volume of transactions processed.
- **Fraud and other criminal activities**, the third-largest category, represented 16% of operational losses over the period (in terms of amount). They are mainly due to electronic payment fraud and the production of false documents relating to guarantees for financing under collection.
- **Commercial disputes** represented 13% of total Group operating losses. The amount of losses in this category was stable compared with last year. However, given the disputes involving large amounts observed among our peers, we should be careful to remain vigilant, in particular regarding the selection of sold products, their compliance, the quality of their documentation and the quality of service expected by customers.

The other categories of Group operational risk (rogue trading, IT system interruptions, loss of operating resources, etc.) were still fairly insignificant, representing barely 5% of the Group's losses on average over the 2012 to 2016 period.

OPERATIONAL RISK INSURANCE

Policies of the insurance subscription

GENERAL POLICY

Since 1993, Societe Generale has implemented a global policy of hedging Group operational risks through insurance.

This consists in searching the market for the broadest and highest levels of guarantee with regard to the risks incurred and enabling all entities to benefit from these guarantees wherever possible. Coverage is taken out with leading insurers. Where required by local legislation, local policies are taken out, which are then reinsured by insurers that are part of the global programme.

In addition, special insurance policies may be taken out by entities which perform specific activities.

A Group internal reinsurance company intervenes in several policies in order to pool high-frequency, low-level risks between entities. This approach contributes to the improvement of the Group's knowledge and management of its risks.

Description of main coverages

GENERAL RISKS

Buildings and their content, including IT equipment, are insured at their replacement value. The guarantee covering acts of terrorism abroad has been renewed.

Liability other than professional liability (i.e. relating to operations, Chief Executive Officers and Directors, vehicles, etc.) is covered by insurance policies around the world. The amounts insured vary from country to country to meet operating requirements.

RISKS ARISING FROM OPERATIONS

Insurance is only one of the measures to offset the consequences of the risks inherent in the Group's activity. It complements the risk monitoring policy led by the Group.

THEFT/FRAUD

These risks are included in the "Banker's Blanket Bond" policy that insures all the Group's financial activities around the world.

Internal frauds (committed by an employee or by a third party acting with the aid of an employee) and external frauds (committed by a third party acting on its own), with the intent to obtain illicit personal gain or to harm the Group, are covered.

PROFESSIONAL LIABILITY

The consequences of any legal action against staff or managers as a result of their professional activity are insured under a global policy.

OPERATING LOSSES

The consequences of any accidental interruption to activity are insured under a global policy. This policy supplements 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.

CYBER ATTACKS

In an environment – not specific to the banking sector – where new forms of crime are rapidly developing, mainly involving data theft or the compromise or destruction of computer systems, a cyber risk insurance policy has been taken out. It provides cover for the reimbursement of various expenses and business interruption losses which the Group would incur following a Cyber attack, as well as any financial consequences arising from its civil liability in such cases.

CAPITAL REQUIREMENTS

Societe Generale's capital requirements related to operational risk are calculated mainly under the internal model (93% in 2016, stable compared with 2015).

The following table presents the Group's risk-weighted assets and the corresponding capital requirements at 31st December 2016.

TABLE 32: RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS FOR OPERATIONAL RISK (IN EUR M)

	31.12.2016				31.12.2015			
	RWA under Standardised approach	RWA under Advanced Measurement Approach (AMA)	Total RWA	Capital requirements	RWA under Standardised approach	RWA under Advanced Measurement Approach (AMA)	Total RWA	Capital requirements
Global Banking and Investor Solutions	401	28,889	29,290	2,343	314	27,950	28,263	2,261
Corporate Centre	418	2,946	3,364	269	354	2,988	3,342	267
International Retail Banking and Financial Services	2,205	4,773	6,978	558	2,431	5,070	7,501	600
French Retail Banking	47	4,706	4,753	380	38	4,709	4,747	380
Total	**3 071**	**41,314**	**44,385**	**3,550**	**3,137**	**40,717**	**43,854**	**3,508**

Operational risk-weighted assets were stable overall between end-2015 and end-2016.

7. STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

Audited | Structural exposure to interest rate and exchange rate risks results from commercial transactions and their associated hedging transactions, as well as from corporate centre transactions.

The interest rate and exchange rate risks linked to trading activities are excluded from the structural risk measurement scope, as they belong to the category of market risks. Structural and market exposures constitute the Group's total interest rate and exchange rate exposure.

The general principle is to reduce structural interest rate and exchange rate risks to the greatest extent possible within the consolidated entities. Wherever possible, commercial transactions and corporate centre operations within entities are hedged against interest rate and exchange rate risks, either through micro-hedging (individual hedging of each commercial transaction) or macro-hedging techniques (hedging of portfolios of similar commercial transactions within a treasury department). At a consolidated level, a structural foreign exchange position is retained in order to minimise the sensitivity of the Group Common Equity Tier 1 ratio to currency fluctuations.

ORGANISATION OF THE MANAGEMENT OF STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

The principles and standards for managing these risks are defined at the Group level. The entities are first and foremost responsible for managing these risks. The ALM (Asset and Liability Management) Department within the Group's Finance Division supplements the control framework.

The Group Finance Committee, a General Management body

The Group Finance Committee:

- validates and oversees the structural risk monitoring, management and supervision system;
- reviews changes in the Group's structural risks through consolidated reporting;
- examines and validates the measures proposed by the Group's Finance Division.

The ALM Department within the Finance Division

The ALM Department is responsible for:

- defining the structural risk policies for the Group and formalising risk appetite for structural risks;
- defining the steering indicators and overall stress test scenarios for the different types of structural risk and setting the main limits for the business divisions and the entities;
- analysing the Group's structural risk exposure and defining hedging strategies;
- monitoring the regulatory environment concerning structural risk;
- defining the ALM principles for the Group;
- defining the normative environment of structural risk metrics, modelling methods and framework;
- validating the models used by the Group entities with regard to structural risks, validated together with the Risk Division and the business lines;
- inventorying, consolidating and reporting on Group structural risks;
- monitoring compliance with structural risk limits.

The ALM Risk Control Department within the Risk Division

The second-level supervision of the ALM models used within the Group and of associated frameworks is provided by a dedicated service within the Risk Department. Accordingly, this department provides an opinion on the methodological principles, parameters and backtests of ALM models. It analyses proposals from the ALM Department regarding the risk indicators, stress test scenarios and structural risk frameworks. It also conducts second-level controls of the risk limits comprising such frameworks. The Risk Department organises and chairs the Model Validation Committee.

The entities are responsible for structural risk management

In this respect, entities apply the standards defined at the Group level, develop their own models, measure their risk exposure and implement the required hedges.

Each entity has its own structural risk manager, who reports to the entity's Finance Division and is responsible for conducting first-level controls and for reporting to the Group Finance Division via a shared IT system. Retail Banking entities both in France and abroad generally have an *ad hoc* ALM Committee responsible for applying the validated models, managing exposures to interest rate and exchange rate risks, and implementing the hedging programmes in compliance with the principles set out by the Group and the limits validated by the Finance Committee and the business lines' ALM Committees. ▲

AUDITED I STRUCTURAL INTEREST RATE RISK

Structural interest rate risk is measured within the scope of structural activities (commercial transactions, the associated hedging transactions and corporate centre transactions) for each of the Group's entities.

Structural interest rate risk arises mainly from the residual gaps (surplus or deficit) in each entity's fixed-rate forecasted positions.

Objective of the Group

When steering structural interest rate risk, the main aim is to ensure the risk is managed by reducing each Group entity's exposure to structural interest rate risk as far as possible.

To this end, each entity and the Group as a whole are subject to sensitivity limits validated by the Finance Committee. Sensitivity is defined as the variation in the net present value of future (maturities covering more than 20 years) residual fixed-rate positions (surplus or deficit) for a 1% parallel increase in the yield curve (i.e. this sensitivity does not relate to the sensitivity of the annual net interest margin). The limit set at Group level is EUR 1 billion.

Measurement and monitoring of structural interest rate risks

Societe Generale uses several indicators to measure the Group's overall interest rate risk. The three most important indicators are:

- interest rate gap analysis (the difference between outstanding fixed-rate assets and liabilities by maturity): the schedule of fixed-rate positions is the main indicator for assessing the characteristics of the necessary hedging operations. It is calculated on a static basis;
- net present value sensitivity: an additional summary indicator used to set limits for the entities. It is calculated as the sensitivity of the net present value of the balance sheet to variations in interest rates. This measurement is calculated for all currencies to which the Group is exposed;
- interest margin sensitivity to variations in interest rates in various stress scenarios: this takes into account the sensitivity generated by future commercial productions over a three-year rolling horizon. It is calculated on a dynamic basis.

In order to quantify its exposure to structural interest rate risks, the Group analyses all fixed-rate assets and liabilities in the future. These positions come from transactions remunerated or charged at fixed rates and from their maturities.

Assets and liabilities are analysed separately, without any *a priori* matching. The maturities of outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, conventional assumptions and models based on customers' historic behaviour patterns (particularly for sight deposits, regulated savings accounts, early loan repayments, and shareholders' equity).

Once the Group has identified its fixed-rate positions (surplus or deficit), it calculates the sensitivity (as defined above) to interest rate variations. This sensitivity is defined as the variation in the net present value of the fixed-rate positions for an instantaneous 1% parallel increase in the yield curve.

In addition to this analysis, the Group analyses the sensitivity of its fixed-rate position to different yield curve configurations (steepening and flattening). The measurement of the net interest income sensitivity over a three-year rolling horizon is also used by the Group to quantify the structural interest rate risk of significant entities.

Throughout 2016, the Group maintained overall sensitivity to interest rate risk at less than 1.5% of Group regulatory capital, and below the EUR 1 billion limit.

The following observations can be made with regard to the business lines' structural interest rate risk:

- within French Retail Banking, the outstanding amounts of customer deposits are generally considered to be fixed-rate. Macro-hedging is set up mainly through the use of interest rate swaps, in order to maintain net present value and income margin sensitivities to interest rate risk (on the basis of the scenarios adopted) within the limits set. At end-December 2016, the sensitivity of French Retail Banking's net present value to an instantaneous 1% parallel increase in the yield curve, based on its essentially euro-denominated assets and liabilities, was EUR -64 million;
- transactions with large corporates are generally micro-hedged and therefore present no residual interest rate risk;
- transactions with customers of the specialised financial services subsidiaries are generally macro-hedged and therefore present only a very low interest rate risk;
- commercial transactions at the Group's subsidiaries and branches located in countries with weak development of the financial markets can generate structural interest rate risk. Such entities may face difficulties in optimally hedging interest rate risk, but these positions, managed within limits, remain low at the Group level;
- corporate centre transactions are subject to hedging.

Sensitivity to interest rate variations within the Group's main entities, accounting for 84% of the Group's outstanding loans, and the corporate centre, represented EUR 111 million as at 31st December 2016 (for an instantaneous 1% parallel increase in the yield curve).

TABLE 33: MEASUREMENT OF THE ENTITIES' SENSITIVITY TO A 1% INTEREST RATE SHIFT, INDICATED BY MATURITY

(In EUR m)	< 1 year	1-5 years	> 5 years	Total
Amount of sensitivity (31.12.2016)	15	9	87	111
Amount of sensitivity (31.12.2015)	(36)	(10)	91	45

▲

The results of the gap measurements (difference between liability and asset outstandings, at a fixed rate, by maturity) for the same entities are as follows (liabilities minus assets):

TABLE 34: INTEREST RATE GAPS BY MATURITY

(In EUR m)

Maturities	1 year	3 years	5 years	7 years
Amount of gap (31.12.2016)	(3,662)	8,200	340	3,030
Amount of gap (31.12.2015)	(6,340)	1,369	3,336	66

The Group analyses the sensitivity of earnings to variations in market interest rates using stress tests on the net interest margin.

At 31st December 2016, the Group's net interest margin sensitivity for 2017 was as follows:

TABLE 35: SENSITIVITY OF THE GROUP'S INTEREST MARGIN

(In EUR m)	31.12.2016	31.12.2015
Parallel increase in interest rates of 200 bp	236	81
Parallel decrease in interest rates of 200 bp	(207)	(145)
Parallel increase in interest rates of 100 bp	115	43
Parallel decrease in interest rates of 100 bp	(64)	(85)
Steepening	(54)	(48)
Flattening	161	(87)

Calculations are based on aggregated estimates at 31st December from a scope of Group consolidated entities representing 8/10th of outstanding loans, monitored in terms of net present value sensitivity, and from the corporate centre.

The dynamic vision of the balance sheet varies according to the amortisation of outstanding transactions and transaction renewals based on outstanding amounts budgeted for 2017. The steepening assumptions used allow for a 100bp increase in long-term rates with short-term rates remaining constant. The flattening scenario used for the simulation allows for a 100bp increase in short-term rates with long-term rates remaining constant.

The Societe Generale Group's interest margin sensitivity over the full year of 2017 is relatively low. In the event of a parallel shift in the yield curves of +200bp, the sensitivity is positive and represents less than 1% of net banking income.

The net interest margin sensitivity mainly stems from the impact on:

- customer deposits: in general, little or no interest is paid on deposits, and pricing is only partly impacted by fluctuations in interest rates, as the margin on deposits is mainly derived from reinvestment rates;
- new loan production, for which pricing is not adjusted as quickly as market rates.

The margin sensitivity on outstanding customer transactions results from the renewal of amounts due on reinvested deposits, and from the residual sensitivity to interest rate variations, which is low thanks to the hedging policy and the use of variable-rate positions.

The French and International Retail Banking activities are favourably exposed to a rise in interest rates, as deposits can then be reinvested at higher rates, while margins on outstanding loans remain stable. This increase in margin is, however, partially offset by the fall in margins on new loan production (loan rates do not adjust as quickly as market rates) and by an increase in funding costs. Conversely, Retail Banking activities are unfavourably exposed to a fall in interest rates as deposits are then reinvested at lower rates and the margin on outstanding loans falls due to prepayments. This fall in margin is partially offset by the rise in margins on new loan production (customer loan rates do not fall as quickly as market rates) and by a reduction in funding costs.

AUDITED I STRUCTURAL EXCHANGE RATE RISK

Structural exchange rate risk is mainly caused by:

- foreign currency denominated capital contributions and equity investments financed through the purchase of foreign currencies;
- retained earnings in foreign subsidiaries;
- investments made by certain foreign subsidiaries in a currency other than that used for their equity funding, for regulatory reasons.

Objective of the Group

The Group's policy consists in calibrating the hedging of its net investments in foreign entities in such a way as to reduce the sensitivity of its Common Equity Tier 1 ratio to fluctuations in exchange rates as far as possible. To this end, it enters into hedging transactions to maintain a currency exposure reducing such sensitivity to within limits validated by the Finance Committee.

Measurement and monitoring of structural foreign exchange rate risks

The Group quantifies its exposure to structural foreign exchange rate risks by analysing all assets and liabilities denominated in foreign currencies, arising from commercial transactions and the corporate centre.

The Group monitors structural exchange rate positions and manages the sensitivity of the Common Equity Tier 1 ratio to exchange rate fluctuations.

In 2016, structural positions monitoring reduced the Common Equity Tier 1 ratio sensitivity to currency fluctuations (sensitivity of the Common Equity Tier 1 ratio is managed within limits per currency set according to the Group's risk appetite in these currencies). ▲

The table below presents the impact on the Group Common Equity Tier 1 ratio of a 10% currency depreciation or appreciation for 31st December 2016.

TABLE 36: SENSITIVITY OF THE COMMON EQUITY TIER 1 RATIO OF THE GROUP TO A 10% CURRENCY CHANGE (IN BASIS POINTS)

	Impact on the Common Equity Tier 1 ratio of a 10% currency depreciation		Impact on the Common Equity Tier 1 ratio of a 10% currency appreciation	
Currency	31.12.2016	31.12.2015	31.12.2016	31.12.2015
USD	2	(2)	(2)	2
CHF	1	1	(1)	(1)
RUB	0	0	0	0
RON	0	0	0	0
BRL	0	0	0	0
GBP	(1)	(1)	1	1
CZK	(1)	(1)	1	1
NOK	(1)	(1)	1	1
OTHERS	(2)	(4)	2	4

8. LIQUIDITY RISK

Audited I Liquidity risk is defined as the risk of not being able to meet cash flow or collateral requirements when they fall due and at a reasonable price.

GOVERNANCE AND ORGANISATION

The principles and standards applicable to the management of liquidity risks are defined by the Group's governing bodies, whose duties in the area of liquidity are listed below:

- The Board of Directors:
  - establishes the level of liquidity risk tolerance as part of the Risk Appetite exercise, including the time period during which the Group can operate under conditions of stress ("survival horizon"),
  - meets regularly (at least quarterly) to examine the Group's liquidity risk situation;
- the Executive Committee:
  - sets budget targets in terms of liquidity based on proposals from the Group's Finance Division,
  - allocates liquidity to the businesses and Group Treasury based on proposals from the Group's Finance Division;
- the Finance Committee is the body responsible for monitoring structural risks and managing scarce resources. As such, it:
  - meets every six weeks, under the chairmanship of the Chief Executive Officer or a Deputy Chief Executive Officer, with the representatives of the Finance and Development Division's Risk Department and of the businesses,
  - oversees and validates the limits set for structural liquidity risk,
  - regularly monitors compliance with the budget and liquidity trajectory,
  - takes decisions, if necessary, on the implementation of corrective measures,
  - takes decisions, if necessary, on methodology issues regarding liquidity risk management,
  - examines regulatory changes and their impact.

The businesses are responsible for managing liquidity risk within their scope and are directly supervised by the Group Finance Division. They must ensure compliance with the regulatory requirements applicable to the entities falling within their scope of supervision.

The Group Finance Division manages and monitors liquidity risk through three separate departments, in compliance with the principle of separation between risk steering, execution and control functions:

- the Strategic and Financial Steering Department, responsible for:
  - establishing the Group's financial trajectory, in line with its strategic targets, regulatory requirements and market expectations,
  - ensuring that liquidity steering is in line with the Group's other objectives in terms of profitability and scarce resources,
  - proposing and monitoring the businesses' budget trajectory,
  - monitoring the regulatory environment and developing liquidity steering standards for the businesses;
- the Balance Sheet and Global Treasury Management Department, responsible for:
  - ensuring execution of the Group's short-term and long-term funding plan,
  - supervising and coordinating the Group's Treasury functions,
  - monitoring the market and contributing its operational expertise to the establishment of Group liquidity steering objectives and the liquidity allocation for businesses,
  - managing the collateral used in refinancing operations (Central Banks, covered bonds, securitisation, secured funding), and monitoring the liquidity reserve,
  - managing the Group's central funding department (management of liquidity and equity within the Group), including the internal liquidity charts,
  - developing and implementing the emergency plan in the event of Group liquidity shortage;
- The ALM department, which reports to the Chief Financial Officer, is in charge of, in particular:
  - supervising and controlling the structural risks (liquidity, interest rates and exchange rates) to which the Group is exposed,
  - controlling the structural risk models and their compliance with the Group's rules and methodologies, and monitoring compliance with risk limits and management practices within the Group's divisions, business lines and entities.

Second-level supervision of the ALM models used within the Group and of the associated risk framework is conducted by a dedicated team within the Market Risk Department. Accordingly, this team provides an opinion on the methodological principles, parameters and backtests of liquidity models. It analyses proposals from the Finance Division regarding the risk indicators, stress test scenarios and liquidity and funding risk frameworks. It also conducts second-level controls of compliance with the risk limits defined under such framework.

THE GROUP'S APPROACH TO LIQUIDITY RISK MANAGEMENT

The Group's primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints. The liquidity steering system provides a balance sheet framework based on an assets and liabilities target structure that is consistent with the risk appetite defined by the Board of Directors:

- the assets structure should allow the businesses to develop their activities in a way that is liquidity-efficient and compatible with the target liabilities structure. This development must comply with the liquidity gaps defined at Group level (under static and stress scenarios) as well as regulatory requirements;
- the liabilities structure is based on the ability of the businesses to collect financial resources from customers and the ability of the Group to sustainably raise financial resources on the markets, in accordance with its risk appetite.

This steering system is based on measurement and supervision of the businesses' liquidity gaps under reference and stress scenarios, their Group funding needs, the funds raised by the Group on the market, the eligible assets and the businesses' contribution to regulatory ratios. Accordingly, the principles of liquidity management are as follows:

1. The businesses must maintain low to nil static liquidity gaps within the operating limits of their activities, by using the Group's Central Treasury, which can, if needed, run an (anti) transformation position and manage it within the framework of the established risk limits.
2. Internal liquidity stress tests, established on the basis of systemic, specific or combined scenarios, are controlled at Group level. They are used to ensure compliance with the survival horizon established by the Board of Directors and to calibrate liquidity reserves. They are accompanied by a Contingency Funding Plan that sets out measures to be taken in the event of a liquidity crisis.
3. The businesses' funding needs (short-term and long-term) are determined on the basis of the development objectives for the franchises and in line with the Group's fund-raising targets and capabilities.
4. A plan for long-term funding, which complements the resources raised by the businesses, is designed to cover upcoming repayments and finance the growth of the businesses. It takes into account the Group's investment capabilities and aims to optimise the cost of fund-raising while complying with limits in terms of market concentration. Diversification in terms of issuers and investor pools is also sought and managed.
5. The Group's short-term resources are adapted to the financing of the businesses' short-term needs over periods appropriate to their management and in line with market concentration limits. As outlined above, they are adjusted in light of the liquidity reserve on the assets side, based on the established stress survival horizon as well as the Group's LCR target (Liquidity Coverage Ratio, see Regulatory Ratios section).
6. The Group's liquidity steering takes into account compliance with the target regulatory ratios (LCR, NSFR, leverage), the pillars'/businesses' contributions to these ratios being subject to supervision.

Finally, liquidity is governed in terms of cost via the Group's internal transfer pricing scheme. Funding allocated to the businesses is charged to the latter on the basis of scales that must reflect the liquidity cost for the Group. This system is designed to optimise the use of external financing sources by businesses, and is used to monitor the equilibrium of balance sheet funding.

Societe Generale has undertaken a specific review of its liquidity risks and believes that it is able to meet its upcoming maturities.▲

LIQUIDITY RESERVE

The Group's liquidity reserve encompasses cash at central banks and assets that can be used to cover liquidity outflows under a stress scenario. The reserve assets are available, i.e. not used in guarantee or as collateral on any transaction. They are included in the reserve after applying a haircut to reflect their expected valuation under stress. The Group's liquidity reserve contains assets that can be freely transferred within the Group or used to cover subsidiaries' liquidity outflows in the event of a crisis: non-transferable excess cash (according to the regulatory ratio definition) in subsidiaries is therefore not included in the Group liquidity reserve.

The liquidity reserve includes:

- central bank deposits, excluding mandatory reserves;
- High-Quality Liquid Assets (HQLAs), which are securities that are quickly transferable on the market via sale or repurchase transactions; these include government bonds, corporate bonds and equities listed on major indices (after haircuts). These HQLAs meet the eligibility criteria for the LCR, according to the most recent standards known and published by regulators. The haircuts applied to HQLA securities are in line with those indicated in the most recent known texts on determining the numerator of the LCR;
- non-HQLA Group assets that are central bank-eligible, including receivables as well as covered bonds and securitisations of Group receivables held by the Group.

The composition of the liquidity reserve is reviewed regularly by a special committee comprising the Finance Division, the Risk Division and the Management of the Global Banking and Investor Solutions pillar, and is adjusted by authorisation of the Finance Committee.

TABLE 37: LIQUIDITY RESERVE

(In EUR bn)	31.12.2016	31.12.2015
Central bank deposits (excluding mandatory reserves)	73	64
HQLA securities available and transferable on the market (after haircut)	79	90(1)
Other available central bank-eligible assets (after haircut)	16	13
Total	**168**	**167(1)**

(1) Data adjusted vs. 2015 published data – HQLA securities previously published at EUR 92bn at 31.12.2015.

REGULATORY RATIOS

The Basel Committee recommends the international implementation of two standard ratios with harmonised parameters, to regulate bank liquidity risk profiles:

- the Liquidity Coverage Ratio (LCR) aims to ensure that banks hold sufficient liquid assets or cash to survive a significant stress scenario combining a market crisis and a specific crisis and lasting for one month.
- the Net Stable Funding Ratio (NSFR) is a transformation ratio and compares funding needs with stable resources over a one-year period.

The Basel Committee stabilised its final version of the texts pertaining to the LCR in January 2013 and those on the NSFR on 31st October 2014.

The transposition of Basel 3 into European Union law under CRD4 and CRR1 was published on 27th June 2013, for implementation as from 1st January 2014. The French transposition was published in the French Official Journal (*Journal Officiel*) on 5th November 2014.

The LCR definition was finalised, on the basis of technical standards issued by the EBA, through a Delegated Act of the European Commission on 10th October 2014. The LCR entered into force at European level on 1st October 2015. The corresponding minimum requirement was set at 70% for 2016, and will increase gradually until reaching 100% as from 1st January 2018.

For the NSFR, the European Commission presented a proposal in November 2016 for transposition of the Basel regulations, which will be discussed at a trialogue meeting (Parliament, Commission, Council). The entry in force of the European NSFR will depend on the duration of the legislative process and is not expected to take place before 2019. Societe Generale actively continued its work on transposing the Basel/European legislation and translating it into management standards within the Group. At Group-level, the LCR is now managed based on the European standards.

Since implementation of the European regulatory LCR requirement in October 2015, with a 60% minimum requirement, increased to 70% on 1st January 2016, Societe Generale's LCR has at all times stood at a level comfortably exceeding 100%.

At end-2016, the LCR was higher than at end-2015 and well above regulatory requirements, at 142% (vs. 124% at end-2015).

This situation is the reflection of the significant efforts made since the crisis to reinforce the Group's liquidity reserves, to extend the average maturity of its liabilities, and to reduce reliance on short-term wholesale funding. Above all, it also demonstrates the Group's ability to withstand a severe combined specific and widespread liquidity crisis.

BALANCE SHEET SCHEDULE

The main lines comprising the Group's financial liabilities are presented in Note 3.13 to the consolidated financial statements, under the following template:

FINANCIAL LIABILITIES

	31.12.2016					
(In EUR m)	**Note to the consolidated financial statements**	**0-3 M**	**3 M-1 YR**	**1-5 YRS**	**> 5 YRS**	**TOTAL**
Due to central banks		5,235	2	1	0	5,238
Financial liabilities at fair value through profit or loss, excluding derivatives	Note 3.1	234,561	8,103	7,879	16,439	266,982
Due to banks	Note 3.6	50,595	9,697	20,224	2,068	82,584
Customer deposits	Note 3.6	336,689	29,867	29,134	25,312	421,002
Securitised debt payables	Note 3.6	31,005	21,063	35,437	14,697	102,202
Subordinated debt	Note 3.9	296	90	2,302	11,415	14,103

Note: The scheduling assumptions for these liabilities are presented in Note 3.13 to the consolidated financial statements. In particular, the data are shown without provisional interest and excluding derivatives. Consequently, the impact of the debt revaluation linked to own credit risk and interest accrued at 31st December 2016 are not scheduled.

	31.12.2015					
(In EUR m)	**Note to the consolidated financial statements**	**0-3 M**	**3 M-1 YR**	**1-5 YRS**	**> 5 YRS**	**TOTAL**
Due to central banks		6,907	3	41		6,951
Financial liabilities at fair value through profit or loss, excluding derivatives	Note 3.1	189,718	17,101	22,946	34,989	264,753
Due to banks	Note 3.6	63,952	6,306	22,323	2,871	95,452
Customer deposits	Note 3.6	297,297	29,249	28,974	24,112	379,631
Securitised debt payables	Note 3.6	25,126	25,095	41,542	14,649	106,412
Subordinated debt	Note 3.9	319	1,155	2,613	8,959	13,046

Symmetrically, the main lines comprising the corresponding financial assets are presented below.

FINANCIAL ASSETS

		31.12.2016				
(In EUR m)	**Note to the consolidated financial statements**	**0-3 M**	**3 M-1 YR**	**1-5 YRS**	**> 5 YRS**	**TOTAL**
Cash, due from central banks		93,180	672	1,368	966	96,186
Financial assets at fair value through profit or loss, excluding derivatives	Note 3.1	319,406	12,805			332,211
Available-for-sale financial assets	Note 3.3	128,861	8,526		2,017	139,404
Due from banks	Note 3.5	42,236	4,264	11,299	1,703	59,502
Customer loans	Note 3.5	103,586	52,652	147,769	93,636	397,643
Lease financing and similar agreements	Note 3.5	2,772	5,821	15,378	4,887	28,858

		31.12.2015				
(In EUR m)	**Note to the consolidated financial statements**	**0-3 M**	**3 M-1 YR**	**1-5 YRS**	**> 5 YRS**	**TOTAL**
Cash, due from central banks		75,786	636	1,319	824	78,565
Financial assets at fair value through profit or loss, excluding derivatives	Note 3.1	328,013	2,991			331,004
Available-for-sale financial assets	Note 3.3	123,718	5,983		4,486	134,187
Due from banks	Note 3.5	57,178	5,578	7,969	957	71,682
Customer loans	Note 3.5	79,183	52,527	144,103	102,234	378,047
Lease financing and similar agreements	Note 3.5	2,506	5,460	14,153	5,085	27,204

It should be noted that, due to the nature of its activities, Societe Generale holds derivative products and securities whose residual contractual maturities are not representative of its activities or risks.

By convention, the following residual maturities were used for the classification of financial assets:

1. Assets measured at fair value through profit or loss, excluding derivatives (customer-related trading assets)

   – Positions measured using prices quoted on active markets (L1 accounting classification): maturity of less than three months.

   – Positions measured using observable data other than quoted prices (L2 accounting classification): maturity of less than three months.

   – Positions measured mainly using unobservable market data (L3): maturity of three months to one year.

2. Available-for-sale assets (insurance company assets and Group liquidity reserve assets in particular)

   – Available-for-sale assets measured using prices quoted on active markets: maturity of less than three months.

   – Bonds measured using observable data other than quoted prices (L2): maturity of three months to one year.

   – Lastly, other securities (shares held long-term in particular): maturity of more than five years.

As regards the other lines comprising the balance sheet, other assets and liabilities and their associated conventions can be broken down as follows:

OTHER LIABILITIES

	31.12.2016						
(In EUR m)	**Note to the consolidated financial statements**	**Not scheduled**	**0-3 M**	**3 M-1 YR**	**1-5 YRS**	**> 5 YRS**	**TOTAL**
Revaluation difference on portfolios hedged against interest rate risk		8,460					8,460
Tax liabilities	Note 6			984		460	1,444
Other liabilities	Note 4.4		94,212				94,212
Non-current liabilities held for sale	Note 2.5		3,612				3,612
Underwriting reserves of insurance companies	Note 4.3		13,022	7,890	29,965	61,900	112,777
Provisions	Note 8.3	5,687					5,687
Shareholders' equity		61,953					61,953

	31.12.2015						
(In EUR m)	**Note to the consolidated financial statements**	**Not scheduled**	**0-3 M**	**3 M-1 YR**	**1-5 YRS**	**> 5 YRS**	**TOTAL**
Revaluation difference on portfolios hedged against interest rate risk		8,055					8,055
Tax liabilities	Note 6			1,108		463	1,571
Other liabilities	Note 4.4		83,083				83,083
Non-current liabilities held for sale	Note 2.5			526			526
Underwriting reserves of insurance companies	Note 4.3		11,199	7,710	29,195	59,153	107,257
Provisions	Note 8.3	5,218					5,218
Shareholders' equity		59,037					59,037

OTHER ASSETS

(In EUR m)	Note to the consolidated financial statements	Not scheduled	0-3 M	3 M-1 YR	1-5 YRS	> 5 YRS	TOTAL
	31.12.2016						
Revaluation difference on portfolios hedged against interest rate risk		1,078					1,078
Held-to-maturity financial assets	Note 3.9					3,912	3,912
Tax assets	Note 6	6,421					6,421
Other assets	Note 4.4		84,756				84,756
Non-current assets held for sale	Note 2.5		3,569	683			4,252
Investments in subsidiaries and affiliates accounted for by the equity method						1,096	1,096
Tangible and intangible fixed assets	Note 8.4					21,783	21,783
Goodwill	Note 2.2					4,535	4,535

(In EUR m)	Note to the consolidated financial statements	Not scheduled	0-3 M	3 M-1 YR	1-5 YRS	> 5 YRS	TOTAL
	31.12.2015						
Revaluation difference on portfolios hedged against interest rate risk		2,723					2,723
Held-to-maturity financial assets	Note 3.9					4,044	4,044
Tax assets	Note 6	7,367					7,367
Other assets	Note 4.4		69,398				69,398
Non-current assets held for sale	Note 2.5		104	67			170
Investments in subsidiaries and affiliates accounted for by the equity method						1,352	1,352
Tangible and intangible fixed assets	Note 8.4					19,421	19,421
Goodwill	Note 2.2					4,358	4,358

1. Revaluation differences on portfolios hedged against interest rate risk are not scheduled, as they comprise transactions backed by the portfolios in question. Similarly, the schedule of tax assets whose schedule would result in the early disclosure of income flows is not made public.
2. Held-to-maturity financial assets have a residual maturity of more than five years.
3. Other assets and Other liabilities (guarantee deposits and settlement accounts, miscellaneous receivables) are considered as current assets and liabilities.
4. The notional maturities of commitments on derivative instruments are presented in Note 3.13 to the consolidated financial statements. The net balance of transactions in derivatives measured at fair value through profit or loss on the balance sheet is EUR -6,135 million (according to the rules set out above, this would be classified as a trading liability < 3 months, see Note 3.4 to the consolidated financial statements).
5. Non-current assets held for sale have a maturity of less than one year, as do the associated liabilities.
6. Investments in subsidiaries and affiliates accounted for by the equity method and Tangible and intangible fixed assets have a maturity of more than five years.
7. Provisions and shareholders' equity are not scheduled.

9. COMPLIANCE AND REPUTATIONAL RISK

COMPLIANCE

Compliance means acting in accordance with applicable banking and financial rules, ranging from laws and regulations to professional, ethical or internal standards and principles.

By ensuring that these rules are observed, the Group works to protect its customers and, in general, all of its counterparties and employees. Protecting the company's image is one of the Group's strategic objectives.

Complying with these commitments is not only the responsibility of a few experts, but of all Group employees, who must demonstrate compliance and integrity in their daily tasks. Accordingly, the Group has adopted an organisation and a body of strict doctrines, procedures and rules that are updated regularly.

The compliance system

The system for prevention of compliance risks is based on a shared responsibility binding all core businesses, Corporate Divisions and Compliance function employees:

- operational entities must integrate compliance with laws and regulations, the rules of good professional conduct, and the Group's internal rules into their daily work;
- the Compliance function has two main duties: (i) advising and assisting the operational entities so that they may complete their tasks in compliance with their professional and regulatory obligations, and in keeping with the Group's commitments; and (ii) monitoring and assessing the relevance and efficiency of the system for monitoring and controlling compliance risks.

The Compliance function, reporting to the Group's Corporate Secretary in his capacity as Group Chief Compliance Officer, comprises employees of the Compliance Department within the Corporate Secretariat, and officers appointed within the core businesses and subsidiaries.

The Legal, Human Resources, Tax, Corporate Social Responsibility, and Corporate Resources and Innovation divisions support the Compliance function within the scope of their respective fields of expertise.

The Group's Corporate Secretary is responsible for the overall coordination of the Compliance function and of relations with the authorities in this regard. He is assisted in his duties by the Head of Group Compliance.

The efficiency of the compliance system is continuously monitored and strengthened at the highest Group level:

- the Societe Generale Group's Board of Directors conducts an annual review of the measures to prevent and control compliance risks;
- the Group's Corporate Secretary in his capacity as member of the Executive Committee is informed of and involved in the most important decisions. He attends all meetings of the Audit and Internal Control Committee (CACI) and of the Risk Committee (CR), where he regularly gives presentations;
- a Compliance Committee (COMCO) at General Management level, comprising the members of the Group Executive Committee, meets quarterly (as a minimum) to determine the Group's broad outlines and principles in terms of compliance. At this meeting, the Head of Group Compliance presents the key events of the period and provides an overview of the compliance system, the main regulatory developments, and the status of projects under way. Every quarter, each member of the Executive Committee receives a reputational dashboard, a compliance dashboard, and reports on major compliance-related issues;
- once a month, the Group's Corporate Secretary convenes the Group Compliance Committee (CCG), with the participation of the Head of Group Compliance, compliance officers from the various core businesses, and those from the Finance and Development Division, the Corporate Resources and Innovation Division, the Head of Internal Control Coordination, the Chief Legal Officer, and representatives from the Operational Risk Department and General Inspection. The Committee reviews the most significant events of the period for the whole Group, decides on the measures to be implemented, and monitors their implementation. The major legal and regulatory oversight items are presented by the Chief Legal Officer. The compliance system of the core businesses and Corporate Divisions is assessed on a regular basis.

THE COMPLIANCE DEPARTMENT

The Compliance Department manages the compliance control and monitoring system and monitors reputational risk. It ensures the consistency of the Group's system for prevention of compliance risks, its efficiency, and the development of appropriate relationships with banking supervisors and regulators.

The work carried out by the Compliance Department concerns the following main tasks:

- the definition and implementation of the overall normative framework, the adaptation and operational implementation of said normative framework within its scope of hierarchical authority, or else the monitoring of its implementation within its scope of functional supervision;
- the development, in collaboration with the Legal Department, of procedures intended to ensure compliance with the laws and regulations applicable to banking and financial activities, and the standards of conduct set by General Management;
- keeping compliance directives and guidelines operational at Group level, approving the compliance rules included in the guidelines and procedures of the core businesses and business lines;
- the independent assessment of compliance risk management within the entities/activities with a major impact on the Group's risk profile, and individually with respect to regulated employees, in compliance with regulations, in particular CRD IV;

- the consolidation and monitoring of significant events within all entities, thanks in particular to the quarterly production of Group management dashboards:
  - the reputational risk dashboard measures the Societe Generale Group's reputation based on various key internal indicators (customer complaints, social climate, cybercrime and fraud, regulator relations) and external indicators (e-reputation, external barometers, corporate and social responsibility, and supplier relations),
  - the compliance dashboard presents the key events for the quarter. It is organised by topic: financial security, customer protection, relations with the regulatory authorities, market integrity;
- reporting to the Group Executive Committee and, in coordination with the Legal Department, monitoring relations with banking and regulatory supervisors;
- administrative tasks and preparing files for the Group Compliance Committee.

The Compliance Department is organised into departments dedicated to the Group's businesses and into cross-business departments.

Four departments are dedicated to the businesses: (i) "Retail Banking and Financial Services" (France & International), (ii) "Global Banking and Investor Solutions", (iii) "Private Banking", and (iv) "Insurance", with a manager specially appointed and reporting to the Head of the Compliance Department, except for the department dedicated to the Insurance business line, which reports to him functionally. Subsidiary compliance officers in France and abroad report to the business line compliance officers, through a hierarchical or functional link, depending on the local regulations. The hierarchical scope of the Compliance function was expanded in 2016 to include the Compliance Officers of the Regional Departments of the France network under the Societe Generale brand.

The cross-business departments are responsible for developing their skills and expertise across the Group:

- "Group Financial Security" (SFG) for Anti-Money Laundering and Countering Terrorist Financing actions (AML/CTF), Know your Customer obligations (KYC), and compliance with embargoes and sanctions;
- "Expertise and Coordination Governance" (GEA) for updates to the function's regulatory framework, awareness-raising and training of employees regarding compliance risks and the coordination of regulatory projects at Group level;
- "Control" (CTL) for the coordination and implementation of a permanent second-level compliance control system, oversight of personnel operations covered by a code of conduct, the management of the Group Compliance Committee (CCG), and the production of "Group" dashboards (compliance and reputation);
- "Global and strategic development" (GSD) assists the Head of Group Compliance with respect to peer comparisons, the anticipation of and support with regulatory developments, and carrying out transformation and efficiency projects. In particular, the department coordinates the Compliance Transformation Programme (CTP) that is being implemented by the Compliance function.

GROUP FINANCIAL SECURITY

Societe Generale has a system to prevent and detect risks related to money laundering and terrorism financing, in addition to non-compliance with embargoes and financial sanctions. This system is organised as follows:

- The Group Financial Security Department (SFG) within the Compliance Department ensures the overall coordination of the system across the Group, defines the applicable normative framework, and ensures the consistency of local provisions;
- Business line compliance officers implement the Financial Security system within their scope;
- Anti-Money Laundering Officers (AMLO) ensure the implementation of this system within their entities.

The entities located abroad must apply measures at least equivalent to French regulatory obligations and to the Group policy, while complying with local obligations. When local regulations impose additional obligations, said obligations must also be applied.

The Group Financial Security Department (SFG) organises the dissemination and sharing of information relative to financial security risks, which includes the approval of customers and transactions presenting the highest risk with regard to criteria defined and shared with the core businesses; the organisation of information circuits enabling the reporting to Corporate Divisions of suspicious activity carried out within all entities, except when local regulations prohibit such reporting; the centralisation at Group level of all information necessary to fight money laundering and terrorism financing, and to comply with embargoes and sanctions.

The SFG Department reports suspicious activity to TRACFIN (a service of the French Ministry of Finance) for all of the Group's French entities (except Crédit du Nord and Boursorama Banque, which report directly), and submits reports on asset freezes and authorisation requests to the French Treasury for Societe Generale SA. For entities and subsidiaries located outside France, the AMLOs report suspicious activity to the equivalent local authorities.

A team at the SFG Department level is dedicated to updating scenarios and alert thresholds, as well as monitoring the correct configuration of the Group's supervisory tools.

APPLICATIONS DEDICATED TO COMPLIANCE ENFORCEMENT AND TO THE DEVELOPMENT OF A PROCESS-BASED APPROACH

Three types of IT applications ensure compliance with regulations and detection of situations requiring special attention:

- profiling/scenario management tools that trigger alerts when unusual account flows or transactions are detected. More specifically, they are used to prevent money laundering and terrorism financing, and to detect market abuse, price manipulation and insider trading;
- tools used to filter data based on pre-defined lists (internal lists, external databases, etc.) that trigger alerts upon detecting certain people, countries or activities targeted by national or international sanctions and embargoes, or people with convictions or having PEP (politically exposed person) status;

- reporting/evaluation tools that provide reports/statements on specific characteristics of an entity, core business, business line or customer to notify the relevant authorities (regulators, senior management, etc.). The Compliance function also has a tool for mapping and assessing compliance risks, a reporting tool for personal transactions, and a set of tools to manage lists of insiders and possible conflicts of interest.

These tools are regularly updated and their features enhanced to incorporate regulatory and technological changes and improve their operational efficiency.

Implementation of compliance policies

ANTI-MONEY LAUNDERING AND COUNTERING TERRORIST FINANCING (AML/CTF)

Measures aimed at increasing the efficiency of the AML/CTF system and the vigilance of Group employees were continued in 2016.

In particular, we can mention:

- the strengthening of Corporate Division teams dedicated to reporting suspicious activity, across all of the Group's French entities, which was intensified during the year.
- the implementation of the COSI project (regulatory, systemic reporting to TRACFIN), which includes cash deposits/withdrawals;
- the roll-out of a training programme for "AML/CTF" certification, dedicated to financial security officers;
- continuation of the project to optimise the processing and monitoring of individual financial security files and information sharing among the various core businesses;
- preparation of the entry into force of the Fourth European Anti-Money Laundering Directive.

KNOW YOUR CUSTOMER (KYC)

As part of the Know your Customer process, the Group's directive on customer knowledge obligations in terms of financial security was overhauled and published in July 2016.

In operational terms:

- more attention is given to the regular review of customer records;
- the scope covered by the project to centralise the filtering of politically exposed persons (PEP) was increased, within the limits of local regulations;
- the pooling and sharing of customer knowledge information was expanded in accordance with local regulations.

Furthermore, a financial crime risk client rating project (fccr) was launched in the beginning of q2 2016 to define a common rating method for the group regarding its customers' financial security risk profiles.

EMBARGOES AND FINANCIAL SANCTIONS

In terms of embargoes, the international environment in 2016 remained very challenging, with a high level of complexity. Differences between the European and American regimes are likely to generate significant operational risks for financial institutions. In view of prevailing uncertainties, the Societe Generale Group has not considered resuming its commercial activities with Iran at this stage.

The year 2016 is characterised in particular by:

- the continued strengthening of the workforce dedicated to embargoes in the Compliance function, in particular within the corporate team;
- the harmonised operation of filtering tools, in particular by standardising their configuration within the Group;
- the centralised processing of alerts with the integration of new entities;
- the overhaul of the "embargoes and financial sanctions" risk mapping methodology.

An e-learning programme concerning specifically the risks related to international sanctions was made compulsory from mid-2015 for all Group employees. At end-2016, the roll-out of this training was practically finalised across the entire Group. The most exposed people were able to benefit from face-to-face training dedicated to their specific activities.

ANTI-CORRUPTION MEASURES

The fight against corruption is a global struggle that is intensifying. Many countries have anti-corruption laws and increasingly severe sanctions are regularly imposed on individuals and legal entities.

In 2000, Societe Generale made certain commitments as part of the Wolfsberg Group and, in 2003, under the United Nations Global Compact. The anti-money laundering and countering terrorist financing mechanism includes monitoring the use of the banking system by third parties to commit acts of corruption.

To fight corruption, Societe Generale applies strict principles which form part of its Code of Conduct and comply with the strictest regulations in this regard, including the UK Bribery and Corruption Act (2011). These provisions are transposed in an "anti-corruption" directive applicable to all of the Group's employees. A key control within the body of normative controls checks compliance with internal and external obligations with respect to the fight against corruption.

In order to strengthen the vigilance of Group employees, a training module pertaining to awareness-raising in the fight against corruption was implemented in 2013.

The adoption on 8th November 2016 by the French Parliament of a new law regarding transparency, the fight against corruption and the modernisation of the economy ("SAPIN II") reconciles the French legal framework with the strictest international practices. With a view to its entry into force in June 2017, Societe Generale reviewed its system in 2016. The Group has a solid normative framework, in order to ensure it continues to meet current standards. In 2017, the Group will conduct initiatives aimed at further strengthening its efficiency.

EMPLOYEE ETHICS

Compliance with ethical policies is a key obligation under Societe Generale's rules of conduct. Procedures and their proper application are closely examined, including those related to the supervision of outside personnel (employees of service providers, temporary employees and trainees).

The requirements of the new European regulations regarding market abuse ("MAD II/MAR"), effective as of 3rd July 2016, have been incorporated in the Group's internal monitoring system regarding the fight against insider trading and market manipulation.

CONFLICTS OF INTEREST

The Group has a guideline on the prevention and management of conflicts of interest, which specifies the principles and mechanisms implemented. This guideline was updated at the end of 2016 to take into consideration the regulatory changes under way (see the "MIF2" European regulation on customer protection).

It covers the two categories of potential conflicts of interest: firstly, those that could occur between the Group and its customers, or between the Group's customers; and secondly, those that could occur between the Group and its employees (in particular in relation to activities involving an employee's personal interest and/or professional obligations). It sets out the obligations for identifying potential conflicts of interest, which should be entered into a tool for mapping or registering conflicts of interest.

MARKET ABUSE

As part of the entry into force of the reform of the market abuse system as of 3rd July 2016 ("Market Abuse" regulation of 12th June 2014 and "MAD II/MAR" Directive), the Compliance Department coordinated a cross-business project for the regulatory implementation and monitoring of action plans defined by the business lines. To this end, practical solutions were launched while a sustainable approach was created where necessary.

Special attention was given to the modernisation of automated detection and analysis tools. The system also benefited from the coordination between the Corporate Divisions and businesses, a training programme for the staff concerned, and the development of normative documentation. The targeted solution will be implemented in parallel in 2017.

EXCEEDING OWNERSHIP THRESHOLDS

The cross-business tool for monitoring equity interests and voting rights held by Societe Generale in listed issuers ensures worldwide compliance (103 countries) with regulations on the exceeding of share ownership thresholds (pursuant to the law or the by-laws, or during public offer periods). It includes all forms of shares and derivatives with underlying equity securities held. These holdings are calculated in accordance with the specific rules in each country.

SUPERVISING CUSTOMER PROTECTION

The supervision of customer protection is a field enjoying increasing attention from banking supervisors and regulators. Penalties are likely to increase even further. The Group has made significant progress in its customer protection approach (better knowledge of incidents, implementation of remediation plans, normative documentation, and management of regulatory projects).

Among the actions taken, we can mention the following:

- completing the new customer protection questionnaire of the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR);
- a programme structure within the Compliance function, supervising the implementation of the "MIF2" regulation;
- a MOOC (Massive Online Open Course) developed in collaboration with the Group Risk function: it meets the need to provide extensive cross-business training and contributes to the vocational training of the supervisory functions regarding customer protection.

CLAIMS AND MEDIATION

A claim is treated foremost as a commercial action which contributes to customer satisfaction.

Significant progress has been made by the core businesses over the last three years in terms of processing customer claims. The core businesses benefit from ad hoc governance, an organisation, human and IT resources, formalised procedures, together with quantitative and qualitative monitoring indicators. The progress observed is also the result of significant awareness-raising and training initiatives conducted among employees.

A Group "Customer complaint processing" guideline was published in January 2017. This guideline includes recommendations from the national regulator, and "MIF2" regulatory requirements, as part of strengthening customer protection measures in Europe.

MANAGEMENT OF REPUTATIONAL RISK

The management of reputational risk is governed by an internal directive. The control set-up procedures implemented are intended to prevent, identify, assess and control risks.

It is coordinated by the Compliance Department, which:

- defines the relevant controls in terms of reputational risk management;
- supports Group employees, and more particularly the compliance control officers of the core businesses, in their strategy for preventing, identifying, assessing and controlling reputational risk;
- offers and updates training programmes to raise awareness of reputational risk;
- defines, analyses and communicates the results of reputational risk management tools (specific dashboard) on a quarterly basis to members of the Group Executive Committee (COMEX) and, on a half-yearly basis, to the Audit and Internal Control Committee (CACI).

OTHER REGULATORY MATTERS

In 2016, in cooperation with the business lines, the Compliance function continued development and compliance workshops covering numerous important regulations, in particular: the French banking law of 26th July 2013, the Volcker reforms, the DFA ("Dodd-Frank Act"), the EMIR ("European Market Infrastructure Regulation"), the Eckert Act, the FATCA ("Foreign Account Tax Compliance Act"), and Common Reporting Standards ("CRS").

NORMATIVE DOCUMENTATION AND INFORMATION SHARING

To complete its assignments, the Group Compliance function relies on normative documents (directives, guidelines and procedures) which are regularly updated.

In 2016, the Compliance function developed a "Click & Know" booklet to facilitate the knowledge and understanding of normative documentation relating to compliance. "Click & Know" is a practical tool intended to help employees better understand regulatory requirements.

THE PERMANENT CONTROL SYSTEM

The Compliance function is one of the three control functions of the Societe Generale Group (together with the risk and finance functions) that implements permanent second-level control to review the quality of the checks performed by the businesses.

The roll-out of this control system is currently an important part of the second line of defense.

Compliance and the Code of Conduct

Compliance with ethical rules which meet the highest professional standards is part of the Societe Generale Group's commitments.

Numerous culture and conduct workshops have been conducted since 2006. The Group has a set of strict good conduct doctrines and rules. The Group's Code of Conduct, updated in October 2016, is covered by an internal directive including all these workshops (see Chapter 5.2 Code of Conduct).

The individual and group behaviour principles and rules promulgated go beyond the strict application of current laws and regulations, in particular when the ethical standards in certain countries are not consistent with the values and commitments applied by the Group.

This directive applies to all employees, regardless of their responsibility level, as well as to Group managers, and also specifies alert procedures when a special situation so requires. The Group protects whistleblowers.

Responsible banking relies on the following:

- not working with a customer or counterparty for which it is not possible to gather satisfactory information to know that person;
- understanding how to assess the economic reality of a transaction;
- being able to justify each decision under any circumstances.

As a result, the Group:

- shall refrain from completing transactions in countries or entering into relationships with natural persons or legal entities whose activity would violate the laws or principles that guide a banker's behaviour;
- will not work with customers or counterparties in transactions for which it cannot assess the economic reality, or where there is an absence of transparency which could lead to the conclusion that they violate accounting or ethical principles;
- provides information that is accurate, clear and not misleading on the products and services it offers, and verifies that said products and services are suited to customer needs;
- ensures, under all circumstances, the prevention of any conflicts of interest, the confidentiality of privileged information and the security of personal data, and guarantees the ethical and transparent use of such information.

The Compliance function's transformation programme

The Group has launched a programme covering the 2015-2020 transformation period of the Compliance function, aimed at (i) strengthening compliance risk control through heightened vigilance and awareness-raising applicable to all players, including the business divisions, their support staff and the Corporate Divisions, (ii) increasing the operational efficiency of all related processes, and (iii) meeting the requirements of supervisory and regulatory authorities in the long term.

This programme provides for updated governance and greater resources allocated to the Compliance function, whether in terms of recruitment, training, or modernisation of dedicated information systems.

In 2016, each of the Group's business divisions developed a multi-annual roadmap in collaboration with the programme team. They cover all the aspects of a compliance risk management programme, from updating the risk assessment to strengthening controls and reviewing key aspects (KYC, embargoes and sanctions, AML, customer protection, market abuse, etc.), updating the normative framework, and training and communication initiatives. Approved by the Group Executive Committee, their work is monitored on a quarterly basis at each Compliance Committee meeting at Group Executive Committee (COMCO) level.

Work dedicated to a target operating model for the Compliance function (target organisation, macro-processes, improved data quality, industrialisation of tasks through innovation, etc.) was also started. It is based on best practices, new organisational models implemented by other banks, and the most recent data processing developments.

This programme includes a component specific to business operations in the United States, which are subject to specific monitoring by the Group Executive Committee and Board of Directors. In its yearly assessment report, the Federal Reserve Bank stressed the progress already made, while calling for continued remediation efforts to finalise the initiatives undertaken and ensure their sustainability. The close monitoring of this programme will continue in 2017 with the support of three lines of defense (core business, compliance function, internal audit).

Lastly, it should be noted that the programme's participation in the implementation of new regulations is helping to accelerate this transformation.

Looking ahead to 2017

The Group Compliance system will continue to be strengthened in 2017 as part of the three-year action plans prepared for each core business.

In addition to its regulatory and operational efficiency targets, the Compliance function's transformation programme aims to take into consideration all developments in the Group, and to use new technologies.

As part of continuing the development of the Group Compliance function, started several years ago with the main goals of strengthening its governance and the internal control system, 2017 will be a decisive year with two major strategic projects:

- the "Culture and Conduct" programme, supervised directly by the General Management, the rules and principles of which go beyond regulatory requirements and aim in particular to develop training and awareness-raising initiatives for employees and management (see Chapter 5.2 Culture and Conduct);
- the study and implementation of the direct link between the Compliance Department and a Deputy Chief Executive Officer of the Group, as a full-function Division, just like the Risk Division and the Inspection and Group Audit.

RISKS AND LITIGATION

The information pertaining to risks and litigation is included in Note 9 to the consolidated financial statements, page 423.

10. OTHER RISKS

EQUITY RISK

Investment strategies and purpose

Societe Generale Group's exposure to its non-trading equity portfolio relates to several of the Bank's activities and strategies. It includes equities and equity instruments, mutual fund units invested in equities, and holdings in the Group's subsidiaries and affiliates which are not deducted from shareholders' equity for the purpose of calculating solvency ratios. Generally speaking, due to their unfavourable treatment under regulatory capital, the Group's future policy is to limit these investments.

- First, the Group has a portfolio of industrial holdings which mainly reflect its historical or strategic relations with these companies.
- It also has some minority holdings in certain banks for strategic purposes, with a view to developing its cooperation with these establishments.
- In addition, the equities that are not part of the trading book include Group shares in small subsidiaries which are not included in its consolidation scope and which operate in France and abroad. This includes various investments and holdings that are ancillary to the Group's main banking activities, particularly in French Retail Banking, Corporate and Investment Banking, and Securities Services (private equity activities in France, closely linked with banking networks, stock market bodies, brokerages, etc.).
- Lastly, Societe Generale and some of its subsidiaries may hold equity investments related to their asset management activities (particularly seed capital for mutual funds promoted by Societe Generale), in France and abroad.

Monitoring of banking book equity investments and holdings

The portfolio of industrial holdings was significantly reduced in recent years, further to the disposal of non-strategic lines. It now includes only a limited number of investments. It is monitored on a monthly basis by the Group's Finance Division and, where necessary, value adjustments are recognised quarterly in accordance with the Group's provisioning policy.

The holdings that are ancillary to the Group's banking activity are monitored on a quarterly basis by the Group's Finance Division and, where necessary, value adjustments are recognised quarterly in accordance with the Group's provisioning policy. Private equity activities in France are subject to dedicated governance and monitoring, within the budgets periodically reviewed by the Group's Executive Committee. Investment or disposal decisions take the financial aspects and the contribution to the Group's activities into consideration (supporting customers in their development, cross-selling with flow activities, Corporate and Investment Banking, Private Banking, etc.).

Valuation of banking book equities

From an accounting perspective, Societe Generale's exposure to equity investments that are not part of its trading book is classified under available-for-sale financial assets insofar as these equity investments may be held for an indefinite period or may be sold at any time.

Societe Generale Group's exposure to equity investments that are not part of the trading book is equal to their book value net of impairments.

The following table presents these exposures at end-December 2016 and 2015, for both the accounting scope and the regulatory scope. Regulatory data cannot be reconciled with data from consolidated financial statements, specifically because the regulatory scope excludes equity investments held on behalf of clients by the Group's insurance subsidiaries.

TABLE 38: BANKING BOOK EQUITY INVESTMENTS AND HOLDINGS

(in EUR m)	31.12.2016	31.12.2015
Banking book equity investments and holdings – Accounting scope	14,657	14,720
o.w. equities and other equity instruments (AFS)	12,447	12,091
o.w. AFS securities held over the long term	2,210	2,629
Banking book equity investments and holdings – Prudential scope (EAD)	6,746	7,081
o.w. listed shares	188	717
o.w. unlisted shares	6,558	6,364

Changes in fair value are recognised in Group shareholders' equity under "Unrealised or deferred capital gains and losses". In the event of a sale or durable impairment, changes in the fair value of these assets are recorded in the income statement under "Net gains and losses on available-for-sale financial assets". Dividends received on equity investments are recognised in the income statement under "Dividend income".

For listed shares, the fair value is estimated based on the closing share price. For unlisted shares, the fair value is estimated based on the category of financial instrument and one of the following methods:

- the share of net assets owned;
- the valuation based on recent transactions involving the company's shares (acquisition of shares by third parties, expert valuations, etc.);
- the valuation based on recent transactions involving companies in the same sector (earnings or NAV multiples, etc.)

TABLE 39: NET GAINS AND LOSSES ON BANKING BOOK EQUITIES AND HOLDINGS

(in EUR m)	31.12.2016	31.12.2015
Gains and losses on the sale of shares	752	374
Impairment of assets in the equity	(36)	(28)
In proportion to the net income on the	56	56
Net gains/losses on banking book	772	402
Unrealised gains/losses on holdings	546	1,058
o.w. share included in Tier 1 and Tier	546	1,057

* *pro forma* Basel 3

Provisioning policy

The impairment of available-for-sale financial assets is described in Note 3.8 to the financial statements in Chapter 6 of this Registration Document (p. 359 and following).

Regulatory capital requirements

To calculate the risk-weighted assets under Basel 3, the Group applies the simple risk weighting method for the majority of its non-trading equity portfolio. Shares in private equity companies are assigned a risk-weighting coefficient of 190%, shares in listed companies a coefficient of 290%, and shares in unlisted companies, including the holdings in our insurance subsidiaries, a coefficient of 370%. Note that private equity shares acquired before January 2008 can be weighted at 150%. Furthermore, if they are not deducted from equity capital, material investments in the capital of finance companies are assigned a weighting coefficient of 250%.

At 31st December 2016, the Group's risk-weighted assets related to its non-trading equity portfolio, and its capital requirements, were as follows:

TABLE 40: CAPITAL REQUIREMENTS RELATED TO BANKING BOOK EQUITIES AND HOLDINGS(1)

(in EUR m)			31.12.2016			31.12.2015		
Equities & holdings	**Approach**	**Weighting**	**Exposure at default**	**Risk-weighted assets**	**Capital requirements**	**Exposure at default**	**Risk-weighted assets**	**Capital requirements**
Private equity	Standard approach	150%	8	12	1	114	171	14
Private equity	Simple approach	190%	233	442	35	121	229	18
Financial securities	Simple approach	250%	963	2,406	192	807	2,016	161
Listed shares	Simple approach	290%	68	199	16	283	821	66
Unlisted shares and insurance	Simple approach	370%	4,499	16,647	1,332	4,706	17,412	1,393
Total			**5,771**	**19,706**	**1,576**	**6,030**	**20,650**	**1,652**

(1) Excluding cash investments.

STRATEGIC RISK

Strategic risks are defined as the risks inherent in the choice of a given business strategy or resulting from the Group's inability to execute its strategy. They are monitored by the Board of Directors, which approves the Group's strategic direction and reviews them at least once every year. Moreover, the Board of Directors approves strategic investments and any transaction (particularly disposals and acquisitions) that could significantly affect the Group's results, the structure of its balance sheet or its risk profile.

Strategic steering is carried out by the Executive Committee under the authority of General Management, with the assistance of the Group Management Committee. The Executive Committee meets once a week, barring exceptions. The makeup of these various bodies is laid out in the Corporate Governance chapter of this Registration Document (p. 68 and following). The Internal Rules of the Board of Directors (provided in Chapter 7 of this Registration Document, p. 511) lay down the procedures for convening meetings.

ACTIVITY RISK

Activity risk is the risk of loss if expenses incurred are higher than revenues generated. It is managed by the Finance Division through monthly revenue committee meetings.

During these meetings, which are chaired by a member of General Management, the Group's business lines present their results and comment on the state of business, and also present an analysis of their consumption of their budget and scarce resources (especially capital and liquidity).

RISKS RELATING TO INSURANCE ACTIVITIES

Through its insurance subsidiaries, the Group is also exposed to a variety of risks inherent to this business. These include ALM risk management (risks related to interest rates, valuations, counterparties and exchange rates) as well as premium pricing risk, mortality risk and structural risk related to life and non-life insurance activities, including pandemics, accidents and catastrophes (such as earthquakes, hurricanes, industrial disasters, terrorist attacks or military conflicts).

The monitoring structure pertaining to these risks and the related issues are described in Note 4.3 to the consolidated financial statements and in Chapter 6 of this Registration Document (p. 376).

ENVIRONMENTAL AND SOCIAL RISKS

The Group's approach in terms of environmental and social issues is set out in Chapter 5 of this Registration Document, (p. 241 and following); in particular, information on risks related to climate change can be found on page 258.

5

CORPORATE SOCIAL RESPONSIBILITY

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Message from Frédéric Oudéa

"For Societe Generale, being a responsible company lies at the very heart of our business lines' mission and reflects the essence of the relationship bank of reference that we strive to be. As a key player in financing the economy, operating in 67 countries, our mission is to offer the best solutions to advise and connect individuals, companies and institutions, in order to support them in the development of their projects, the management of their financial means and their risk coverage. Sensitive to the different stakeholders within our ecosystem, we also strive to ensure the generation of a long-term positive impact on the environment surrounding us.

In 2016 we continued our proactive approach initiated in the 2000s with the signature of national and international commitments that bear the hallmark of precise and demanding principles. By signing in 2016 the Women's Empowerment Principles under the United Nations Global Compact on the one hand, and the Global Business and Disability Charter of the International Labour Organization on the other, we have demonstrated our determination to promote diversity within the workplace and in the community. In addition, for the last ten years our Corporate Foundation has been supporting charities involved in the integration of disadvantaged persons (our annual budget, increased to EUR 3 million this year, has tripled over the last ten years) and around 15,000 employees worldwide have participated in initiatives organised by the company.

Societe Generale implemented its commitment announced in correlation with the COP21 to align its financing in order to contribute towards limiting the global temperature rise to less than 2°C by 2100. A key part of this ambitious commitment is the decision to stop all new financing for coal-fired thermal power plant projects or associated infrastructure. Societe Generale also doubled its support for renewable energy financing, which was reflected in its participation in all European offshore wind projects. The Group also successfully launched its second positive impact bond in September 2016, in line with the 2015 Manifesto on Positive Impact Finance of the United Nations Environment Programme. Societe Generale played a leading role in this latter initiative by identifying the environmental and social impacts of its activities and reducing them in compliance with international best practices.

The Societe Generale Group positions itself as a prominent banking player at the forefront of the global playing field for its CSR achievements and its transparency: in 2016, Societe Generale maintained its positioning among the first quartile of 132 banks that responded to RobecoSam questionnaires on a worldwide basis. The Group is also included in the Dow Jones Sustainability World Index.

Accordingly, the Group is firmly committed to being a solid, responsible financial player aiming to serve its customers. This commitment is based on the specific attention that Societe Generale pays to quality of life at the workplace and teams' diversity as well as on our culture and conduct, meaning our exemplary individual and collective behaviour. I am convinced that the leadership model that we have decided to adopt, applicable to all employees and centred on four client-focused values – team spirit, innovation, responsibility and commitment – will enable us to consolidate our position among the most responsible banks on a global level."

COMMITMENTS, CHALLENGES AND AMBITION

GROUP COMMITMENTS

Societe Generale conducts its business with the utmost respect for the values and principles under:

- the Universal Declaration of Human Rights and its additional commitments;
- the fundamental conventions of the International Labour Organization (ILO);
- the UNESCO World Heritage Convention;
- the Guidelines for Multinational Enterprises of the OECD (Organisation for Economic Co-operation and Development);
- the United Nations Guiding Principles on Business and Human Rights (see p. 266, Respect for human rights).

In addition, Societe Generale has shown its proactive commitment since 2000 to the following public or private initiatives:

- 2000: founding member of the Wolfsberg Group;
- 2001: joined the United Nations Environment Programme Finance Initiative (UNEP-FI);
- 2003: joined the United Nations Global Compact, which encourages companies to integrate principles relating to human rights, working conditions and the fight against corruption;
- 2004: signed the Diversity Charter (France);
- 2007: adopted the Equator Principles (see p. 252, Equator Principles);
- 2007: signed the SME Pact (France);
- 2010: signed the "Responsible Supplier Relations" Charter (France);
- 2014: signed the Joint Declaration organised by Transparency International France for the promotion of transparent, honest lobbying;
- 2014: support for the Green Bond Principles;
- 2014: Lyxor signed the Principles for Responsible Investment (PRI);
- 2015: signed a Global Agreement on Fundamental Rights with UNI Global Union;
- 2015: launched the "Positive Impact Manifesto" of the UNEP-FI;
- 2015: joined the "Soft Commodities Compact" of the Banking Environment Initiative (with the Consumer Goods Forum) to fight tropical deforestation;
- 2015: subscribed to the "Principles for Mainstreaming Climate Actions within Financial Institutions", launched during COP21;
- 2016: signed the Women's Empowerment Principles – WEP, Professional Equality Charter of United Nations, and the International Labour Organization's Global Business Charter on Disability.

CSR PRIORITY ISSUES

The Corporate Social Responsibility (CSR) policy ensures that the Group upholds its commitments and makes sustainable progress according to priority areas related to its global strategy that respond to two types of challenges:

- the relative significance for external stakeholders with particular attention paid to the expectations of extra-financial ratings agencies and particularly RobecoSam;
- the potential impacts on the medium- and long-term business model (results, risks, competitiveness, opportunities, innovation, the Bank's role, human capital, operational efficiency).

These priority issues (17 in total) have been classed by the Group CSR and Sustainable Development Department, together with a group of in-house experts, according to their importance and the Group's level of maturity or performance (existence of targets, performance indicators, extra-financial rating or points of view of other stakeholders).

They represent the Group's CSR action priorities developed for 2016, as set out in this chapter.

Essential	■ Customer satisfaction ■ Supporting SMEs, business creation and emerging countries' development ■ Sustainability of the Bank through comprehensive risk management, including environmental and social aspects ■ Compliance with rules and regulations	
Very Important	■ Transparent and efficient corporate governance ■ Business ethics ■ Career management/Mobility ■ Employability	■ Respect for the environment in Societe Generale activities ■ Respect for human rights in Societe Generale activities
Important	■ Range of "Sustainable development" products ■ Attractive compensation policy ■ Diversity ■ Quality of life at work	
Relevant	■ Involvement in international initiatives on environmental and social topics related to finance ■ Transparent, relevant and reliable information on Environmental, Social and Governance (ESG) aspects	
Visible	■ Sponsorship and partnerships	

THE REFERENCE BANK

Societe Generale's aim is to become a benchmark in CSR among Europe's leading financial institutions. Since 2014, this ambition has been demonstrated by the fact that the Group's extra-financial performance, as measured by ratings agencies such as RobecoSam, is incorporated into the compensation components of approximately 46,000 people (Societe Generale's staff in France). This same criterion is also one of the qualitative criteria applicable to the assessment of Chief Executive Officers and/or Directors when determining a portion of their variable remuneration.

A RELATIONSHIP BANKING CULTURE BASED ON COMMON VALUES

Societe Generale aims to be the reference relationship bank, close to its customers, chosen for the quality and commitment of its teams. This means placing the customer at the heart of the Bank's concerns.

To achieve this, Societe Generale redefined its fundamental values in 2014 (the values of commitment and responsibility were added to the historical values of innovation and team spirit), before focusing on the behaviours through which these values should be demonstrated by all employees, to the benefit of its customers. This approach to employee behaviour is based on the new Societe Generale Leadership Model, which has helped Societe Generale to reinforce its corporate culture combining the ambition to develop activities (innovation), the desire to set an example as an individual (commitment) and as a group (team spirit), and attention to ethics and compliance with rules (responsibility). (See p. 280, Developing a relationship banking culture based on common values).

Societe Generale has decided to continue this work by launching the strategic Culture & Conduct programme in 2016, which is directly under the authority of General Management. The programme aims to strengthen the confidence of all the Bank's stakeholders, principally its clients, and to develop the Societe Generale culture by placing values, leadership quality and integrity at the heart of its transformation.

This programme aims to implement the recommendations of the "G30", an international consultative group on economic and monetary affairs, which were published in the report entitled "Banking Conduct and Culture – A Call for Sustained and Comprehensive Reform". These recommendations are organised around five key themes: Development of the perception of culture; Governance and responsibilities of the governing bodies; Performance management and incentives; Staff development and training and Effectiveness of the three lines of defence.

1. CORPORATE RESPONSIBILITY GOVERNANCE

CSR MANAGEMENT

Organisation & governance

The Group's CSR strategy stands on five pillars: responsible finance, the environment and the climate (with associated products and services), the social and solidarity economy (with associated products and services), the Group's commitment to exemplary performance in its procurement strategy and as a responsible employer, and citizenship sponsorship/partnerships. They are all managed and monitored by a set of governance, compliance and internal control procedures, the Code of Conduct, internal rules, directives and instructions.

The Board of Directors has reviewed the implementation of the Group's strategy and has approved the CSR strategy for 2017-2020. In addition, as of 1st January 2017, the Chief Executive Officer has appointed a CSR and Sustainable Development Director within the Bank's Management Committee.

The Executive Committee reviews the broad outlines of the Group's CSR policy and regularly approves any action plans based on reports received from the CSR and Sustainable Development Department. In 2016, the Group's Executive Committee met four times (once a quarter) to discuss CSR-related matters, such as the CSR strategy, the social and solidarity economy, and the Group's climate change strategy, particularly on coal policy.

All commitments arising from the Senior Management Regime (UK) and the SOX Law (USA) have been taken into account at the highest level of the Group, wherever they apply.

Furthermore, as part of the Code of Conduct, which was reviewed in 2016, the governance structure has been strengthened with a specific monitoring process to check compliance with the French Sapin 2 Law (see p. 248, Responsible lobbying, and p. 248, Ethics and Anti-corruption).

The CSR Department is supported by an inner circle of CSR managers positioned in the Group's core businesses. They rely on a network of around sixty "CSR contributors" who are in charge of rolling out, implementing and monitoring the action plans.

The CSR and Sustainable Development Department which reports to the General Management through the Group Corporate Secretary and along with the CSR managers, is in charge of defining and promoting the Group's CSR policy, overseeing its implementation as part of the Bank's global strategy, and coordinating the activities of the CSR contributors and all related initiatives. It also provides assistance to the business lines, encourages dialogue and helps disseminate best practices.

Several business lines now have their own specialists in charge of structuring products with a CSR or SRI component. They play an essential role in informing the Bank's customers of its CSR strategy and technical expertise.

The Group has defined a series of quantitative indicators to help evaluate its overall CSR performance. Every year since 2005, data have been gathered, consolidated and analysed using a dedicated global CSR reporting system, which was rolled out to the whole Group in 2014 and to which more than 1,500 people contribute.

Actions towards awareness and employee engagement

The Group's website has a special section presenting all relevant information on the implementation of the CSR strategy. In addition, an intranet system was set up in 2009 and enables all Group employees and managers to learn about CSR best practices and related events. Moreover, a bi-monthly newsletter and communities coordinated via the Group's internal collaborative tools provide additional materials to discuss a wide range of issues relating to CSR and sustainable development.

Conferences are held every quarter and are open to all Head Office employees. The topics discussed in 2016 included post-COP21, climate change, socially responsible investment, solidarity in finance and social entrepreneurship.

The Sustainable Development Week gives the Group yet another opportunity to demonstrate its commitment through initiatives implemented by the various departments, and to raise employee awareness of these challenges. In 2016 and for the fourth year running, the internal Environmental Efficiency Awards were a platform for promoting new projects supporting the bank's environmental policy. This scheme allows all the Bank's entities and business lines to contribute to the efforts to reduce the Group's CO_2 emissions (See p. 262, The internal carbon tax, a governance tool).

As part of its environmental, social and governance (ESG) commitments, Societe Generale organised a European conference in Paris on 7th and 8th November 2016 on the topic of socially responsible investment (SRI), which was attended by corporate clients, institutional investors, research and analysis firms, index providers, private banks, asset managers and some of their own clients (see p. 254, Socially Responsible Investment).

Societe Generale also promotes innovative CSR initiatives via the annual Group Innovation Awards. In 2016, CSR took centre stage with two innovations that received an *ex aequo* award: positive impact obligations (see p. 260, Innovative solutions to rise to the challenges of energy transition), and the Hackathon, an innovation challenge held in Senegal for African start-ups and which has been a real catalyst for innovation at the heart of the African ecosystems.

The Human Resources Division has also continued to organise regular conferences on "Well-Being in the Workplace" as part of its "Life at Work" programme (see p. 284, Caring about employees' well-being at work).

DIALOGUE WITH STAKEHOLDERS

Societe Generale is committed to listening to its stakeholders and adapting its policies in order to better meet their expectations, wherever possible, in line with statutory and regulatory requirements. The Group has a policy to respond to complaints and requests, with special teams allocated to deal with each stakeholder. The Bank's steering strategy includes independent third-party assessments of its achievements, similar to the "Reputation Risk" dashboard which is submitted to General Management every quarter, together with a holistic overview of the relationships and indicators covered by this reference document. More specifically, the Group has a policy of proactively listening to:

- clients;
- employees;
- investors and shareholders;
- regulatory bodies;
- civil society;
- suppliers;
- the media;
- extra-financial ratings agencies.

See the Group's website and the analysis of its ratings, p. 245, Extra-financial assessment.

Civil Society

Societe Generale makes every effort to promote constructive dialogue with all its stakeholders. In particular, the Group is keen to listen and talk to any NGOs that alert it to E&S issues within their sphere of influence or that can help it to adapt its policies and procedures in a progress-driven approach. The Bank ensures it holds regular discussions into the development and the implementation of its policies.

Through its E&S watch list, Societe Generale monitors any projects, companies and sectors, irrespective of whether they are financed by the Bank, that are the subject of public controversy or public campaigns by civil society (see p. 253, E&S Watch List).

The Bank uses the CSR Department to centralise any request or contact by NGOs or other civil society members informing it about the impact of its financing portfolio or other services. Wherever possible, an internal enquiry is conducted and a documented response is given, either in writing or at meetings, where appropriate. In 2016, the Bank added a new section to its website entitled "Dialogue & transparency" (*https://www.societegenerale.com/en/news-and-media/dialogue-and-transparency*).

Throughout 2016, Societe Generale participated in various working groups and discussion meetings with around a dozen NGOs (including Friends of the Earth, BankTrack, Greenpeace, Oxfam and WWF), either in the form of bilateral meetings or broader consultation meetings organised by the associations themselves or by the OECD, the Equator Principles Association or even the World Bank.

The discussions with NGOs focused on three main topics:

- the challenges posed for the finance sector by the climate, particularly coal-related financing;
- human rights;
- the role of the finance sector in protecting UNESCO World Heritage Sites.

EXTRA-FINANCIAL ASSESSMENT

The Group places great importance on both its financial and extra-financial ratings. Extra-financial ratings agencies assess and score the Societe Generale Group based on its ESG practices. The scores received from the main ratings agencies constitute external and independent recognition of the quality and transparency of the information provided and are an excellent reflection of our CSR actions. SRI managers use these scores when incorporating extra-financial criteria into their investment choices.

Societe Generale shares can be found on the leading international SRI indices. It is listed on sustainable development indices such as the Dow Jones Sustainability Index (DJSI) World and Europe, FTSE4Good, Euronext Vigeo, Ethibel and STOXX. In 2016, the Group's main Sustainable Development scores were: SAM: 84/100 (82/100 in 2015); VIGEO: 63/100 (57/100 in 2015); Sustainalytics: 74/100 (75/100 in 2015); FTSE4GOOD: 4/5 (constant since 2015); MSCI: BBB (constant since 2015); Carbon Disclosure Project (CDP): B (99B in 2015 – new rating system); Ecovadis: 68/100 (constant since 2015). This information is available on the Group's website (www.societegenerale.com).

THE BANK IS ATTENTIVE TO INVESTORS

A dedicated team

Societe Generale has a department in charge of institutional and individual shareholder relations, whose role is to oversee the Group's financial communications about its strategy and results.

Meeting with investors

The Group regularly meets with its investors to present its strategy and results and exchange views with them, including on environmental and social topics. In 2016, Societe Generale's management and teams from the Finance Department, accompanied by the Investor Relations team, conducted nearly 100 roadshows and participated in a dozen broker conferences in the major international financial centres. In total, they met with nearly 70% of our institutional shareholders.

In addition, a new type of roadshow was organised in 2016 as part of the issue of the second Societe Generale positive impact green bond, which helps finance the low-carbon economy. The funds raised are used exclusively to finance projects that contribute to the fight against climate change (see p. 254, Positive Impact Finance). This created the perfect opportunity, in October 2016, to present the Group's SRI/CSR actions to its institutional investors (the presentation can be downloaded from the Group website). The investment bank also held an SRI/CSR Day on 7th November 2016, which gave it the chance to hold several meetings about the CSR strategy of the Societe Generale Group.

Maintaining and developing a policy of dialogue with its individual shareholders is a priority for the Group. As such, Societe Generale took part in the Salon Actionaria in 2016, a trade fair for private shareholders drawing more than 25,000 visitors. The Bank also took part in four information meetings in partnership with other issuers, in Lyon, Rennes, Lille and Strasbourg, each of which was attended by 150 to 400 people.

Five times a year, the Group publishes its *Letter to Shareholders*, which appears in newsletter format each quarter as well as in paper format in June after the Annual General Meeting. In late 2015, Societe Generale launched an app for shareholders, available for iOS and Android smartphones and tablets. The app provides easy, instant access to all information that shareholders need, such as stock prices, press releases and a calendar of upcoming events. This new tool is the perfect complement to the multi-channel information already available to shareholders, in the form of designated pages on the Group's website, a help line, the Shareholders' Club, and more. Released just one year ago, the app has already been downloaded nearly 3,000 times.

To make sure it continues to meet the needs and expectations of its private shareholders, the Group created a Shareholders' Consultative Committee in 1988, whose primary role is to advise on the Group's private shareholder relations and communications policy. The Committee meets twice a year. Its questions are relayed to the Annual General Meeting.

In 2016, the Group received recognition for its digital shareholder and investor communications, in the form of the 2016 Best Digital Communication Prize awarded by the financial newspapers *Les Échos* and *Investir/Le Journal des finances*, in partnership with the audit firm Mazars.

2. IMPLEMENTING RESPONSIBLE FINANCING

LOYALTY OF PRACTICES

The loyalty shown to its external stakeholders and, more generally, the integrity of its banking and financial practices make a vital contribution to Societe Generale's reputation. By ensuring that it abides by these rules, the Group is able to nurture a key asset: the trust of its customers, suppliers, service providers, employees and regulatory authorities.

Placing Responsibility at the heart of the relationship banking culture

Throughout its activities, the Group aims to build customer relationships based on trust. The development of this trust relies on shared values which include Responsibility: as a bank, the Group contributes to the sustainable economic, social and environmental development of the economies in which it operates. The Group strives to help its customers achieve their goals whilst ensuring they are fully informed of the risks involved. Being responsible and ethical means responding quickly to customers' needs whilst protecting the long-term interests of all stakeholders, through strict compliance with the rules applicable. Responsibility also means having the courage to take action and decisions, and to transparently express opinions. Lastly, it means attaching as much importance to the way in which we achieve results as we do to the results themselves.

Code of Conduct

The Group has set itself the strategic target of protecting its corporate image and ensuring that every employee acts with integrity in their day-to-day activities. A great deal of work has been done since 2011 on Culture & Conduct. The Group has adopted a set of strict guidelines and rules of conduct.

The Code of Conduct, which was updated in 2016, is the cornerstone of professional ethics at Societe Generale. It promotes respect for human rights and the environment, the prevention of conflicts of interest and corruption, the fight against money laundering and the financing of terrorism, respect for market integrity, data protection, proper conduct with regard to gifts and invitations and responsible sourcing.

These rules go beyond the minimum statutory and regulatory requirements, especially in certain countries whose laws and regulations do not meet the Group's high ethical standards.

The Code of Conduct is available and applicable to all Group employees, irrespective of their level of responsibility, and to all managers. It also details the procedure for whistle-blowing in certain situations where this is appropriate, and reiterates the principle of protection for whistle-blowers. This Code of Conduct is available on the Group's website (see also Chapter 4.9, p. 236, Compliance and the Code of Conduct).

Tax Code of Conduct

The Group's Tax Code of Conduct, which was approved by the Board of Directors in November 2010, is part of a worldwide movement to fight harmful tax practices, at the request of the OECD in particular. It is available on the Group's website.

Under this Code, Societe Generale undertakes in particular to refrain from facilitating or supporting transactions with customers where the effectiveness of the transaction is dependent on information being withheld from the tax authorities.

To this end, the Group is fully committed to implementing fiscal transparency regulations (FATCA, the EU Directive on administrative cooperation in the field of taxation and more recently the Common Reporting Standard – CRS). It is particularly worthy of note that all establishments holding accounts within our Private Banking business line are based in countries which meet the highest fiscal transparency standards set by the G20 and OECD in July 2016; all such countries have ratified the Convention on Mutual Administrative Assistance in Tax Matters, have implemented the Standard for Automatic Exchange of Financial Account Information (CRS) and have been rated "largely compliant" or "compliant" by OECD peer review.

The policy of sending international Private Banking customers information on their duty to comply with all tax laws and regulations in every jurisdiction applicable to them has been strengthened.

In addition, since 2003 Societe Generale has laid down strict internal rules designed to prevent the development of any operations in countries that have been designated as non-cooperating tax havens by the OECD.

In 2010, Societe Generale decided to close down (and has since taken the necessary steps to do so) all Group sites located in countries and territories deemed by France to be non-cooperative (NCCTs), the list of which was updated by the ministerial decree of 21st December 2015 (published in the French Official Journal (*Journal Officiel*) of 22nd December 2015). Furthermore, the Societe Generale Group prohibits the setting-up of any new operations in an extended list of countries (based on countries which have only recently been removed from the OECD grey list), unless authorised by the General Management based on local activities.

In 2016, Societe Generale neither directly nor indirectly held any active sites in these countries. Societe Generale holds an unused banking licence in Brunei.

Lastly the Group complies with the French General Tax Code, particularly Article 209 B (Controlled Foreign Companies rules), which governs the taxation in France of Group entities established in countries where profit is taxed at less than 50% of the rate applicable in France.

Responsible lobbying

There are numerous rules and regulations that affect the Bank's activities, and they are growing in both number and complexity. Societe Generale therefore endeavours to hold proactive dialogue with political players, and its Public Affairs Department visibly and constructively contributes to the public debates on any legislation that has an impact on our activities.

In 2014, Societe Generale signed the Joint Declaration proposed by Transparency International France to promote honourable, transparent lobbying. The Group has also published a Charter for responsible representation before public authorities and representative institutions, which has the following aims:

- to specify the conditions under which the Group will contribute towards the work of the regulatory authorities at every level of governance;
- to promote transparent and ethical lobbying which contributes to public debate amongst employees and third parties that participate – in the name of the Group – in the public decision-making process;
- to establish the main rules governing representation before the public authorities and representative institutions.

Acting in line with these commitments:

- the main employees concerned within the Public Affairs Department are duly declared in the transparency registers of the institutions within which the representational activities are exercised: the European Union (Commission and Parliament), the French Parliament (National Assembly and Senate);
- the main positions adopted by the Group in connection with its responsible representation policy are public and can be consulted in particular on the Group's institutional website, in the "Responsible Finance" section.

Ethics and Anti-Corruption

Societe Generale entered into a series of commitments in 2000 as part of the Wolfsberg Group, and then again in 2003 under the United Nations Global Compact. Its anti-money laundering measures include monitoring any potential corruption-driven abuse of the banking system by third parties.

Societe Generale operates by very strict anti-corruption principles, which are stated in its Code of Conduct, and abides by the highest possible standards, in particular the UK Bribery Act and the Sapin 2 Law. It monitors the implementation of these standards very closely. The Group has been distributing information about mandatory actions and controls since 2001 in the form of instructions, which are updated on a regular basis and applicable throughout the Group (see chapter 4.9, p. 232, Compliance and reputational risk).

Customer satisfaction and ombudsman

CUSTOMER SATISFACTION

In 2014, Societe Generale reaffirmed its ambition to be the reference relationship bank in its markets, close to its customers and chosen for the quality and commitment of its teams. This strategic push has resulted in the introduction of various tools to improve customer relations and the customer experience, with the aim of managing their satisfaction and recommendation intentions more closely.

Since the quality of customer service is closely linked to the quality of team management (the principle of the "symmetry of attention") the Group has developed a broad managerial support system in line with the Group's customer-driven values.

IN OUR FRENCH NETWORK ACTIVITIES

Within each of the main France Retail Banking customer segments (individual, professional and corporate customers), Societe Generale, its specialised subsidiaries (Sogécap, Sogessur, Franfinance, etc.) and Credit du Nord have been surveying representative samples of their respective customers – as well as clients of the top 11 French banks – in order to assess their level of relative satisfaction. These polls reveal the overall and detailed level of customer satisfaction across every aspect of the banking relationship.

In order to refine measurements of customer satisfaction with the Societe Generale network, this national competitor survey is supplemented by satisfaction surveys (monthly since 2016), the results of which are available down to the level of each branch for individual customers. These surveys are conducted by leading independent service providers (e.g. the market research agency CSA). Each year, 120,000 individuals, 14,500 professional customers and 5,000 SMEs are thus polled (every 18 months) on behalf of Societe Generale about their recommendation intention and their overall satisfaction, as well as key aspects of customer satisfaction such as how their enquiries are handled and how well the services offered suit their needs and projects. Credit du Nord also asks over 55,000 individual, professional and corporate customers every year about their satisfaction on a personal and/or professional level.

Societe Generale is currently recognised as the leading mobile bank[1], the most reactive bank on Twitter and the only French brand to have received a *#TwitterAward* for its commitment to answering all queries on Twitter within 30 minutes[2]. With over 900 million connections in 2016 (up 11% year on year), digital has become the main point of entry to the Bank for its customers.

These combined measures underpin a quality certification programme for Societe Generale's branches, launched in 2013 with the aim of making the Group's resolutely customer-focused strategic orientation a reality. The percentage of certified branches meeting the criteria of excellence has increased steadily since 2013.

The level of customer satisfaction over time is used to determine employees' variable remuneration component, it being noted that individual sales commissions were done away with several years ago (see "An attractive and rewarding remuneration policy", p. 283).

(1) Study by Colombus Consulting in Q2 2016. The Societe Generale app is the highest rated among the day-to-day banking apps offered by 18 banks chosen in the Apple Store, with a 9-minute response time for Societe Generale, compared to 7 hours on average for other banks.

(2) Societe Generale was awarded a Bronze #TwitterAward in the Customer category on 10th November 2016.

To support the work of our teams in the field, and to carry out any corrective measures that depend on the support functions, the Corporate Divisions at Head Office launched a Service Culture programme in 2013. A quantitative indicator was introduced in 2015, which established an internal barometer for measuring the (overall and specific) satisfaction level of the front, middle and back office teams of the network with the services provided by the Head Office teams. The second year's results show a significant improvement and confirm the success of the actions taken by each of the divisions following analysis of the employee feedback submitted to them from the first survey. The daily management of our customer satisfaction programme is the responsibility of the Societe Generale Customer Satisfaction and Retail Banking Quality division, which relies on an effective network of service culture officers within each division.

The Bank's intranets offer wide-ranging coverage of customer satisfaction issues, in particular with specific pages on this matter for all players involved.

Furthermore, the satisfaction of French Retail Banking insurance customers has been recognised through the following awards:

- Gold Award for life insurance policies, received from *Le Revenu*;
- 31st Life Insurance Oscars, granted by *Gestion de Fortune*;
- Label Excellence 2016, awarded by *Dossier de l'Epargne*.

In 2016, life insurance, accident insurance, pension and health insurance policies sold by Societe Generale received a total of 20 awards from the independent specialist media sector.

Since 2015, the Brand Advocacy Index published by the Boston Consulting Group has identified Boursorama as the most recommended bank in France. The online bank has maintained its excellent level of recommendation (91% of customers happy to recommend the Bank to friends and family[1]), a remarkable achievement given the growth in Boursorama's customer base, which has doubled in just three years (977,350 customers at 31st December 2016, +30% in one year).

INTERNATIONAL RETAIL BANKING NETWORKS

The International Retail Banking networks have been working on a cross-business initiative, launched in 2015, for coordinating and measuring customer satisfaction and experience, which they have been gradually rolling out to all Banking and Consumer Credit subsidiaries. This programme gives the entities a single robust tool for coordinating customer experience, integrating the customer's needs at the very heart of the system and identifying factors that trigger satisfaction and dissatisfaction as well as our strengths and weaknesses compared to our competitors. This tool uses the Net Promoter Score (NPS) together with an analysis of overall and specific satisfaction and "instant" satisfaction surveys for experiences identified as critical in each country. Fourteen subsidiaries introduced the scheme in 2016, across Africa, Eastern Europe and Russia. Another five countries will join the scheme in 2017.

At the same time, a number of countries (Poland, Czech Republic, Serbia, Bulgaria) have introduced initiatives developed jointly with customers to incorporate the customers' opinions when creating new products and services.

With the aim of improving customer relations, pre-approved credit products are being rolled out in Central Europe (Poland, Romania, Czech Republic, Russia) in order to facilitate access to credit.

CORPORATE AND INVESTMENT BANKING

Corporate and Investment Banking also conducts annual surveys based on the Net Promoter Score (NPS).These surveys focus on:

- major Corporate customers and IFIs, in all regions. Over 300 key clients are selected and a survey is conducted every two years, involving an interview with a director (CEO or CFO) and more specific electronic questionnaires depending on which of Societe Generale's business lines that particular customer is in contact with. This allows the identification of cross-business issues, which can then be resolved by quickly implementing the necessary corrective action;
- the Private Banking segment, where a questionnaire is sent out every two years (26,000 customers surveyed in June 2016) in order to measure overall satisfaction and assess the NPS, along with specific monitoring campaigns at certain key points during the customer relationship;
- custodian activities (securities): in addition to specific feedback taken from the key client NPS, more targeted surveys are regularly conducted in order to measure satisfaction among all counterparties;
- finally, customer satisfaction with transactions is monitored daily by means of targeted campaigns conducted by the Investment Banking back offices.

The results of these surveys are analysed at the highest level within the Bank, by an operational steering committee, in order to ensure that action can be taken in the quarter immediately following publication of the summary results from all surveys for the current year.

CLAIMS AND OMBUDSMAN

Each of the Group's core businesses has its own targeted governance, structure, procedures and methods for handling and following up on complaints.

The Group places particular emphasis on employee training and awareness, particularly within French Retail Banking (Societe Generale, Boursorama Banque and Credit du Nord) and the Insurance business line (ISO 9001), and this has greatly helped optimise all processes (recording, quality control and response time in relation to customer complaints). Customer information processes have also been improved.

The Group complaint handling policy includes an escalation procedure as well as the possibility of referring the matter to an internal or external mediator (an independent, third-party mediator, shared with the Credit du Nord Group, the French Financial Markets Authority and the French Banking Federation).

(1) According to an OpinionWay study performed each year on the customer base (conducted in June 2016).

IN FRANCE

The Societe Generale Group is committed to finding a quick or even immediate solution to any complaints or problems relating to Retail Banking which are reported to a branch by a customer. However, should the Bank and its customer still be in disagreement after the initial remedial action, the customer may file a complaint with Customer Relations and, if necessary (i.e. if the dispute is still not resolved), refer the matter to the ombudsman, whose services are entirely free of charge. Exceptional circumstances aside, customers will receive a reply from Societe Generale within 10 days or from the ombudsman within 90 days.

Referring the matter to the ombudsman is an amicable and free dispute resolution process which has been used by Societe Generale since 1996 and institutionalised by the legislator in 2001. The Bank will fully abide by all decisions of the independent ombudsman.

Under new regulations, Societe Generale has created a mediation service, comprising two members who report hierarchically and functionally to the ombudsman. This service is available to all entities that use the Societe Generale mediation process, via dedicated websites. All Societe Generale Group entities in France are thus concerned, except for those financial institutions which use the ASF ombudsman, and Boursorama which uses the FBF ombudsman (and AFNOR Certification services, depending on the case).

Mr. Yves Gérard has been the ombudsman for Societe Generale and the Credit du Nord Group since 1st January 2015. He works alongside the AMF ombudsman for any disputes involving financial products, and the FFSA ombudsman (insurance) for insurance products.

In 2016, the ombudsman received 4,226 letters related to Societe Generale, 3,948 of which were requests for mediation. He issued 456 decisions that same year; most requests did not require mediation. For the Credit du Nord Group, the ombudsman received 1,235 letters, 994 of which were requests for mediation, and 283 of those were deemed admissible, with 225 decisions being handed down in 2016.

As for Boursorama, it is ranked No. 1 among all national financial and economic information websites. In order to ensure the high quality of service it believes is essential for growth, the online bank has chosen to undertake the service commitments required for AFNOR "WebCert" Certification (*https://certificats-attestations.afnor.org/certification=196861044288*). Boursorama Banque's customer service department is therefore committed to handling customer complaints and responding within 15 working days, except under extenuating circumstances. Furthermore, and in line with this certification, any customer who is not happy with how the complaint has been handled may, pursuant to the abovementioned commitments, directly raise the matter with AFNOR Certification in writing.

ABROAD

For entities and subsidiaries abroad, customers have access to a local ombudsman appointed by the Bank (if required by local legislation) or to a local mediation service endorsed by professional organisations.

For information about the measures taken to protect customers, see Chapter 4.9, p. 234, Implementation of compliance policies, and to read about the proactive measures taken to protect customers in situations of economic hardship, see Fighting insecurity and protecting vulnerable populations, p. 268.

DIGITAL SECURITY AND DATA PROTECTION

Within the global context of digital transformation, the Group must find a way to offer customers a digital service that is easy to use, readily available and highly secure. Societe Generale is therefore continuously investing its resources to secure transactions and protect customer data. This is a crucial challenge, given the escalation of cybercrime. The Group guarantees data security and compliance with banking secrecy. The Group's expertise in the field of data security and protection makes it a trusted partner in the eyes of its customers.

As part of the transformation of its relational model, Societe Generale's French network has announced that it will invest EUR 1.5 billion in its information system by 2020, 5% of which will be earmarked for security.

DIGITAL SECURITY

There is a Group-wide system for managing information system security. It is coordinated at Group level by an Operational IT Risk and Information System Security Manager (see Chapter 3.5, p. 142, Operational Risk, incl. risks related to information systems). This system is rolled out in each core business, business line and entity.

To fight cybercrime, the Bank offers solutions to protect the assets and transactions of Societe Generale customers (Individuals and Corporates). For example, three new security systems were introduced in 2016:

- Secure Access: a dedicated solution, aimed at companies, for securing the order authentication and validation process (payment and collection orders). Irrespective of the channel used to initiate the transaction, the validator will receive an alert and can easily approve it from his/her smartphone, tablet or PC.
- Dynamic crypto card: a card with added security for making online purchases. The three-digit security code is replaced by a small, built-in screen that displays a new code every hour, rendering any stolen data unusable and worthless.
- Machine learning: in addition to the big data tools that have been rolled out for monitoring and protecting customer transactions, the Bank has implemented machine learning systems to detect unusual behaviour in real time and better anticipate fraud.

Societe Generale is also continuing its efforts to prevent phishing and social engineering via:

- a firewall and anti-virus software, Trusteer, which offers additional protection specifically for banking transactions, available free-of-charge to individual and professional customers of Societe Generale and Credit du Nord;
- a requirement for confidential Remote Banking access codes to be changed every 12 months (applicable to individual customers since 2015);
- Security Pass (the Secure Access equivalent for individual and professional customers);
- a series of conferences on scams entitled "fraud in the name of the CEO" (*Fraude au Président*), run in partnership with the French police (for corporate customers).

Societe Generale constantly strives to adapt its security measures to better suit customer needs. Therefore, an anti-malware solution was under review in 2016, designed to protect Societe Generale and Credit du Nord apps on customers' smartphones and tablets.

Internationally, the different online banking services publish best practice recommendations for protecting customer data.

PERSONAL DATA PROTECTION

The Group is particularly sensitive to personal data protection. Complying with data protection regulations is a major consideration when developing new technologies and IT systems within the Societe Generale Group in a controlled manner (see Code of Conduct, p. 247).

As a trusted partner and custodian of its customers' personal data, Societe Generale does not sell customer data to third parties. Customer data is used solely to ensure the quality of service and product offer that customers expect from the Group.

Societe Generale decided to reinforce its data protection systems back in 2007. It therefore created a new "Data Protection" department within its Legal Department, specialising in all matters relating to privacy, and working in conjunction with the French Data Protection Commission (CNIL). This department assists, advises and informs all Societe Generale entities on data protection requirements, responds to assistance requests received from Group subsidiaries and handles relations with the CNIL. This department must be consulted whenever a new automatic data processing method is implemented or changed. It also centrally monitors all declarations to the CNIL.

In accordance with local and European regulations, internal instructions describe the rules and procedures in place to guarantee the protection of customer and employee data. One of these instructions states that any data processing operation that involves sending personal data outside the European Union (EU), including to other Societe Generale Group entities, must be accompanied by specific guarantees (in particular, the signing of the European Commission's standard contractual clauses) and must be approved by the CNIL.

In France, the Data Protection department has developed its own intranet site. This site reiterates the individual freedoms applicable, provides branches with the procedure for responding to requests for access to information and provides a template for a standard response to such requests. Societe Generale has also established appropriate procedures to guarantee compliance with clients' rights to access their personal data. These procedures are described in forms dedicated to personal data collection and in the general and specific terms and conditions for Societe Generale products and services, including details of the department to contact in order to exercise the right of access. Customers can also access all the necessary information about the protection and use of their personal data on the respective websites of the Group's banks.

With regard to employee data, the Group Human Resources Department has adopted personal HR data protection rules for both prospective hires and employees. The Binding Corporate Rules (BCR) apply to every Societe Generale Group entity around the world and are designed to ensure an adequate and uniform level of protection for the personal data and privacy of prospective hires and employees who undergo any HR management process. Societe Generale has also appointed a Data Protection Officer to work with the CNIL; this Data Protection Officer will ensure that all personal data is correctly protected within a given range of data processing operations. In addition, Societe Generale has launched a global programme for ensuring compliance with the new European Data Protection Regulation due to come into force on 25th May 2018.

IMPLEMENTING E&S COMMITMENTS IN RELATION TO OUR FINANCING AND INVESTMENT ACTIVITIES

Environmental and Social (E&S) commitments, initiatives and standards

GENERAL ENVIRONMENTAL AND SOCIAL GUIDELINES

Societe Generale is aware of the environmental, social and economic convergence issues at play within its sphere of influence, and is determined to take them into consideration into its business practices. Over the last ten years or so, it has been gradually incorporating the assessment of E&S criteria into its credit and reputational risk management policies and processes.

In addition to its regulatory obligations, the Group has made many voluntary commitments in this area (see Group commitments, p. 242). All of these obligations and commitments are set out in the General E&S Guidelines and the related cross-business and sector-specific policies. Signed by the Chief Executive Officer, they apply throughout the Group. These guidelines establish the reference framework for the internal E&S assessment procedures, which were initially developed for the Group's Investment Banking activities and have been gradually rolled out to other divisions. The Group's General E&S Guidelines are available on its website. They are regularly revised in order to reflect any changes in E&S challenges within the economic and social sphere.

SECTOR AND CROSS-SECTOR E&S POLICIES

Societe Generale has specific policies for around eleven sectors which are considered potentially sensitive from an E&S or ethical point of view and in which the Group plays an active role. Energy and mining are covered by a number of sector-specific policies due to their importance for the economy and for the Group, their potentially significant impact in terms of air emissions (including greenhouse gas emissions) as well as their impact on the natural environment and local communities (dams and hydroelectric energy, power plants, coal-fired power plants, mines, civil nuclear power, and oil and gas). Several policies are also in place for farming and forestry sectors (agriculture, fishing and agri-food, forestry and palm oil). Defence and shipping are also covered.

Since 2012, Societe Generale has also implemented a special cross-sector policy on biodiversity, which applies to all Group banking and financial operations and involves procedures for reviewing dedicated transactions and customers. The General E&S Guidelines also list the UNESCO World Heritage Convention as one of the international conventions signed by the Bank. More generally, particular attention is paid to any areas identified as "Key Biodiversity Areas". The Equator Principles also include specific standards on biodiversity and several of the initiatives described in our sector policies also relate to the protection of biodiversity.

Societe Generale's E&S policies also reflect the Bank's commitments to protecting human rights (see Respect for human rights, p. 266).

Developed by cross-business working groups within the Bank, the E&S policies are approved by the Executive Committee. They detail the main E&S challenges and risks in the sector, identify benchmark international standards for such sector and specify the assessment criteria for customers and dedicated transactions. As part of the Group's commitment to ongoing improvement, sector monitoring makes it possible to assess the need to update existing policies.

The E&S policies are public and accessible on the Group's website (*http://www.societegenerale.com/en/measuring-our-performance/csr/responsible-finance*).

In 2016, five sector policies were updated in order to implement the operational roll-out of the Bank's commitments in terms of climate and energy transition.

The coal-fired power plant and mining policies have been updated in order to reflect the Bank's commitment to reducing its involvement in the coal sector, in line with the 2°C Scenario (2DS) of the International Energy Agency. In particular, these two policies now integrate the decisions taken by the Group in 2015 and 2016 to no longer provide finance for coal-fired power plants or related infrastructures anywhere in the world, and to stop funding projects for the development of coal mines and related structures. In addition, the Group has set itself the target of reducing the coal portion of its financed energy mix (installed MW) to 19% by the end of 2020 and cutting its exposure to the coal mining sector by 14% by the end of 2020, in line with the IEA 2DS (excluding China). Lastly, the Group has established special criteria for new relations with companies working in the coal sector.

EQUATOR PRINCIPLES

Adopted by the Group in 2007, and revised in 2013, the Equator Principles (EP) are one of the underlying initiatives of the General E&S Guidelines. Societe Generale has special internal procedures and tools for ensuring they are followed. The EP serve as a common framework for the financial sector to identify, evaluate and manage the E&S risks of projects for which the 87 international financial institutions that have joined the initiative (as of 1st January 2017) provide financing and advice.

In 2015, the EP introduced new obligations in order to improve transparency on transactions financed by members of the association. Since then, Societe Generale has published an annual report on how it has been applying the initiative. In 2016, it also created a new page on its website dedicated to this reporting obligation (*https://cib.societegenerale.com/en/who-are/corporate-social-responsibility/equator-principles/*). This page describes the way in which the principles are implemented and provides a list of the projects that fall within the scope of the EP and which the Bank has helped fund.

Each year, the Bank participates in the General Meeting of the EP as well as the initiative's working groups.

SOFT COMMODITIES COMPACT

In 2015, Societe Generale joined the Soft Commodities Compact established by the Banking Environment Initiative and the Consumer Goods Forum. The Soft Commodities Compact is designed to mobilise the banking industry to help transform soft commodity supply chains, thereby helping corporate customers to achieve zero net deforestation by 2020.

In order to apply the Soft Commodities Compact, the Group uses its existing sector-specific policies for palm oil, forestry and agriculture, which were updated in 2016 in order to reflect this new commitment. The Group also produced an exhaustive list of all corporate customers from its Investment Banking business that work in the sectors and regions targeted by the initiative.

E&S procedures and tools

The Group has adopted various procedures to implement its E&S commitments (General E&S Guidelines and policies and the Equator Principles). These procedures explain how to handle the E&S challenges associated with transactions or customers to whom the Bank provides banking and financial services. Initially only applicable to the Investment Banking arm, they are now being developed and gradually rolled out to all of the Group's financing and investment activities. In addition to facilitating the identification, assessment and appropriate handling of potentially negative E&S impacts, these procedures also make it possible to identify transactions with a positive impact in relation to sustainable development. This dual approach is what underpins positive impact finance (see Positive Impact Finance, p. 254).

In 2016, the Group adopted a new instruction to ensure consistency between all tools and procedures.

E&S WATCH LIST

In order to help identify any controversial E&S matters, the Group has an E&S watch list which is updated quarterly by internal E&S experts. It lists any projects, companies or business sectors, irrespective of whether they are financed by Societe Generale, that are the subject of controversy or public campaigns on the part of civil society for E&S reasons. This internal list enables monitoring on a global scale; it is intended to give the operational teams advance warning and to establish a more stringent E&S assessment process.

E&S EXCLUSION LIST

As well as the E&S watch list, there is an exclusion list which is also updated every quarter. It lists companies that are excluded under the Defence sector policy because they produce, manufacture, stock or sell anti-personnel mines or cluster bombs as well as other types of highly controversial weapons. It is the policy of Societe Generale to not knowingly supply banking or financial services to such companies, their parent companies or their subsidiaries. This list was revised in 2016 and may include companies from other sectors.

PROCEDURES FOR E&S EVALUATION OF TRANSACTIONS

The assessment of the E&S risks and impact of transactions constitutes the operational implementation of the Equator Principles within the scope covered by this initiative. Societe Generale has voluntarily expanded the scope to which it applies the EP to include a range of transactions that are likely to present E&S challenges, such as equity capital market transactions, debt capital market transactions, mergers and acquisitions, and acquisition financing. Even beyond this scope, any financial transaction entered into by the Corporate and Investment Banking division involves an identification of any E&S risks relating to the customer, other than financial institutions.

Within the Corporate and Investment Banking division, a dedicated team of E&S experts lends support to the sales managers when assessing and understanding the E&S impact of transactions and customers.

In 2016, Societe Generale continued to update and reinforce its procedures for guaranteeing its E&S commitments. It launched a major training programme within the Corporate and Investment Banking division. Under this programme, training was given to around 300 employees from the business lines working in sectors covered by E&S policies (energy, mining, export financing) and from the Risk Division. The IT tools have been updated to help assess the E&S impact of transactions in the Risk Division's credit decisions.

The Bank's procedure for assessing the E&S impact of transactions involves an identification stage followed by an E&S evaluation stage and an action stage.

Over 2016, a total of 84 dedicated transactions that underwent an E&S review were signed off by the Group. Among these transactions, 39 project loans, 8 project-related corporate loans and 4 advisory mandates relating to project financing fell within the scope of the Equator Principles. For the dedicated transactions that underwent an E&S review in 2016, total new funding within the EP scope amounted to EUR 3.3 billion, and EUR 1.7 billion fell outside the scope of the EP (Societe Generale's voluntarily extended scope).

CLIENT E&S EVALUATION PROCEDURES

The Corporate and Investment Banking division has been conducting E&S assessments of its clients since 2010. The aim is to identify any E&S risks derived from its customers' activities, and then assess them in light of any potential controversies, the company's practices and its maturity in terms of CSR. The sales managers are involved in this process. If a high level of E&S risk is identified, Societe Generale may decide not to enter into a relationship with a new customer, or to impose restrictions on the relationship and/or to get a specific undertaking from an existing customer to improve its E&S practices.

All corporate clients of the Corporate and Investment Banking division have undergone an E&S risk assessment. Approximately 4% of the customers working in sectors covered by the Group's E&S policies (over 2,800 groups) have been identified as being at-risk and therefore undergo a more in-depth, annual E&S review.

Societe Generale is also gradually introducing an E&S review of clients of the Group's other core businesses. The shared principles of E&S risk identification, assessment and correction are reflected in internal operating procedures. Within French Retail Banking, the 2016 E&S assessment covered the 131 client groups reviewed by the entity in charge of monitoring the key corporate customers within the French network. For over 80% of these groups, no risk was identified. The remainder underwent a more in-depth E&S review to clarify how well their CSR practices and commitments align with those of the Bank. In certain cases, this led to discussions with the client group. The assessment process will continue into 2017, and will be rolled out to major customer portfolios.

Within the International Retail Banking networks, a pilot phase of the E&S assessment process for corporate customers is currently underway, before deployment in all of the network's businesses in 2017. During this pilot phase, in the second half of 2016, around 30 customers identified as presenting an E&S risk were assessed by the dedicated E&S and Compliance teams at IBFS. In some specific cases, this assessment led to restrictions being placed on the business relationship, or even some new relationships being declined. When the assessment relates to a transaction, the agreements can be amended to include E&S clauses.

The Group is constantly improving its E&S assessment methods in order to better understand both the negative and positive E&S impacts of its customers' activities.

POSITIVE IMPACT FINANCE

Societe Generale is one of the banks that has pioneered Positive Impact Finance (PIF), which involves financing any activity that produces a verifiably positive impact on the economy, society or the environment whilst ensuring that any potential negative impact has been properly identified and managed.

The Group's Corporate and Investment Banking division has been reporting on new positive impact finance transactions since 2012, and the number of cases is rising steadily. Over 2012-2016, there was a 3.5-fold increase in the number of positive impact finance transactions. In 2016, positive impact finance transactions amounted to EUR 2,244 million (versus EUR 1,856 million in 2015) (see Innovative solutions to rise to the challenges of energy transition, p. 260).

The Group continues to work on its development of Positive Impact Finance, and is one of the initiators of the "Positive Impact Manifesto" launched in October 2015 by the Banking Commission of the UNEP-FI (Financial Initiative of the United Nations Environment Programme). The Positive Impact Manifesto calls on banks and other players in the financial sector to develop innovative financial solutions to address the financing needs that are necessary to attain the Sustainable Development Objectives of the United Nations. In accordance with the programme set out in this Manifesto, Societe Generale is now committed to promoting "positive impact" transactions and defining Positive Impact Principles, which were launched on 30th January 2017 in Paris.

SOCIALLY RESPONSIBLE INVESTMENT (SRI)

In November 2016, Corporate and Investment Banking was the first bank to organise a European cross-sector conference on ESG and SRI, bringing together over 200 representatives from its key corporate customers, institutional investors, market research and analysis firms, index providers, private banks and asset managers to discuss and highlight the work done by the Bank to boost these products and markets. It created an opportunity for around 30 companies to give presentations to the attending institutional investors on the ESG issues most closely related to their field of work.

SRI/ESG research

Societe Generale offers its customers a targeted research service into Environmental, Social and Governance (or ESG) issues, which won the top award in the SRI & Sustainability Research category of the Extel Survey. This four-strong team of analysts belongs to the financial research section of Corporate and Investment Banking. Its role is to help investors and asset managers better integrate ESG criteria into their investment decisions, working closely with sector-based financial analysts in order to demonstrate the financial materiality of these issues. Its bi-annual analysis report, "SRI: Beyond Integration", is a highly valued publication which combines ESG assessments with financial recommendations from financial analysts in order to offer an integrated and practical overview of all companies monitored by the research department. This is in addition to (i) the publication of around ten multi-sector reports which have been presented to numerous national and international investors, and several conferences and roadshows in Paris and London, among other locations, bringing together investors and listed companies to discuss sustainable development and corporate responsibility.

Lastly, SRI research is used to help monitor several indexes and baskets of listed stocks, resulting in the issue of financial products relating to ESG (corporate governance, renewable energies, etc.) and/or sustainable development (a list of products and methodologies is available at *www.sgbourse.fr*).

SRI products for professional investors

2016 saw the development of numerous SRI products within Investment Banking:

- Late 2016, the portfolio contained EUR 1.5 billion in SRI assets generated by market activities, particularly via the Societe Generale Index (SGI) franchise which offers securities with ESG underlyings. One of the successes of the year involved an index sponsored by FINVEX, which combines an ESG filter with financial filters (EUR 950 million AUM at end-2016). The offer has also been extended to debt securities for which Societe Generale has agreed to retain positive impact assets on its balance sheet for a value equal to all subscriptions to the product, throughout its life span;
- Lyxor Asset Management has been gradually increasing the integration of ESG criteria within its fund ranges. At end-2016, there were EUR 13 billion in assets being managed in line with the Shareholder Commitment criteria, EUR 759 million involved exclusion lists, EUR 492 million environmental issues, EUR 23 million ESG integration and EUR 6 million ESG selection. Lyxor is also a PRI signatory.

SRI products for individual investors

SRI FUNDS

Societe Generale is committed to meeting investor demand for SRI products by offering several types of investments (equities, bonds and money market products), particularly through four investment funds grouping together the most advanced companies based on these three ESG criteria. At end-November 2016, Societe Generale managed EUR 134 million in SRI assets in these four funds.

Furthermore, at Credit du Nord, *Etoile Developpement Durable* is the only SRI certified fund (FR0010502088), with AUM of EUR 9.7 million at Etoile Gestion, of which EUR 4.7 million was with Credit du Nord at end-November 2016.

All actively managed funds (i.e. excluding index funds and ETFs) developed by Amundi or Etoile Gestion are managed based on extra-financial ESG criteria, particularly an exclusion policy for securities in poorly rated companies. The management companies' respective websites contain detailed information about the funds managed by Amundi and those managed directly by Etoile Gestion.

SRI OFFER FOR PRIVATE BANKING

Private Banking is in the process of building up a comprehensive SRI offer. It will cover all management services and products offered to its customers. It will be based on the ESG research conducted by the MSCI index (which will allow Societe Generale Private Banking and its management companies to comply with Article 173 of the French Energy Transition for Green Growth Act, published in the Official Journal on 18th August 2015) and will complement the ESG research produced by the various brokers, including the Societe Generale SRI analysts.

SRI currently affects discretionary portfolio management, structured products, SRI and solidarity funds and all other solidarity funds. Managers now pay attention to explaining the make-up of their SRI portfolios, offering tailored ESG integration when managing customer portfolios, and producing SRI reports and/or carbon footprint reports for their portfolios. At end-2016, the various entities of the Societe Generale Private Banking division held around 20 management mandates from customers wishing to incorporate ESG criteria, accounting for EUR 152 million AUM (vs. EUR 108 million in 2015).

The division is currently setting up the necessary governance structure, with a central SRI Management Committee for the whole of Private Banking whose role will be to establish the SRI management framework and reporting obligations. This is in addition to a number of structured products for which Private Banking has decided to draw on the Group's expertise in Positive Impact Finance (see Positive Impact Finance, p. 254). The liquidity of the structured product is therefore used to finance or refinance positive impact assets (renewable energy projects, infrastructures, etc.). These positive impacts are assessed by Vigeo Eiris. The first issue to use this structure was subscribed in October 2016. By end-2016, the AUM was EUR 5.1 million and the target for 2017 is much more ambitious. These positive impact products represent a real innovation for the structured products segment.

The total value of SRI products managed by Private Banking at end-December 2016 was EUR 495 million (+57% vs. 2015).

SRI LIFE INSURANCE

To meet the needs of savers looking to diversify and invest in a socially responsible manner, Sogécap and Oradéa Vie's investment-backed life insurance policies offer money market, bond or equity SRI vehicles, depending on the customer's desired investment horizon and appetite for risk.

SRI assets under management by Sogécap and Oradéa amounted to EUR 59.74 million at 31st December 2016, across 54 vehicles. This represents a nearly 50% growth in AUM compared to end-2015, with the offer having also been extended to include 13 new SRI vehicles.

SRI-CERTIFIED SAVINGS FOR SOCIETE GENERALE EMPLOYEES

Societe Generale offers its employees savings plans with the opportunity to invest in various company mutual funds[1] (FCPE) which have been SRI-certified by the CIES (French Inter-union Committee on Employee Savings).

As of 31st December 2016, all SRI funds in the Group's savings plans in France (the various Company Savings Plans, Group Savings Plans and Collective Retirement Savings Plans) invested in SRI represented EUR 452 million in assets under management, up over 11% on 2015.

(1) For Societe Generale: SG Obligations ISR, SG Diversifié ISR, Arcancia monétaire, Amundi label actions solidaires; for Credit du Nord: Amundi Label Équilibre Solidaire, Amundi Label Obligataire et Solidaire, Arcancia Éthique & Solidaire, Étoile Sélection Développement Durable.

E&S COMMITMENTS AS PART OF SOCIETE GENERALE'S SOURCING POLICY: THE 2018 POSITIVE SOURCING PROGRAM

Pursuing a responsible sourcing policy allows Societe Generale to fulfil its commitments to contributing to economic and social development and limiting its environmental impact.

The Group's total purchases amounted to an estimated EUR 6.6 billion in 2016, which makes the Sourcing function a key player in the Group's CSR strategy.

Responsible sourcing commitments made by the Group:

- 2007: 1st bank to sign the SME Pact;
- 2010: Signature of the "Responsible Supplier Relations" Charter which sets out ten commitments contributing towards the development of a balanced and sustainable relationship between the major corporate signatories and their suppliers. This was followed by the appointment of an internal ombudsman (the Group Corporate Secretary) and the inclusion of a mediation clause in all contracts;
- 2012: Societe Generale SA (France) was awarded the "Responsible Supplier Relations" certification from *Médiation Inter-entreprises*, *Médiation des Marchés publics* and *Compagnie des dirigeants et acheteurs de France* (CDAF). This certification, awarded following an on-site audit of practices by an independent auditor, confirms that the Group's organisation and management practices provide a reasonable assurance of compliance with the objectives and commitments defined in the certification's frame of reference. Societe Generale's certification was renewed for a further three years at the end of 2015;
- 2014: Signature of "*La Belle Compétition*" Charter for "Communication Agency – Advertiser" calls for tender;
- Other commitments for particular types of sourcing: the Group is a founding member of the Charter of Best Practices in Procurement of Private Security Services (security, transportation of funds, remote monitoring), created under the auspices of the French Ministry of the Interior.

A new responsible sourcing action plan: the 2018 Positive Sourcing Program

A new 2016-2018 action plan has been launched to ensure the Group continues to lead by example in terms of responsible sourcing. Developed on the basis of feedback from over 700 partners and suppliers, this fourth action plan draws on the Group's ten-year track record.

Supporting the Group's values and reflecting its Environmental and Social commitments, the 2018 Positive Sourcing Program is based on ethical sourcing practices, compliance with which is an essential prerequisite to achieving the targets set for 2018. It is based on two components:

- improving CSR risk management during the sourcing process;
- diversifying our sourcing practices by helping to improve the Group's regional and environmental footprint.

The Positive Sourcing Program will be rolled out first across France, then internationally. The plan is a continuation of the work to implement the internal instructions on "Responsible Sourcing Practices", which was appended to the Global Agreement on Fundamental Rights signed in June 2015 with the UNI Global Union, demonstrating the Group's intention to apply it across all its entities.

IMPROVING CSR RISK MANAGEMENT DURING THE SOURCING PROCESS

The Group's fundamental ethical practices are strengthened and consolidated in the following areas:

ASSESSING THE EXTRA-FINANCIAL PERFORMANCE OF SUPPLIERS

In addition to the sustainable development clause included in the Group's contracts, the Bank requires every supplier to undergo a CSR assessment before each procurement operation. This assessment, which is carried out by the independent expert Ecovadis, allows Societe Generale to measure providers' performance in relation to environmental and social issues, business ethics and subcontracting. In the interests of efficiency, the Group hopes to enhance this system in 2017. The first step was launched in July 2016, with the introduction of the Know Your Supplier (KYS) process. Under the KYS process, Societe Generale researches every supplier invited to participate in any call for tenders. This analysis includes a reputation risk analysis, to identify any controversial environmental or social issues, in particular relating to human rights.

INTEGRATING MANDATORY ENVIRONMENTAL AND SOCIAL CRITERIA INTO CALLS FOR TENDERS

In 2006, the Group developed an environmental and social (E&S) risk map for each of its purchasing categories. This map is regularly updated and is used to assess the inherent CSR risks of each category. There are 31 highly sensitive categories in terms of CSR risk for Societe Generale. In order to minimise and manage all risks when sourcing products or services from these sensitive categories, the Group intends to integrate E&S criteria as standard in all calls for tenders, whenever relevant. In 2016, all calls for tenders included a minimum 3% weighting for CSR performance. From 2017, this weighting will be increased based on the CSR risk sensitivity of each purchasing category.

IMPLEMENTING IMPROVEMENT PLANS WITH SUPPLIERS AND ON-SITE AUDITS

Since 2015, Societe Generale has used targeted on-site CSR audits and a process for managing and monitoring supplier action plans, in order to help suppliers to improve their CSR performance. Seven CSR audits and three action plans were conducted in 2016. These actions all fall within the framework of the Positive Sourcing Program.

IMPROVING PAYMENT TIMES FOR SUPPLIERS WITH THE AMBITIOUS "PAYMENT IN 30 DAYS" PROJECT

In 2014, Societe Generale took the radical decision to commit to paying all suppliers in less than 30 days, a much stricter rule than applied by any regulation. In order to meet this ambitious target, Societe Generale has drastically simplified its invoice approval procedures and relied on innovative solutions such as paperless billing, thereby reducing the time it takes for the invoice to reach the accounts department. The target for 2016 was to pay 75% of invoices within 30 days.

At the end of October 2016, the bank had achieved an average payment time for invoices (weighted by value) of 34 days (vs. 36 days at the end of October 2015).

Societe Generale was awarded the *Prix Grand Groupe* in the payment times category at the third *Assises et Prix des Délais de Paiement* ceremony, under the patronage of French President François Hollande, and sponsored by Emmanuel Macron, Minister for the Economy, Industry and Digital Data, in June 2016.

TRAINING THE PROCUREMENT TEAM IN THE 2018 POSITIVE SOURCING PROGRAM

A special "Responsible Sourcing" module has been added to the in-house training given to any new member of the procurement team. At the end of 2016, nearly 80% of all buyers in the Procurement Division had received this training.

Furthermore, all team managers and the majority of buyers in the Procurement Division have been assigned a personal CSR target.

DIVERSIFYING SOURCING PRACTICES WHILE HELPING TO IMPROVE THE GROUP'S REGIONAL AND ENVIRONMENTAL FOOTPRINT

As part of the 2018 Positive Sourcing Program, and in line with the Group's CSR strategy, Societe Generale has identified three priorities which will be monitored and documented:

PRIORITY 1: CONTRIBUTING TO THE GROWTH OF VSBs AND SMEs

SMEs are crucial to the French economy. Societe Generale makes it easier for these companies to access the Group's contracts and fosters mutual trust with all its suppliers. The target for the end of 2018 is to increase the volume of procurement from VSBs/SMEs by 20% as compared to 2015.

The Group conducts a number of actions targeting innovative SMEs, particularly calls for skills (via the SME Pact open innovation platform: *http://innovation.pactepme.org*), mentoring, beneficial partnerships and the supplier satisfaction survey. The supplier satisfaction survey is an annual assessment of the quality of Societe Generale's relationships with its SME suppliers. The VSB/SME satisfaction score in the 2016 Supplier Survey was 83% (vs. 76% in 2015), placing the Group above the average for the Banking and Insurance sector.

In 2015, 32% of the Group's procurement expenditure was with VSBs/SMEs.

PRIORITY 2: CONSOLIDATING ITSELF AS THE PARTNER OF CHOICE IN THE SOCIAL AND SOLIDARITY ECONOMY (SSE)

The aim for the end of 2018 is to double the volume of purchases made from SSE structures in 2015, increasing it to EUR 10 million a year.

Thanks to close collaboration with the Group's Mission Handicap team, the Positive Sourcing Program hopes to expand its sourcing from the disabled workers sector. It is also widening its sourcing to include back-to-work schemes and other SSE players.

In 2015, EUR 4.9 million of the Group's procurement expenditure went to SSE structures.

PRIORITY 3: SUPPORTING THE GROUP'S CLIMATE 2020 INITIATIVE

The Group is committed to cutting its CO_2 emissions by 20% between 2014 and 2020. Within the Procurement Division, this will particularly involve the development of Green IT, improving building energy efficiency and improving the environmental performance of the products and services purchased by the Group.

The aim is to systematically seek out innovative products and services with high environmental added value, based on a quantitative analysis of their environmental impact (CO_2 emissions and environmental performance).

3. SOCIETE GENERALE ACTS FOR THE CLIMATE

CLIMATE: STRATEGY AND MANAGEMENT

In the face of climate change and ecological upheaval, the preservation of environmental balances is becoming a real challenge. In 2015, ahead of the COP21 climate change conference, Societe Generale committed to aligning its financing portfolio to the global warming trajectory laid out by the International Energy Agency (IEA), which sets out a 2°C scenario (2DS), by 2020.

In 2016, Societe Generale developed its climate strategy, which is built around two strategic priorities:

- implementation of climate risk management;
- development of energy transition financing in order to support its clients in their low-carbon investments.

Societe Generale is progressively developing management tools as part of its climate strategy. These tools provide an overall framework for managing the Bank's impact on both financing (indirect emissions) and assets held (proprietary activities). Based on this framework, specific actions and procedures are implemented or strengthened.

Article 173 of the French Energy Transition for Green Growth Act requires greenhouse gas emissions generated by the company's businesses, particularly by the use of the goods and services that it produces, to be reported via significant balance sheet items. In connection with its corporate finance business (indirect emissions), a Group-wide method for evaluating greenhouse gas emissions relating to the Bank's balance sheet commitments[1] has been put in place at Societe Generale to make it possible to identify the sectors with the highest carbon levels[2]. This method takes a global approach using official data from international organisations, such as the United Nations and the OECD, and enables the Bank to determine, based on the climate challenges facing the macro-sectors (e.g. transport, energy, industry, etc.), the proportion of the emissions corresponding to the commitments undertaken by the Bank.

By ranking the macro-sectors in terms of their carbon intensity, the Bank prioritises its climate action by developing a more microscopic analysis of its priority sectors, and develops more focused monitoring. The greenhouse gas emissions relating to the 2016 balance sheet commitments for the macro-sectors break down as follows: 39% for the transport sector, 37% for the energy sector, 15% for the manufacturing industry, 7% for the process industry, 2% other. To date, the Bank has not yet developed an approach for evaluating greenhouse gas emissions as they relate to financing for private individuals.

Thus, it can be seen that the transport and energy sectors are the most significant macro-sectors (76%). Actions have already been carried out for the energy sector (sector policy, halting funding for carbon and coal-fired power plant projects, commitment to developing funding for renewable energies, etc.). In the electricity sector, Societe Generale has developed a system for monitoring the energy mix of dedicated transactions and corporate lending with the objective of aligning it with a 2°C global warming trajectory that is in keeping with the IEA's 2DS.

In the context of its proprietary activities (operating emissions) the Group carries out an annual campaign to collect all environmental data relating to energy consumption in its buildings and by its IT infrastructure (including hosted data centres), business trips, goods transport (mail, company shop, transport of funds, etc.), paper consumption (office use and paper for customer communications), waste produced and water consumption. Waste and water consumption are not currently taken into account in the Group's carbon footprint, but are included in its carbon reduction programme for 2014-2020.

The monitoring indicator is greenhouse gas emissions in tonnes of CO_2 equivalent per occupant. Energy consumption, which accounts for 72% of the Group's carbon footprint on proprietary activities, is also monitored in kW/h per occupant or per m^2.

In line with its commitments, Societe Generale, together with 25 other major international financial institutions, has supported the Voluntary Principles for Mainstreaming Climate Action since December 2015 (see p. 242, Group commitments).

The Group is also a signatory to the CDP Climate Change, Water, Forests and Carbon Action programmes, joining more than 822 financial institutions throughout the world and issuing annual reports on its environmental initiatives in these areas.

(1) Portfolio of companies broken down by EAD – exposure at default – under the Basel 2 model ("Assessment of EAD credit exposure", see p. 195, Credit risk exposure).

(2) This is the P9XCA method. Societe Generale has updated and adjusted its variables, notably the geographic and sector breakdown.

ATTENTION TO CLIMATE CHANGE ISSUES ASSOCIATED WITH FINANCING AND OTHER SERVICES

A system for managing climate change risks

Risks related to climate change (physical and transition risks) are not a new risk category, but rather an aggravating factor for the types of risks included in the risk management plan (particularly credit and operational risks and risk related to insurance activities). The sector policies forming the environmental and social (E&S) risk management framework—particularly its carbon sector policy—contribute to the management of transition risk.

In standard credit risk management, the macro-economic and macro-sector analysis, as well as individual credit risk analyses for the countries and sectors with the greatest exposure, take into account physical risks and transition risks. An in-depth analysis was carried out in 2016 by the Risk Division in collaboration with the CSR Department and presented to the Risk Committee in early 2017. It was decided that the development of sensitivity to these risks should be monitored by the Risk Committee, which wishes to further strengthen consideration of this risk factor through its continuing work and specific actions, such as raising credit analysts' awareness of the development of these risks.

The energy sector at the heart of the climate challenge

In order to set things in motion, the commitment to the 2°C global warming trajectory will be gradually implemented across all business sectors that the Bank supports through its financing portfolio and other services according to priorities that will be identified by risk management tools and by the Risk Division.

The energy sector plays a central role due to its significant production of greenhouse gas emissions and its position at the heart of the economy. Societe Generale focused its initial efforts on clarifying and implementing its climate strategy within the coal sector. Though coal still plays an important part in the global economy as an affordable resource, its contribution is declining significantly given its impact in terms of CO_2 and fine particles, in keeping with the objective of the Paris Agreement of December 2015.

In 2016, Societe Generale announced the end of funding for coal-fired power plant projects and associated infrastructures on a global scale beginning 1st January 2017. In addition, the Group has not been involved in project funding for the development of coal mines and associated infrastructures since 2015 (see p. 252, Sector and cross-sector E&S policies).

Furthermore, Societe Generale has developed a methodology for monitoring its credit exposure to the coal sector for the purposes of implementing its commitment to the IEA's 2DS plan for 2020. The scenarios relating to primary energy production and installed capacity for electricity production were used to set the Bank's objectives, based on a conservative approach that does not include China, whose energy mix relies heavily on carbon.

On this basis, the Bank has set itself the following objectives:

- to reduce outstanding credit (exposure) related to coal mining by 14% between 2016 and 2020;
- to limit the proportion of installed capacity for coal-fired power plants in the energy mix financed by the Bank to 19% by 2020.

The Group's energy mix was arrived at by considering both transactions that are dedicated to generating electricity from an identified energy source and loans that are not dedicated to customers active in the electricity generation sector (outstanding credit).

Deforestation, a major challenge in the fight against global warming

Protecting forests through sustainable management and maintaining primary forests help to both mitigate climate change and preserve biodiversity.

At the end of 2015, Societe Generale strengthened its commitment to forest conservation by adopting the Soft Commodities Compact of the Banking Environment Initiative and the Consumer Goods Forum, which aims to achieve zero net deforestation of tropical rainforests by 2020 (see p. 242, Group commitments).

SUPPORTING CUSTOMERS IN THEIR LOW-CARBON INVESTMENTS

Societe Generale is aware of the role played by economic actors in the transition to a lower carbon economy and intends to be a key player in the energy transition.

Green funding

Strengthened by its presence in 67 countries, the Group actively contributes to the development of the many markets in which it operates. It supports governmental and private sector efforts to transition to a low-carbon economy by targeting:

- the diversification of sources of energy generation with increased funding in the renewable energy sector;
- the reduction of its clients' energy consumption;
- the increase of its energy transition and climate change adaptation efforts in developing countries, particularly in Africa, where Societe Generale has a strong presence, and attracting investors for these projects.

Corporate and Investment Banking has extensive experience in the environmental and renewable energy sector. With a global presence and acknowledged sector expertise (in energy, oil and gas, reserve based finance, etc.) the Bank has continuously supported its customers for over ten years in the development of these fields.

Societe Generale pursues a proactive policy in the renewable energy sector (solar, wind and biomass energy, etc.), aiming to both double its funding of projects in the renewable energy sector and to make up to EUR 10 billion of dedicated funding available by 2020. In 2016, the Group granted funding for renewable energy projects to the tune of EUR 1.26 billion. Moreover, Societe Generale also arranged five major transactions in the offshore wind power sector, including the following:

- funding for the biggest offshore wind farm project in Germany, the "396 MW Merkur" project, owned by a consortium comprising Partners Group, InfraRed Capital Partners, DEME and GE; this project will enable clean energy to be supplied to around 500,000 households in return for EUR 1.24 billion in financing;
- funding for the largest wind farm in the world, Dudgeon, located off the coast of Norfolk in the United Kingdom. Scheduled for completion by the end of 2017, the project will generate electricity for 410,000 British households and replace 893,000 tonnes of CO_2 a year. This is the first offshore wind transaction in which Societe Generale has acted as both advisor and lender, thereby confirming its role as European leader in financing for wind farms.

Group subsidiaries abroad are also present in the sector. On an international basis, Societe Generale helps local authorities, private individuals and companies to develop while preserving the local ecosystem. Many of its international financing deals benefit from guarantees and advantageous conditions thanks to partnership agreements signed with international financial institutions (IFIs) and refinancing lines dedicated to energy efficiency or renewable energies.

For example, in 2016:

- Komerčni Banka (Czech Republic) contributed EUR 8 million to the financing of infrastructures and plants offering local residents a better water supply and better wastewater management;
- in the United Kingdom, SG Equipment Finance (SGEF) has been providing financing solutions since 2010 for numerous clean and renewable energy systems: solar panels for schools and industrial buildings, LED lighting for warehouses, schools and hospitals, biomass boilers for public institutions and many farm buildings as well as cogeneration systems for major energy centres in the public and private sectors. In 2016, SGEF UK financed photovoltaic systems, biomass boilers and LED lighting to the tune of EUR 5.3 million;
- in the Czech Republic, SGEF continued to finance the acquisition of buses to improve public transport, lending EUR 20.5 million in 2016;
- Fiditalia (Italy) continued to support the photovoltaic sector through financing amounting to EUR 23.3 million in loans for systems and installations related to the production of electricity from solar energy;
- in Bulgaria, SG Express Bank contributed over EUR 170,000 to the Desiree Gas programme supported by the Bulgarian Ministry of Energy and the EBRD, enabling subsidies to be granted to private individuals who are customers of gas distributors and opt to replace diesel oil, coal or wood by natural gas;
- Rusfinance, Societe Generale's consumer credit subsidiary in Russia, provided EUR 46 million in loans for private individuals to buy clean vehicles with a guarantee from the Societe Generale Group, all under the International Finance Corporation's dedicated credit facility.

In total over 2016, the green funding supplied by Societe Generale to private or public sector undertakings (energy infrastructures, all forms of renewable energy generation, waste and recycling, public transport projects, alternative fuels, clean vehicles, green real estate) amounted to around EUR 3.12 billion (with SOGEPROM making a contribution for the first time to the tune of EUR 595 million for green real estate).

Innovative solutions to rise to the challenges of energy transition

In order to satisfy its corporate clients, the Group is keen to contribute to the development of "green bonds" enabling the financing of projects and acquisitions in renewable energy and energy efficiency, thereby participating in the fight against climate change by bringing the Group's structuring and bond distribution solutions to the table, combined with its longstanding expertise in ESG management. In 2016, Societe Generale contributed to the issue of eight green bonds totalling EUR 6 billion and was involved, for example, in the first offshore green bond issue in the Chinese automotive sector for Zhejiang Geely. This issue is intended to finance or refinance design, development and production projects for zero-emission vehicles by its British subsidiary, the London Taxi Company.

The Bank also lends its expertise in terms of financial structuring and distribution to offer innovative solutions that meet the energy transition criteria sought by investors, particularly through the development of positive impact finance under the auspices of the UNEP-FI (United Nations Environment Programme Finance Initiative) (see p. 254, Positive Impact Finance). In 2016, this approach was continued with a second positive impact bond issue for a EUR 500 million fixed-rate senior note with a 5-year maturity. The funds raised will serve to finance renewable energy projects.

The Bank is a long-standing player in the carbon market, ranked No. 2 by Energy Risk in the European ETS (Emissions Trading System) and No. 1 for its research on the subject in 2016.

Environmental banking offer

In its French banking networks, Societe Generale also promotes financing aimed at improving energy efficiency. Since their launch in France, the Group has distributed more than 27,500 interest-free eco-loans, sustainable development loans and Expresso sustainable development loans, which together represent more than EUR 435 million. As at 31st December 2016, the deposits in Sustainable Development Savings Accounts amounted to EUR 8 billion.

As part of its environmental banking offering, the Bank proposes a range of green products and services, including an environmental business credit card for corporate customers in collaboration with the French Forestry Commission (ONF). Societe Generale has reaffirmed its commitment to fund the regeneration of two forest parks (in the Hautes-Alpes and Loire Atlantique *départements*) until the end of 2017. In 2016, just over EUR 151,261 was paid to the ONF, up 19% compared to 2015.

Since September 2012, a preferential "clean vehicle" scale has been reserved for clients who wish to finance the purchase of new or second-hand electric or hybrid vehicles via an Expresso loan. In 2016, 3,300 Expresso loans totalling EUR 40.9 million were granted under this scheme. Since it was put in place, close to 10,000 "clean vehicle" Expresso loans have been taken out, totalling EUR 128.4 million.

Sogessur, Societe Generale's insurance subsidiary, has implemented a permanent 5% discount on insurance premiums for policyholders with vehicles emitting less than 120 grams of CO_2/km, regardless of the package selected ("clean vehicle" policy) and a 10% discount on insurance premiums for policyholders who drive less than 6,000 km/year ("infrequent driver" policy). At the end of 2016, "infrequent driver" policies accounted for 23% of Sogessur's portfolio, up 2 points compared to 2015, and "clean vehicle" policies accounted for 18%, up 3 points on 2015. In early 2016, Sogessur launched "Star Drive", a software application that is both educational and fun, and that enables users to improve their driving skills through driving tips and is also environmentally friendly. To date, 8,000 individuals have downloaded the application and beneficial effects on users' driving performance have been noted.

Societe Generale's international network also offers a range of environmental banking products and services. For example, in October 2016, just before the COP22 climate change conference, Societe Generale Morocco launched the C'BIO bank card, made of biodegradable plant-based plastic, and makes a flat-rate donation to Mawarid ("Resources"), a non-profit which works to protect the environment. At end-2016, 188 C'BIO cards had been distributed.

A range of specific services

ALD Automotive, the Group's automotive leasing subsidiary, is pursuing its strategy to promote low-carbon solutions and new forms of mobility in the operational leasing sector, where technology is driving changes in practices. Private car or car sharing, long-term leasing versus short-term leasing, development of multi-modal solutions – ALD is experimenting with these new corporate mobility business models. The Mobility Experience Centre, which has been set up at its Dutch subsidiary in Amsterdam, is a leading centre for raising awareness and testing in relation to these new practices; examples of the most recent innovations integrated into the "ALD newmobility" programme are flexible mobility solutions such as the "ALD choice" showroom, the "ALD free" platform, the "My ALD" application, which has been rolled out in more than 20 countries, and the "ALD Community" commuter carpooling solution, in partnership with WayzUp.

With a fleet of 9,132 electric cars under its management as of the end of September 2016 (out of a total fleet of 1.3 million vehicles worldwide), ALD Automotive's range of electric options is expanding with new solutions, such as:

- ALD experienze: a discovery day organised at corporate client sites to give employees the chance to find out about electric vehicles;
- ALD rent electric: the opportunity for corporate clients to evaluate the introduction of electric vehicles to its car fleet in real conditions by test driving a varied selection of electric vehicles on a long-term basis and with great flexibility;
- ALD electric: advice and comprehensive support, from conducting a needs analysis to the servicing and repairs of the vehicles, including setting up infrastructures at the client site designed to encourage the introduction of electric vehicles in company fleets.

This range of packages is growing thanks to partnerships formed in 2016 with specialists in electric recharging infrastructures, enabling ALD to offer its customers appropriate energy management and intelligent recharging solutions for their vehicles (Eneco in the Netherlands and G2 Mobility in France).

PARTNERSHIPS TO SUPPORT LOW-CARBON* DEVELOPMENT POLICIES

In order to support the Group's low-carbon financing development policies and to assist its customers in this respect, the Group is working to form partnerships with IFIs offering lines or programmes dedicated to financing for clean energy or energy efficiency projects. These dedicated financing lines are aimed at encouraging banks – the primary source of corporate finance – to finance the transition of their existing customers to a more sustainable energy model or to seize the opportunities to finance "green" projects proposed by companies taking an innovative approach in this area.

The partnerships that have been entered into include Sunref (Sustainable use of natural resources and energy finance), concluded in 2015 between the French Development Agency (AFD) and the subsidiaries SGBS in Senegal and SGBCI in Côte d'Ivoire. In the context of these partnerships, the AFD and the local bank coordinate their efforts via committees set up to monitor the Sunref refinancing scheme, as well as regular exchanges on the projects that have been identified by each of the two parties. They evaluate and subsequently decide on the projects' eligibility. In Cote d'Ivoire, as of the end of 2016, four out of the eleven projects and companies reviewed had been accepted as eligible for inclusion in the Sunref programme; five other applications are currently being processed. This partnership's key to success is also partly due to raising the awareness of both the Bank's sales teams (so as to trigger the "Sunref reflex") and companies and professional organisations, which the AFD invites to information seminars like the one that was held in Abidjan on 17th November 2016.

The following financing contracts arranging financing facilities for energy efficiency projects have also been signed between the European branches and the EBRD: in Moldavia, for the MoREEFF and MoSEFF programmes, which are specific to this country, to the tune of EUR 8 million, in Romania, for two credit lines totalling EUR 8.1 million, and in Serbia.

In France, an agreement is in place with the EIB in connection with the "France Énergies Renewables" programme to promote investment in renewable energies (EUR 750 million) across the country between 2014 and 2016.

REDUCING THE GROUP'S CARBON FOOTPRINT

The Group's carbon plan

The Bank also generates environmental impacts through its business activity. Aware of its responsibility in this respect, Societe Generale continues to apply its environmental policy in terms of its own activities; such policy involves the control and improvement of its direct impact on the environment, in association with its various stakeholders.

As part of its 2014-2020 carbon reduction programme, Societe Generale has decided to reduce its CO_2 emissions by 20% and, from 2017, to include its waste in the Group's carbon footprint. In 2016, the Group's carbon footprint was 2.13 tonnes of CO_2/occupant, i.e. a reduction of 11.8% compared to 2014, the reference year.

The internal carbon tax, a governance tool

In order to achieve this objective, the Bank is extending its internal carbon tax incentive scheme. This tax is levied on the basis of each Group entity's emissions (EUR 10/tonne of CO_2) and is then redistributed to finance internal environmental efficiency initiatives via the organisation of the Environmental Efficiency Awards. This scheme shows that environmental measures also represent value-creation and innovation opportunities for the Bank.

Over four years, the internal carbon tax revenues have been allocated to 185 initiatives in 23 participating countries over 4 continents, achieving the following:

- a grant of EUR 3.1 million per year on average;
- recurring savings of EUR 26 million per year in overheads;
- nearly 11,000 tonnes of CO_2 avoided per year (i.e. 3.3% of the Group's emissions);
- 58 GWh of energy saved per year (i.e. 6.8% of the Group's total energy consumption).

The Sourcing Department plays a significant role in the Group's CSR strategy, and is committed to reducing the environmental footprint of the Bank's procurement (see p. 256, Improving CSR risk management during the sourcing process).

This has led to genuine enthusiasm among employees, and the Bank is keen to share the programme with its peers and the organisations with which it is involved (EpE, ORSE, Global Compact) so that the initiative is adopted elsewhere.

Measures taken to improve environmental efficiency

REAL ESTATE

REDUCTION IN ENERGY CONSUMPTION

With a total floor space of 3.9 million m² in 2016, the Group has made a commitment to continually enhance the energy performance of its buildings by implementing an environmental strategy for its building stock. To this end, one of the objectives it has set is to increase the energy efficiency of its central buildings (excluding branches and subsidiaries) by 20% by 2020 compared to 2014, which will make a significant contribution to the energy consumption reduction efforts implemented since 2007.

* Relating to the financing of the energy transition.

Several tools have been made available to attain this objective:

- an environmental diagnostic tool (EDT) has been developed to evaluate the building stock's environmental performance, facilitating the roll-out of consistent and effective action plans at country or entity level and the improvement of the energy efficiency of the building stock overall;
- a management tool (GREEN) allowing the real-time monitoring of a given building's energy and water consumption and waste management has now been rolled out in the main central buildings in France in order to manage energy efficiency and to monitor energy management in the 19 buildings with ISO 50001 certification in the Ile-de-France region. This certification is a clear indication of the Group's commitment to reducing energy consumption in its buildings, and makes Societe Generale the first bank to be certified in Europe. On an international level, further to its successful roll-out in the United States (one building in New York), India (Bangalore and Chennai) and Luxembourg, the GREEN tool has now been implemented in Asia and the United Kingdom.

In addition to this objective and as part of the ISO 50001 certification for the 19 central buildings, an "energy policy" has been defined and implemented. This policy aims to:

- satisfy the legal and regulatory requirements pertaining to buildings;
- optimise the energy and environmental performance of buildings owned by Societe Generale, as part of the Group's continuing efforts to ensure the comfort of its buildings' occupants;
- capitalise on real estate market opportunities and the current context to occupy buildings best suited to the development of the company's core business values (reliability, business continuity) and to the occupants' expectations in terms of comfort, health, accessibility and services.

The result of these efforts in respect of 2016 is a reduction of over 4%, compared to 2015, in the energy consumption of the central buildings. A noteworthy point is that a remote meter system for measuring consumption data has been installed in 189 branches in Societe Generale's French network.

2016 also saw the construction of buildings at the cutting edge of energy efficiency, such as DUNES (to the east of Paris, with a floor area of 89,000 m^2 for 5,500 people) and Ampère E+ (at La Défense, 15,000 m^2 for just under 1,300 people). These buildings have been awarded the following certifications: HQE Construction and LEED for DUNES, and HQE (Excellent) and BREEAM (Very Good) as well as the BBC Effinergie Rénovation label for the Ampère E+ building.

In Chad, Societe Generale has built two annexes to its head office, which are exemplary in terms of their environmental qualities (insulation that is compliant with European standards, external double walls, electricity generation by solar panels and LED lighting). Societe Generale's subsidiary in Burkina Faso has installed 22 solar automatic teller machines (ATMs), mainly in remote areas that are subject to frequent power cuts.

At the same time, the use of renewable energy sources increased by 19% in 2016 compared to 2015, thanks in particular to the production of renewable energy in our buildings (solar panels and methanisation in some company cafeterias) and to the acquisition of green certificates.

Sogeprom, the Group's property development subsidiary, is developing the future of real estate by placing the user at the heart of its concerns (comfort, air quality, connectivity, biodiversity: garden, etc.) while simultaneously increasing the value of property assets. It is redesigning the property development business of the future by taking the overall lifespan of the building into account: from the eco-design to end-of-life considerations for the building and its construction materials. Hence the new Ampère E+ building, Sogeprom's head office, which will soon welcome Sogeprom employees, followed by the employees of Societe Generale's real estate division, was constructed through on-site innovation and partnerships with start-ups and innovative companies in order to significantly reduce the project's ecological footprint (the transmission of data by LiFi technology lighting, an electricity storage solution using second-life batteries (B4B system), a green wall to purify indoor air, an edible wild garden on the roof and fibre optic cabling rather than a conventional copper IT network).

REDUCTION IN WATER CONSUMPTION

The Group's water consumption was 1.92 million m^3 in 2016, down slightly compared to 2015.

In the Group's buildings, water management is handled in conjunction with energy management. It is supplemented by consumption-cutting measures (motion detectors, replacement of evaporative air-conditioning units, etc.).

MASS CATERING

Particular attention is paid to the environment and to combating food wastage, in collaboration with the caterers at Societe Generale's main buildings in Ile-de-France (which serve 11,000 meals per day on average). Hence, most of the catering services are provided on site on a just-in-time basis, with a growing proportion being offered on a self-service basis, so that consumers can adjust portion sizes themselves. Management of use-by dates for pre-prepared products is also optimised. In the majority of cafeterias, the remaining waste is sorted and methanised (see below).

WASTE MANAGEMENT

By recycling waste, Societe Generale strives to minimise its direct impact on the environment. At Group level, waste production was estimated at around 18,000 tonnes in 2016. The slight increase in waste production (up 11.4% on 2015) is due to more comprehensive coverage in 2016.

To meet the target of the 2014-2020 carbon reduction programme, a range of measures to improve waste management exist within the Group. Waste collection, recycling and processing efforts involving the disabled workers sector continued in 2016, with nearly 130 tonnes of waste processed. Dehydration and sanitisation of food waste is carried out on site (Credit du Nord), thereby reducing the environmental impact of its transportation.

IT INFRASTRUCTURE

Societe Generale's IT Division has set itself the objective of reducing the energy consumption of its IT stock by 4% a year in line with the pledge given by the Group. The 2016 initiatives helped save 9.4 GWh/year in energy, i.e. a 4.7% drop in CO_2 emissions.

A system has been put in place whereby a contact person dedicated to environmental matters is placed at the centre of the process for each project; in addition, a major campaign of awareness-raising in relation to environmental issues has been carried out with project holders.

In general, particular emphasis has been placed on electricity consumption, collaboration with the Purchasing Department, and management of the Green IT criteria for projects and international development.

Efforts to reduce the carbon footprint of the Group's IT stock continued in 2016 with the roll-out of cloud solutions, wider use of pull printing, and the replacement of obsolete equipment by more efficient and less energy-intensive equipment.

TRANSPORT

Societe Generale has long since implemented measures to reduce the environmental impact of personal and business travel as well as of the transportation of goods.

BUSINESS TRAVEL

Group employees travelled 514 million km by train, aeroplane and car in 2016, representing 3,412 km per occupant. This represented a slight increase (0.5%) in the Group's travel per occupant compared to 2015, with a reduction in the number of kilometres driven by car and a slight increase in the distances travelled by aeroplane and by train.

For five years, the Group's Purchasing Division, in collaboration with Group entities in France, has been endeavouring to reduce the Group's carbon footprint by referencing the vehicles with the lowest emissions on the market. In order to step-up its efforts and achieve its ambitious CO_2 emission reduction target, the "EdisOn" project was launched in 2015, with the aim of offering 5% electric vehicles in the Group's car pool within three years. As of the end of 2016 the Group's fleet comprised 52 electric vehicles, versus 27 in 2015, and ten additional recharging stations were installed over the year.

COMMUTING AND TELECOMMUTING

Targeted measures have been deployed to promote alternative solutions to the individual use of vehicles. A car-pool platform and a car-sharing scheme are in place at the head office. Measures have also been implemented in the subsidiaries: in particular, CGI and ALD International have made bicycles and e-bikes available to their employees, which are used for commuting as well as for certain business trips. At the end of 2016, CGI had a fleet of 24 bicycles, which travelled just under 40,000 kilometres in total over the year, and ten parking places were reserved for car-poolers and electric vehicles.

In addition, after three years of trials, Societe Generale is developing telecommuting on a significant scale. At the end of 2016 the Group had 10,000 telecommuters worldwide, representing 520 tonnes of avoided carbon emissions. Societe Generale SA in France has definitively adopted this new way of working (see p. 280, Developing new ways of working and organisational models).

PAPER

Paper, which is the top consumable used by service businesses, represents a significant economic issue and a sensitive environmental topic (waste management, fight against climate change and pollution).

It is a constant concern for the Group, and an increasing number of initiatives are being implemented to rationalise total consumption, which stood at 13,216 tonnes in 2016 (down 26% on 2015). The downward trend in paper consumption that began in 2007 continued: in 2016, it was 86 kg per occupant, i.e. 25% less than in 2015.

More than half of the office paper used (52.4%) now comes from recycled sources, up 10% on 2015.

The progress achieved is the result of various measures implemented Group-wide, such as good use of printers, conversion of paper materials to digital materials and use of recycled paper. As part of its environmental commitments, Societe Generale has also held a seat on the Board of Directors of Ecofolio, an eco-organisation that promotes the circular economy, since 2012.

ENVIRONMENTAL DATA

ENVIRONMENTAL INFORMATION	Units	2016 Consolidated	2015 Consolidated	Ref. year 2014 Consolidated
General environmental policy				
Total number of Group employees	**Employees**	**145,672**	**145,703**	**146,793**
Total number of occupants covered by the reporting(1)	**Occupants**	**154,280**	**152,020**	**150,933**
Coverage of data collection scope	%	100%	100%	99%
Total surface area counted	m^2	3,866,481	3,998,770	4,019,694
Pollution and waste management				
Waste	**Tonnes**	**18,174**	**16,075**	**16,345**
Coverage(2)	%	91%	90%	86%
Business travel	**Millions of km**	**514**	**510**	**506**
Coverage(2)	%	98%	98%	98%
Aeroplane	Millions of km	261	239	247
Train	Millions of km	54	51	52
Car	Millions of km	199	219	206
Business travel per occupant	**Km**	**3,412**	**3,443**	**3,405**
Sustainable use of resources				
Water consumption	**Millions of m^3**	**1.92**	**2.08**	**1.99**
Coverage(2)	%	98%	98%	94%
Total paper consumption(3)	**Tonnes**	**13,216**	**16,411**	**17,561**
Coverage(2)	%	98%	100%	100%
Total paper consumption per occupant	Kg	86	109	117
Office paper consumption	**Tonnes**	**6,984**	**8,241**	**8,750**
Coverage(2)	%	98%	100%	100%
o.w. recycled office paper	%	52%	48%	38%
Total energy consumption	**GWh**	**813**	**848**	**896**
Coverage(2)	%	100%	100%	100%
Total consumption per occupant	KWh	5,289	5,632	5,920
Total electricity consumption	GWh	589	610	629
Total electricity consumption per occupant	KWh	3,831	4,054	4,153
Electricity generation from renewable sources	MWh	1,776	1,432	417
Consumption of energy by data centres(4)	GWh	92	99	111
Climate change				
GHG emissions(5)	**Tonnes of CO2 e**	**320,495**	**322,157**	**352,543**
Coverage(2)	%	97%	98%	98%
GHG emissions per occupant	**Tonnes of CO2 e**	**2.13**	**2.20**	**2.40**
SCOPE 1(6)	Tonnes of CO2 e	31,805	30,248	32,520
SCOPE 2(7)	Tonnes of CO2 e	196,490	198,602	214,542
SCOPE 3(8)	Tonnes of CO2 e	92,199	93,308	105,481

(1) The number of occupants represents any person, whether or not they are an employee (including seconded staff, subcontractors, temporary workers, work placement trainees, people on work-study programmes, etc.) of the Societe Generale Group working on site and consuming/using/conducting/producing energy, paper, business trips, waste, etc. owing to their presence and their activity on site.

(2) Coverage represents entities having contributed to data in proportion to their workforce (FTE – full-time equivalent).

(3) Includes office paper, documents for customers, envelopes, account statements and other types of paper.

(4) Includes own data centres hosted in France. Only the energy consumption of own data centres is included in total electricity.

(5) Greenhouse gases (GHG).

(6) Includes direct emissions related to energy consumption and emissions of fluorinated gases.

(7) Includes indirect emissions related to energy consumption.

(8) Includes GHG emissions related to overall paper consumption, business travel, transport of goods and energy consumption of data centres hosted in France.

4. SOCIETE GENERALE STANDS FOR SOLIDARITY AND COMMITMENT

RESPECT FOR HUMAN RIGHTS

The Group is committed to maintaining and improving the systems and processes that enable it to ensure that human rights are respected in its operations and its human resources management, in its supply chain, and in its products and services.

Societe Generale's commitments to human rights are guided by the following conventions, standards and initiatives:

- the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights;
- the Fundamental Conventions of the International Labour Organization (ILO), which cover, in particular, the elimination of forced labour and child labour, discrimination in employment as well as the freedom of association and the effective recognition of the right to collective bargaining;
- the United Nations Guiding Principles on Business and Human Rights;
- OECD Guidelines for Multinational Enterprises;
- the United Nations Global Compact.

The Bank is determined to act with integrity and in compliance with the applicable laws in all its activities. Several policies developed at the Group level include provisions that directly or indirectly uphold human rights. A notable example is the Code of Conduct (see p. 247, Code of Conduct), in which Societe Generale undertakes to respect human rights and to comply with the rules laid down by the ILO.

The same applies to policies and processes developed by Societe Generale in connection with its obligations to combat money laundering, terrorist financing and corruption.

Respect for human rights in human resources management

GLOBAL AGREEMENT ON FUNDAMENTAL RIGHTS (HUMAN RIGHTS AND TRADE UNION RIGHTS)

In June 2015, Societe Generale and the UNI Global Union signed a global agreement on fundamental human rights and the freedom of association, thereby making Societe Generale the first French bank to sign such an agreement. This agreement applies to all Group entities. It reinforces the commitments made in Societe Generale's Code of Conduct to respect human rights and recognise fundamental rights in the workplace by making sure employment and working conditions are fair, adopting a zero-discrimination policy for work relationships, and complying with all health and safety regulations. With respect to freedom of association, Societe Generale is committed to respecting the right of all employees to establish and join organisations, to unionise and to bargain collectively. Furthermore, it contains provisions allowing unions that are affiliated with the UNI to meet employees at the company site in order to make themselves known to them. The agreement also covers relationships with business partners, by means of the Group instruction on responsible sourcing, which is appended thereto (see p. 256, The 2018 Positive Sourcing Program). This agreement is regularly monitored with UNI Global Union, which ensures it is implemented effectively, thereby bringing an external, independent perspective (see p. 282, Constructive and structured international social dialogue).

FIGHTING DISCRIMINATION AND PROMOTING DIVERSITY

The Group's diversity policy aims to fight against preconceptions and to create a culture of inclusion (see p. 286, Promoting team diversity).

Guarding against discrimination during recruitment, in particular, is one of the points that has been subject to continuous monitoring within the Group since 2013. To this end, sample checks are carried out to verify that job advertisements do not contain any discriminatory terms, that candidates are assessed on the basis of objective criteria that are commensurate with the position to be filled and that rejection letters do not contain any discriminatory terms. In France, the Ministry of Labour conducted a study in spring 2016 to measure discrimination experienced by candidates of North African origin in the recruitment processes for large companies. In the case of Societe Generale, no significant risk of discrimination was detected based on the observed sample, reflecting the efforts undertaken on this issue via communications issued to teams, and the training and guidance given to the employees (and the service providers) responsible for resume selection.

Furthermore, the Group's commitment to non-discrimination was demonstrated in practical terms in 2016 with the signing of two international charters:

- the Women's Empowerment Principles, under the aegis of the United Nations Global Compact, promoting gender quality at work, both within the company and in its sphere of influence (see p. 286, Diversity at the heart of business line challenges);
- the Global Business and Disability Charter, under the aegis of the International Labour Organization, promoting the inclusion of persons with disabilities in the world of work (see p. 286, Diversity at the heart of business line challenges).

HEALTH, SAFETY AND WORKING CONDITIONS

The Group continually monitors the possibility of any risks liable to affect the health and safety of its staff, throughout the world. It conducts campaigns and takes action at the hyper-local level to offer practical responses to the needs and concerns of the populations affected. Particular attention is paid to the prevention of psychosocial risks (see p. 285, Focus on the prevention of psychosocial risks) and, more generally, to working conditions via the Life at Work programme (see p. 284, Caring about employees' well-being at work).

DISCIPLINARY MEASURES

Since 2015, the Group's disciplinary principles have been presented to the members of the various management committees of Societe Generale SA, the Risk Divisions, Global Transaction & Payment Services (GTPS), the French Retail Banking IT Department, International Retail Banking and Financial Services (IBFS), French Retail Banking and the Global Banking and Investor Solutions (GBIS) entities. These principles will be deployed under the Culture & Conduct Programme (see p. 280, Developing a relationship banking culture based on common values) and under the new Code of Conduct, which was updated in 2016 (see p. 247, Code of Conduct).

Within Global Banking and Investor Solutions, these principles have been disseminated worldwide and an inventory of the current situation in such respect has been drawn up. In 2016, and still within GBIS, a shadow reporting exercise was carried out with a view to ultimately being incorporated into the Culture & Conduct Programme, which is to be rolled out to all Group entities.

Respect for human rights in the supply chain

In 2015, the Group adopted an instruction on responsible sourcing and a code of ethics relating to sourcing. This instruction is appended to the Global Agreement on fundamental human rights and trade union rights (see p. 256, The 2018 Positive Sourcing Program).

At present, the implementation processes essentially involve sourcing managed from France and cover:

- the identification of potential environmental and social risks (including in relation to human rights) for each sourcing category. The E&S risk mapping results are available on the Group's website at *https://www.societegenerale.com/sites/default/files/documents/Cartographie%20des%20risques%20ENG.PDF*;
- the implementation of a Know Your Supplier (KYS) process, which has been in place since July 2016;
- the extra-financial evaluation of suppliers;
- the gradual introduction of mandatory E&S criteria in specifications for products and services.

As part of its KYS process, the Bank has undertaken to implement measures to remedy any situation where it has identified or been informed of a potential violation of human rights.

The information relating to responsible sourcing is available online at: *https://www.societegenerale.com/en/measuring-our-performance/csr/responsible-sourcing*.

Respect for human rights in the value chain

Impact on human rights is an integral part of the E&S impact considered in the commitments to responsible finance (see p. 247, Implementing responsible financing). With regard to human rights, the General E&S Guidelines list the standards and initiatives that Societe Generale undertakes to respect and has identified as being the most important for the E&S evaluation of its customers.

The Equator Principles (see p. 252, Equator Principles) cover the issue of human rights through the performance standards of the International Finance Corporation (World Bank Group), which address workers' rights, population displacement and resettlement, the free, prior informed consent of indigenous populations, and the management of security personnel.

Many sector-based initiatives referenced in the E&S policies as being the framework that is expected of the Group's corporate clients also cover human rights issues.

In order to meet its obligations under chapter 54 of the 2015 Modern Slavery Act, Societe Generale publishes a statement on slavery and human trafficking on its website (the document is available at *https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/Modern%20Slavery%20Act.pdf*).

FIGHTING INSECURITY AND PROTECTING VULNERABLE POPULATIONS

Financial inclusion

MEASURES ALLOWING ACCESS TO BANKING SERVICES FOR ALL IN FRANCE

In accordance with Article L. 312-1 of the French Monetary and Financial Code on the right to hold a bank account, Societe Generale and Credit du Nord provide customers who are entitled to this right with free "basic banking services", as defined by law. The two institutions thereby comply with the Moscovici Act (French Act no. 2013-672 of 26th July 2013 on the separation and regulation of banking activities), which reinforced the effectiveness of this right (including with respect to shorter account opening times and exercise of the right for social service stakeholders to hold an account in the beneficiary's name). As of end-December 2016, 10,672 individual customers had access to basic banking services at Societe Generale and 840 at Credit du Nord.

Since 2005, Societe Generale and Credit du Nord have sought to "make banking easier" for all by offering a range of alternative payment methods (APMs) to cheques for customers without a cheque book. The entry into force of the Moscovici Act and its implementing legislation in 2014 significantly reinforced the commitments undertaken since 2005 in relation to customers in financially fragile situations for the entire financial sector.

Accordingly, Societe Generale and Credit du Nord, in keeping with their regulatory obligations as defined by Article R. 312-4-3 of the French Monetary and Financial Code, have implemented a detection and monitoring system, combining internal warning mechanisms and KYC intelligence, for customers fulfilling the criteria for financial hardship. This system enables the Bank to write to these customers systematically and at the earliest opportunity to propose a meeting with their advisor in order to present them with a specific offer designed to limit costs in the event of an incident (at least once a year for all customers in situations of financial hardship as well as any time a new instance of hardship is detected).

Généris, which is available for a modest monthly fee, is the everyday banking package that has been designed to help customers in situations of financial hardship to manage their accounts, in particular through payment methods adapted to their needs and capped costs in the event of an incident. As of end-2016, 44,483 Societe Generale customers had signed up for the Généris service and 1,550 Credit du Nord customers had signed up for the latter's equivalent service.

For its part, Boursorama Banque launched Welcome in September 2016, which is a comprehensive everyday banking package available to any person over 18 years of age, without any restrictions on the level of income or minimum deposits. This package from Boursorama Banque frees customers from administrative constraints and offers them, amongst other things, a current account with no account management fees, free everyday banking transactions, a Visa Classic debit card for just EUR 1.5 per month, etc. This package bears out the latest rankings carried out by *Le Monde / Choisir-ma-banque.com* in February 2016, in which Boursorama Banque was once again rated the least expensive bank for the four eligible profiles ("active population under 25 years of age", "middle managers", "senior managers" and "employees") for online banking. This rating confirms Boursorama's position as the least expensive bank, which it has held for the past eight years.

Franfinance, a Group subsidiary specialising in consumer loans, offers a loan product that is specifically intended for temporary workers. This innovative product is combined with a completely free back-to-employment assistance plan, with a dedicated employment advisor. In 2016, Franfinance financed 111 loan applications of this type for customers with temporary contracts.

ABROAD

Societe Generale has been expanding its range of pan-African Mobile Banking and Mobile Payment solutions since 2015, with the objectives of bringing traditional banking to its customers and of promoting financial inclusion and access to banking through alternative banking models in addition to its traditional banking model (see Chapter 2.4, Significant new products or services).

In keeping with this policy and in order to increase the financial inclusion and satisfaction of its customers in Sub-Saharan Africa, Societe Generale has decided to roll out an Agency Banking model in the region. The aim of this model is to supplement the range of existing solutions with an "accessible banking" solution based on an electronic purse that can be used to carry out a wide variety of day-to-day transactions (transfers, payment of bills, salaries, etc.), distributed via a network of independent partner agents. The offer, available to both individuals and companies, will be launched in Côte d'Ivoire beginning January 2017, then gradually rolled out to the other target countries (Senegal, Ghana, etc.).

Proximity is also a factor in improving banking inclusion: at the beginning of 2016, to meet customer demand for better accessibility, SGBG Guinea (Société Générale de Banques en Guinée) strengthened its territorial network through the installation – in strategic locations such as service stations, shops and business parks – of "money POP" bank branches with streamlined services and extended opening times. Five concept-store money POP points were opened in 2016, the scheme's first year (four in Conakry and one in Manéah).

The concept of mobile branches travelling the country to reach out to remote populations, which was launched in Burkina Faso in April 2015, is taking root, with the addition in 2016 of a fleet of ten scooters sporting the bank's colours, which travel the length and breadth of the city of Ouagadougou; the concept of the roving branch has also been replicated in Côte d'Ivoire since May 2016.

This diversification of the points of access to banking, bringing them as close as possible to local populations, facilitates the opening of new accounts.

In addition, in Senegal, Manko – a wholly-owned subsidiary of Societe Generale and a supporter of financial inclusion – is continuing its roll-out and since 2013 has been offering banking products and services to populations that are either unbanked or under-banked, without access to the traditional banking system. Manko's model is based on a lean structure, a mobile sales force, equipped with scooters and tablets, and processes that are now completely digitalised. With three branches, 70 employees and 8,500 active customers, Manko is acclaimed by its customers, who state that they are very satisfied with the services offered (the simplicity of processes, pricing, proximity and the expertise of the staff). In 2016, Manko granted more than 5,500 loans totalling EUR 15.9 million (CFA 10.46 billion).

FOR PEOPLE WITH A SERIOUS HEALTH RISK OR IN A STATE OF DEPENDENCY

Societe Generale develops products and services that match the needs of each individual.

Under the terms of the AERAS agreement (insurance and loans for individuals with an increased health risk) signed by professionals in France's banking and insurance sectors in 2007 and later amended in 2011, then again in 2015, opening access to insurance and credit for people with a serious health risk, Societe Generale and Credit du Nord make it easier for such people to get a loan (home loans and consumer loans) and provide a scheme for sharing some of the costs of additional premiums for customers in the lowest income brackets.

In October 2016, on the occasion of the French National Carers Day, Societe Generale supplemented its range of personal insurance policies with the launch of new dependency solutions, one of which is specifically designed to cover the issues faced by carers. The *Garantie Autonomie Aidant* policy is a package of cover and support benefits for persons providing daily care for a dependent elderly relative. To complement this offering, Societe Generale has formed a partnership with the non-profit organisation *La Compagnie des Aidants*, which develops and runs a dedicated online platform for the carer community. Societe Generale has elected to supplement these solutions with an innovative digital package consisting of a web portal with the Ultralert application and Silver Mother, a set of smart monitoring programs. These support solutions have been awarded the Profideo Innovation Trophy.

Local initiatives are also being developed abroad. In particular:

- Mobiasbanca, a Societe Generale subsidiary based in Moldova, launched MobiSanté in July 2016, which is the first programme to be dedicated exclusively to public and private medical bodies with a view to supporting the economic development of the medical sector and improving the quality of the country's medical services;
- in June 2016, Societe Generale Algeria finalised the raising of a EUR 25 million loan for the benefit of Biocare Biotech, which will be used to finance a human insulin plant. This project addresses a major public health challenge in Algeria, where more than two million diabetics have been diagnosed.

Focus on over-indebtedness

Since 2004, the Societe Generale France network has had the resources needed to identify over-indebted customers in order to be able to offer them a responsible solution.

The French law governing consumer credit that entered into force in November 2010 modified the regulatory framework without radically affecting the system in place at Societe Generale, which was precursory in this regard.

A PROCESS DEDICATED TO MANAGING OVER-INDEBTEDNESS

Societe Generale introduced a dedicated process in 2004 to ensure the responsible management of over-indebted customers.

It maintains services for bank accounts that receive income, except in special cases, and informs over-indebted customers of alternative payment methods to cheques. Debtors continue to benefit from any overdrafts already granted. Management of the customer relationship is based on a complementary system:

- account managers ensure the everyday monitoring of the account;
- back-office operators monitor outstanding credit prior to acceptance of applications and manage repayment schedules once approved. This procedure enables the Bank to avoid any increase in loans borne by over-indebted customers whilst still enabling day-to-day personalised monitoring.

Thus, over-indebted individuals who no longer have access to further credit are offered appropriate bank account services and payment methods, enabling them to maintain a social life. They can then subscribe to the tailored offering that is designed to limit costs in the event of an incident (see p. 268, Measures allowing access to banking services for all in France).

SUPPORT FOR VULNERABLE CUSTOMERS TO PREVENT OVER-INDEBTEDNESS

The support scheme for vulnerable customers, implemented via dedicated platforms, has been operational across the entire network of branches in France since mid-2013. It is based on:

- the identification of all customers corresponding to certain vulnerability criteria (exceeding authorised overdrafts or other limits for a prolonged period, overdue loan repayments, etc.);
- the transfer of these customers to a platform of specialist advisors who temporarily take over the business relationship from the branch;
- the exploration, together with the customer in question, of solutions for the progressive discharge of unpaid debts, favouring a path back to a healthy financial situation over litigation whenever possible;
- resumption of the customer relationship with their branch at the end of the repayment period.

As at end-December 2016, the platforms for amicable negotiation had lent support to more than 28,000 customers. 70% of them have returned to a sound financial footing and their banking relationship in their Societe Generale branch has resumed.

Franfinance, a Group subsidiary specialising in consumer loans, has also introduced various measures to prevent over-indebtedness. Since the end of 2015, it has extended its action plan to support vulnerable customers. They now benefit from a system of monitoring that has been implemented to prevent difficulties at an earlier stage.

In addition, since 2010, Franfinance and CGI have had a partnership agreement with Crésus, a network of non-profits founded in 1992 that assists individuals with excessive or poorly structured debt. Under this agreement, the Group's two French subsidiaries specialising in consumer loans recommend to any customers showing signs of financial vulnerability that they contact their local Crésus association. Further to the signature (on a voluntary basis) of a support charter between the association and the customer, a budgetary and social evaluation is performed, followed by local support aimed at safeguarding the customer's financial balance.

SUPPORT PROGRAMMES

In France, Societe Generale and Crésus have jointly launched a financial education programme on budget management, conducted as part of a skills sponsorship initiative. In addition, many initiatives are being implemented abroad (see p. 290, Financial education).

TOOLS TO SUPPORT FINANCIAL EDUCATION

In the interests of transparency and education, Societe Generale makes a large number of simulation or financial calculation tools available to its customers and partners, either online or via partner applications.

In France, Societe Generale has also teamed up with the Playbac Group to offer a financial education website dedicated to 6-11 year olds. This website, *abcbanque.fr*, offers educational content through games, videos, news and various other tools enabling children to learn while having fun. The site contains a Parents' Corner with advice and topics for reflection, so that parents can offer their children the best possible support in this learning process. All this is topped off by an educational guide, together with a commercial guide, that is provided at the beginning of a new relationship.

Overseas, programmes launched by subsidiaries in recent years ("Home budget with EUROBANK" and the *Money.pl* platform in Poland, the banking access and financial education programme in which SG Morocco is involved, the promotion of financial education by KB within the scope of its partnership with the Czech Academy of Sciences and its *NEZkreslená věda* project, the Rusfinance programme, run on a pro bono basis, aimed at making young adolescents aged between 12 and 16 more aware of personal budget management and combating financial ignorance, etc.) are continuing and new initiatives are also being developed, such as the programme launched by BRD in partnership with the National Bank of Romania and the Romanian Ministry of National Education aimed at raising the awareness of primary school pupils (in 2016, 220,000 pupils and teachers in 145 cities benefited from this awareness-raising, thanks to 105 volunteer trainers).

SOLIDARITY BANKING ACTIVITIES

Solidarity banking offering for private individuals

IN FRANCE

As one of the first banks to develop a range of solidarity banking products, Societe Generale forges closer links between customers and social entrepreneurs, and helps them to support their chosen charities and non-profit associations. In 2016, the Bank continued to increase the number of its partner associations and to enhance its range of products and services, available to all its customers – private individuals, professionals and corporates – enabling them to make contributions to a long list of general and public interest associations. Overall, Societe Generale facilitated donations totalling over EUR 1.8 million (including those made through the Environment Business Card) to 49 partner associations in 2016.

LIFE INSURANCE: *ÉRABLE ESSENTIEL* AND *SG SOLIDARITÉ*

Launched in November 2015, *Érable Essentiel* is a life insurance account that allows holders to save from just EUR 25 per month and to invest in the *SG Solidarité* fund (106,979 subscriptions since its launch), which is a vehicle based on solidarity and sharing, certified by Finansol:

- solidarity-based because 5-10% is invested in solidarity enterprises offering a strong social-utility component, and this contributes to the social and economic development of the country;
- sharing-based because 50% of the annual revenue is donated to one of four partner associations. The four non-profit associations thus supported (Restaurants du cœur, Habitat et Humanisme, Fondation pour la recherche médicale and CCFD Terre solidaire), which are also supported via other Sogécap life insurance accounts, had received donations totalling EUR 2.4 million at 31st December 2016.

Several information campaigns have made Societe Generale's customers more aware of this opportunity to give meaning to their savings by helping non-profit associations and investing in solidarity enterprises.

SOLIDARITY SAVINGS SERVICE

The Solidarity Savings Service, which has been certified by Finansol since October 2015, allows customers to contribute all or part (25, 50, 75 or 100%) of the interest on their savings passbooks (*Livret A*, *Livret Développement Durable*, *Livret Jeune*, *CSL*, *Livret Épargne Plus*, *Livret BFM Avenir*) to one or more charities or foundations supporting a humanitarian or social cause and working in the health and environment fields. Societe Generale makes an additional contribution.

The Solidarity Savings Service benefits 38 charity partners.

Late 2016, there were 47,639 accounts signed up to the Solidarity Savings Service (Societe Generale + Banque Française Mutualiste – BFM) (representing a 7.6% increase) and interest totalling EUR 282,576 had been contributed to the partner associations (up 3.5% on 2015), broken down as follows:

- EUR 234,059 in customer donations (including EUR 34,292 from BFM customers);
- EUR 23,408 in additional contributions (including EUR 3,432 in additional contributions by BFM);
- EUR 25,100 in Societe Generale donations.

CHARITY AND ENTREPRENEUR BANK CARDS

Societe Generale offers a range of "Charity Collection" bank cards, which are becoming increasingly popular with customers. These cards enable them to support causes that are dear to them, thanks to the increase in the number of beneficiaries, and to give concrete aid to one of 29 partner associations. For each payment made with one of these cards, Societe Generale donates EUR 0.05 to the charity concerned. A new Charity Collection card was launched in 2016 for the non-profit Apprentis d'Auteuil.

Since the launch of these cards in May 2008, EUR 4,839,894 has been donated to the partner charities, of which EUR 882,762 in 2016 (up 4.3% on 2015).

FILIGRANE PROGRAMME

Since the beginning of 2014, the Filigrane Loyalty Programme, part of the JAZZ banking package, has offered customers the opportunity to support the Secours Populaire Français (a humanitarian organisation) and the French Red Cross.

Within the scope of the regulations governing sales with bonuses, Societe Generale has decided to donate the EUR 0.25 financial contribution made by customers for each bonus gift order to these two charities, split equally between them. As a result, they received a combined total of EUR 103,470 in 2016.

Members of this loyalty programme also have the option of converting their loyalty points into donations to one of these two organisations at their discretion, with Societe Generale making a matching contribution for each donation. In 2016 the total contribution to these two charities amounted to EUR 371,981. Overall, Filigrane raised EUR 475,451 in 2016, i.e. 13% more than in 2015.

SPEAR PARTNERSHIP

A partnership agreement with SPEAR (*Société pour une épargne activement responsable* – Company for Actively Responsible Saving), a solidarity crowdfunding platform, was signed in June 2012. SPEAR is a cooperative certified by Finansol that allows companies or charities wishing to carry out a solidarity project to obtain a bank loan thanks to savers who want to give meaning to their savings. Its activity consists of hosting projects addressing social, environment or cultural issues to allow them to secure financing under advantageous conditions by raising the necessary capital from private individuals who wish to see their money put to good use.

Through its dedicated online platform (*www.spear.fr*) SPEAR positions itself as an easy-access tool providing a powerful solution for solidarity savings and ethical investment. Since 2012, Societe Generale has financed five projects with added social and environmental value to the tune of EUR 620,000.

Private Banking incorporated SPEAR into its SRI and philanthropy offering in the second quarter of 2016, generating EUR 430,000 in subscriptions.

INNOVATIVE SHARED EXPERIENCE: BRANCHES OPEN FOR NON-BANKING ACTIVITIES

This experiment, the first of its kind in France, enables anyone who so wishes, whether a customer or not, to go and work in the offices of Societe Generale branches. Since the beginning of December 2016, eleven regional divisions in Nouvelle Aquitaine and one in Midi-Pyrénées have become involved in the scheme to turn their workplaces into genuine collaborative workspaces that are open to all, by offering their offices and meeting rooms via the software application base10. In this way, entrepreneurs, itinerant employees, teleworkers, trainers, students, jobseekers and all those with an occasional need for a workspace, be it in Bordeaux or Limoges, can book one in just a few clicks on base10. Two types of workspace will be available on a half-day basis under a single pricing model: office rate EUR 15 (excl. VAT) and meeting room rate EUR 3 (excl. VAT) per available place.

This experiment, run by Societe Generale employees on a volunteer basis, is not intended to generate income for Societe Generale; the funds raised in connection with making its premises available will be donated in full to the Apprentis d'Auteuil association in Bordeaux.

ABROAD

The foreign networks contribute to the process of banking access in countries where the level of "financial inclusion" is still relatively low. They often introduce innovations in their domestic markets.

SOLIDARITY PRODUCTS AND SERVICES IN MOROCCO

Modelled on the cards offered in France, Societe Generale Morocco (SGMA) is continuing to roll out its SOS Villages d'Enfants charity bank card, thereby supporting the association of the same name, which works towards funding the schooling of children from disadvantaged backgrounds. As of end-2016, SGMA had 1,820 card sign-ups, which had enabled around EUR 10,000 (MAD 109,200) to be donated to the charity.

A solidarity offering was also launched in the Czech Republic in mid-2016.

Microfinance

Beyond its impact in terms of jobs and regional development, Societe Generale has for many years developed tools and products that contribute to the social cohesion of the communities and regions in which it is present.

ABROAD

REFINANCING OF MICROFINANCE FINANCIAL INSTITUTIONS

Committed to professional integration and providing entrepreneurs and start-ups with all the support they need, Societe Generale, via its overseas networks, is a major player in microfinance, helping to make banking available and to develop the local economic fabric.

The Group has chosen to focus its microfinance activities in those countries in which it has a presence as a universal bank. Since 2003, it has been lending its support, via its subsidiaries, to the microfinance sector in two ways: granting refinancing lines to MFIs (microfinance institutions) in local currencies and acquiring minority stakes in MFIs. This strategy underpins the economic support given to social and local entrepreneurs, and satisfies the MFIs' need to find local sources of financing, especially in local currency, to ensure their development without being exposed to currency risk.

The MFI partners facilitate access to credit for communities that do not have access to banking facilities and, in doing so, feed the local economies. As of end-2016, Societe Generale had granted EUR 110 million (versus EUR 95.8 million in 2015, i.e. an increase of 15% year-on-year) to 37 MFIs abroad, in Sub-Saharan Africa (Benin, Ghana, Senegal, Côte d'Ivoire, Burkina Faso, Cameroon, etc.), in the Middle East and North Africa (Jordan, Morocco, Tunisia), in Eastern Europe (Serbia, Moldova and Albania), in the overseas departments and territories (Polynesia, the French West Indies, New Caledonia) and in Asia (India). This development is due in particular to an increase in approvals in Sub-Saharan Africa, where commitments have practically doubled in the wake of collaborations with new MFIs and greater support for Advans.

Synergies are developed with the various partners – for instance, in the area of electronic payments, with the development of co-branded cards by Societe Generale's subsidiaries, in partnership with Advans MFIs. These cards give MFI customers access to ATMs (automatic teller machines) and to branches in the networks of Societe Generale subsidiaries. This scheme has been in place in Cameroon since the end of September 2013 and in Côte d'Ivoire since the end of 2014.

Since June 2015, and for the first time in Côte d'Ivoire's banking landscape, an MFI (Advans CI) and a bank (SGBCI, a shareholder in Advans CI) have been sharing the same branch office. In addition to the objective of serving their respective customers, SGBCI and Advans CI regard this innovation as an opportunity to build on their complementarity in terms of financial solutions.

ACQUISITION OF EQUITY HOLDINGS IN MICROFINANCE INSTITUTIONS

Through its subsidiaries in Africa, Societe Generale also holds a stake in five MFIs – via minority but active shareholdings – which are subsidiaries of internationally recognised microfinance groups (Advans Cameroon, Advans Ghana, Advans Côte d'Ivoire, Accès Banque Madagascar and ACEP Burkina). It should be noted that, at the end of 2016, SG Ghana increased its stake in Advans Ghana as part of its strengthened partnership with Advans International, aimed at offering solutions to cover certain of Advans's financial needs and at developing new local operational synergies.

IN FRANCE

SUPPORT FOR ADIE[1]

Societe Generale has been an active supporter of Adie since 2006, providing refinancing lines for its microfinance activity in mainland France and the overseas departments and territories, and contributing to the financing of its support actions.

In 2016, the line of funding granted to Adie amounted to EUR 9.6 million, which included EUR 2.1 million for New Caledonia, Polynesia and the French West Indies. The Bank made it possible for Adie to finance nearly EUR 9 million in loans in 2016, corresponding to 2,326 micro-loans and 2,405 jobs created/maintained. The average micro-loan amount is EUR 3,178.

In addition to financing lines, Societe Generale also gives Adie an annual operating grant, thereby reinforcing its actions to help entrepreneurs.

In connection with Adie's "Microcredit Week" Societe Generale hosted a "company founders' market" at its premises in La Défense in February 2016. This initiative will be repeated in 2017. In October 2016, Societe Generale also hosted the Adie CréaJeunes jury for the Asnières centre's graduating class of 2017. Launched by Adie in 2007, the Adie CréaJeunes programme offers free training on setting up a business for young people aged between 18 and 32.

SUPPORTING SMES, BUSINESS CREATION AND EMERGING COUNTRIES' DEVELOPMENT

Support for start-ups and SMEs

IN FRANCE

Societe Generale is a key player for corporates, very small businesses and entrepreneurs. Its customer base is made up of more than 85,000 large and mid-cap companies and 240,000 very small businesses and professional clients. The Group is committed to providing regional support to artisans, entrepreneurs and enterprises of every size throughout their life and their business cycle.

LOCAL PRESENCE

The Bank has significantly boosted its support for companies in terms of local networks and access to business expertise. In 2016, the overall level of satisfaction with Societe Generale among SMEs confirms the momentum generated over the past few years. These positive results emphasise the relevance of the Bank's programme, based on the proximity of a national network with strong local roots combined with the power and expertise of a universal bank. By way of proof, almost nine out of ten corporate clients rate Societe Generale's teams as "proficient and knowledgeable"[2] and the same number feel they enjoy a personalised relationship[3].

(1) Adie: *Association pour le droit à l'initiative économique* – French Association for the Right to Economic Initiative.

(2) Competitive satisfaction survey 2016. Survey carried out among 3,000 banking relationship managers within SMEs by the CSA Institute.

(3) Societe Generale customer satisfaction survey 2016. Survey carried out among over 5,000 corporate clients of Societe Generale (including 102 large caps) by GN Research.

COMPREHENSIVE SERVICE PACKAGE FOR ENTREPRENEURS

Driven by the desire to combine proximity and expertise, all the divisions that deal with SMEs and mid-caps have joined forces to create the new "Societe Generale Entrepreneurs" sales strategy, with the objective of making Societe Generale THE reference bank for entrepreneurs. With this offering, the Bank provides owner-managers with a range of services and solutions specifically geared to addressing strategic issues, by pooling expertise from Retail Banking, Corporate and Investment Banking, Private Banking and the Real Estate Division and making it available under one roof in regional centres of excellence (1,000 experts in 200 business centres). This comprehensive and integrated package enables entrepreneurs to receive better support at every key stage of the development and transfer of ownership of their business.

SUPPORT FOR START-UPS

At end-November 2016, Societe Generale had entered into relationships with 19,341 companies set up in France within the previous 12 months, an increase of 9% on November 2015, whereas start-ups in France overall increased by just 6% in 2016 (source: Insee Première). It has granted them around 1,430 medium/long-term loans to the tune of EUR 101 million. The addition of these new relationships means that Societe Generale is now supporting a total of 56,938 new companies (less than three years old), 20,533 of which have been operating for less than one year.

The Bank is a member of the national Initiative France association and a partner of 106 of its local platforms. These platforms have enabled the start-up or takeover of 8,446 companies, which themselves created or maintained 21,071 direct jobs during their first year. In addition to loans on trust (interest-free, unsecured loans) granted by the 227 Initiative France platforms, the Bank awarded 857 loans in 2015 amounting to EUR 57.3 million to entrepreneurs that had been approved by the association (figures reported by Initiative France in 2016 in its activity report).

Through the renewal of partnerships with credit guarantee institutions, for example with SIAGI[(1)] in March 2014 and with Bpifrance in June 2015, Societe Generale also facilitates access to credit for entrepreneurs creating or taking over companies.

In view of its commitments to professionals, artisans and traders, Societe Generale has joined forces with Bulb in Town[(2)], a crowdfunding platform, with the shared goal of facilitating the emergence of new projects and supporting innovation and the local economy. Challenges are launched to generate financial backing for projects on a "reward-based" (gift-for-a-gift), "close to home" basis, in order to encourage and develop entrepreneurship in the region.

Lastly, in January 2016, Societe Generale and France Active, the leading financer of solidarity-based companies, signed an agreement on facilitating access to bank financing for very small businesses and solidarity-based enterprises. Thanks to the support of the 42 regional funds of the France Active network, which are distributed across metropolitan France, entrepreneurs optimise their chances of success in their projects. From emergence of the project through to its development, the Societe Generale and France Active teams help entrepreneurs with their financial problems and provide them with the most suitable financing for their needs.

SUPPORT FOR THE DEVELOPMENT OF BUSINESSES

The Group reaffirmed its commitment to supporting the development of businesses and its mobilisation of resources to back collective efforts to stimulate the French and European economies by maintaining the special credit offer (launched in September 2014) available exclusively to SMEs, very small businesses and professionals in France in order to promote investment in the country, through its Societe Generale and Credit du Nord networks. This offer benefits from the various economic support measures initiated by the European Central Bank.

Committed to financing and supporting businesses on an international basis, Societe Generale draws on its expertise, its international network and its network of correspondent banks to support its corporate clients in more than 100 countries.

For its part, Franfinance, a Group subsidiary specialising in consumer loans, plays a key role in the economic development of its corporate client base, which consists mainly of very small businesses, professionals and SMEs. This role was reinforced in 2016 with the launch of the COSME programme[(3)], in partnership with the EIF[(4)]. The objective of this agreement is to facilitate access to financing for micro-enterprises, very small businesses and SMEs, enabling them to make their investment projects a reality. With this programme, Franfinance undertakes to significantly increase its exposure to categories of business that are deemed to be riskier and that have more restricted access to the usual sources of financing. In return, the EIF gives it a guarantee that partially covers the risks it has assumed vis-à-vis these clients. Since April 2016, this agreement has enabled Franfinance to provide 1,450 cases of funding coupled with a COSME guarantee, amounting to EUR 50 million, and to thereby position itself as a key partner in financing sales by proposing new solutions for a client base that was traditionally more difficult to finance.

Societe Generale also helps its professional clients to expand beyond their national borders; international expansion constituting a critical time in the life of this type of customer in general, and for artisans and very small businesses in particular. In France, 30%[(3)] of exporters are craft businesses, representing 10% of all French exports, i.e. EUR 4 billion a year[(5)].

ABROAD

SUPPORT FOR THE DEVELOPMENT OF BUSINESSES

In Morocco, within the scope of the option available to commercial banks to register "autoentrepreneurs" (sole-member businesses subject to a specific legal regime), on 16th March 2016 Societe Generale Morocco signed a framework partnership agreement with Barid Al Maghrib, the Moroccan postal service, for the benefit of autoentrepreneurs; this agreement will facilitate the procedures for registration in the national autoentrepreneur register by making Societe Generale Morocco's network of branches available to autoentrepreneurs, and will enable tax advantages to be offered to this new category of customers.

(1) Established in 1966 by the Chambers of Trades and Crafts, SIAGI is involved in the crafts and local activities sectors. It guarantees credit facilities granted by all the banking institutions in the marketplace.

(2) Bulb in Town is a crowdfunding platform that supports projects by raising donations, backing in exchange for products or services, and investment.

(3) COSME: Programme for the Competitiveness of Enterprises and SMEs 2014-2020.

(4) EIF: European Investment Fund, a subsidiary of the European Investment Bank.

(5) Source: French Permanent Assembly of Chambers of Trades and Crafts (APCMA).

Societe Generale Equipment Finance (SGEF) is deeply committed to the SME market. This entrenched philosophy, recognised for the fifth year running by the SME Champion of the Year award (presented at the Leasing Life Conference 2016), is also reflected in the business line's results. At end-September 2016, more than 68% of the financing granted by SGEF was for SMEs/SMIs. This dynamic is also fostered through the collaboration of SGEF subsidiaries with international financial institutions (IFIs), which enables local SME/SMI clients to benefit from attractive conditions for financing their leasing equipment; the new financing lines set up with IFIs in 2016 for SGEF's business amounted to a total of EUR 1 billion.

The EIB has been supporting SGEF's strategy to diversify its external sources of financing since 2012. 2016 was an exceptionally productive year, the subsidiary having signed off on new financing facilities amounting to more than EUR 560 million.

As an example, SGEF Norway and the Nordic Investment Bank (NIB) launched a EUR 150 million credit facility dedicated to financing leasing equipment for Norwegian SMEs. This offering applies to projects relating to the environment, renewable energies, investments in new machinery, manufacturing or service facilities, information and communication technologies, and R&D.

SUPPORT FOR FINANCIAL INSTITUTIONS AND DEVELOPMENT AGENCIES IN THE IMPLEMENTATION OF THEIR DEVELOPMENT POLICY

In keeping with its global strategy, in the other countries in which it operates the Group strives to forge and maintain partnerships with IFIs in order to offer joint financing solutions and development aid solutions that meet the needs of the local enterprises and economic players (co-financing, guarantees, risk sharing, etc.).

In 2016, 21 new partnership agreements worth EUR 1.32 billion were signed with IFIs, mostly with SG Equipment Finance subsidiaries, but in some cases also with our banks overseas.

Under these partnerships, the IFIs offer programmes and financing lines specifically dedicated to and used for the development of SMEs or to support energy transition and renewable energies (see p. 258, Societe Generale acts for the climate).

Relations with the EIB (European Investment Bank) were further strengthened in 2016 with the signing of 11 contracts for financing, totalling EUR 733 million, mostly dedicated to SMEs and midcaps.

As a major player in Africa, Societe Generale is supporting the development of this fast-growing continent. The Group is present in 18 countries and is one of the most established international banks on the continent, with 3.4 million customers, including 50,000 businesses. The partnerships between Societe Generale, the IFIs and, in particular, the French Development Agency (AFD) highlight the shared commitment to back the economic development of the African continent. In 2016, Societe Generale and Proparco, a subsidiary of the AFD, signed new agreements in favour of economic development in Africa, for credit lines in the amount of EUR 15 million granted to Societe Generale Benin, EUR 20 million granted to Societe Generale Cameroon and EUR 15 million granted to Societe Generale Burkina Faso. These lines are intended to support the financing of the investment and development programmes of local SMEs.

In parallel, the agreement on ARIZ's risk-sharing scheme, with individual guarantees being provided by the AFD, which was concluded between Societe Generale and the AFD in 2009, rounds off the range of solutions to facilitate the granting of investment loans to very small, small and medium-sized companies. With the recent extension of the agreement to include Guinea Conakry, Congo, Mozambique and Tunisia, 13 Group subsidiaries in Africa now benefit from these ARIZ guarantees, making Societe Generale the leading partner of the ARIZ scheme.

Another example of Societe Generale's commitment to fostering Africa's economic development is its subscription, alongside Orange and Proparco, to the EUR 77 million French-African Fund (FAF) initiative, launched by Bpifrance and AfricInvest on the occasion of the Africa-France Summit in Bamako in November 2016.

Financing for states and local authorities

For more than 30 years now, Societe Generale has been providing loans to the public and para-public sectors, thereby financing public interest investments, particularly among Public Economy players (local authorities, social housing, public institutions, urban planning). As of 31st December 2016, the Group's short-, medium- and long-term outstanding loans across these markets amounted to EUR 16.5 billion.

In 2016, Societe Generale developed its business with social housing and urban planning operators, a trend that is expected to continue in 2017.

In France, as abroad, the Group respects the principles of the Gissler Charter (a charter on good conduct between banking institutions and local authorities) in its dealings with public authorities.

Financing of the non-profit sector in France

Non-profit associations are key players in the French economy due to the services rendered in certain sectors (catering to the needs of people with disabilities, back-to-work programmes and education initiatives) and the jobs that these services generate.

For many years, Societe Generale has cultivated close relationships with the non-profit sector across the country. With an overall market share of 10% and more than 100,000 non-profit customers, the Bank puts its know-how at their service to allow them to achieve their objectives, by financing their projects, helping them to manage their assets and supporting them in their day-to-day management.

Alongside these commitments, Societe Generale, in partnership with the law firm Fidal, has organised approximately fifty information meetings on current legal and tax-related subjects in order to give an expert opinion on issues faced by non-profits and to thereby help to inform volunteer and salaried managers.

5. SOCIETE GENERALE SUPPORTS ITS EMPLOYEES ON A DAILY BASIS

A RESPONSIBLE EMPLOYER

Societe Generale aims to set the standard for relationship banking, an ambition that shapes the Group's Human Resources policy. In order to gain the best possible understanding of the business lines' challenges and changes in the environment, the HR strategic priorities are to:

- Support the Group's rapidly changing businesses. The banking landscape is undergoing profound change, including evolving customer and stakeholder expectations, the emergence of new technologies and the regulatory framework, which are transforming Societe Generale's businesses and the skills required to work in them. The Group must anticipate the skills that its businesses will require in the medium and long term and identify the businesses that are no longer as important. It must also allow employees to develop their employability through training and the formulation of clear career paths, while recruiting the best profiles for its growing or emerging businesses. Lastly, the digital transition is opening the door to new ways of working and new interactions both internally and with customers. For Societe Generale, this means seizing this opportunity to grow and develop its employees. Their ability to adapt their skills and ways of working is critical to the sustainability of the businesses.
- Develop a relationship banking culture based on common values. Societe Generale's corporate culture is based on the values it promotes to best serve its customers (team spirit, innovation, responsibility and commitment), the behaviour and skills they inspire and the conduct to be followed by those who work in these businesses. It has been shaped by serving its customers for more than 150 years. The focus is on the customer, and all employees are guided by the Group's core values. It is this corporate culture that makes the Societe Generale Group unique and enables it to properly meet the expectations of all its stakeholders.
- Foster employee commitment. The Human Resources Division pays particularly close attention to employee commitment, which improves team performance. Recognising each individual's contribution to the Group's long-term performance, ensuring wellbeing at work and drawing on the teams' diversity are all essential to maintaining employees' ties to the company and improving efficiency.

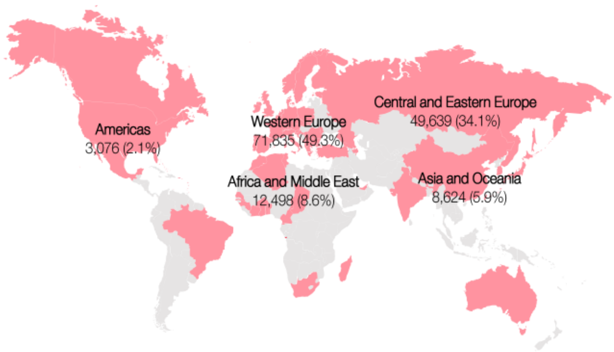
The Societe Generale Group's teams at the end of 2016

Societe Generale employed 145,672 people[(1)] at the end of 2016 for a stable headcount compared with 2015.

This corresponds to 130,727 full-time equivalents (FTEs)[(2)].

	2016	2015	2014	2013	2012	2011
Group headcount (at end of period, excluding temporary staff):	145,672	145,703	148,322	147,682	154,009	159,616

GEOGRAPHIC BREAKDOWN



Societe Generale's 145,672 employees are located in 65 countries, including:

- Mainland France (40.1% or 58,415 people, of which 43,432 at Societe Generale SA);
- Russia (13.7%);
- Czech Republic (6.7%);
- Romania (6.4%).

Mix of countries in which Societe Generale has operations:

- 11.6% of the workforce in low-income or lower-middle-income countries[(3)];
- 24.7% in upper-middle-income countries[(4)].

(1) Total number of employees on permanent contracts or fixed-term contracts, including work-study contracts, whether they are present or absent.

(2) As detailed in Chapter 2, page 64

(3) As defined by the World Bank, in particular Côte d'Ivoire, Ghana, India, Madagascar, Morocco and Senegal.

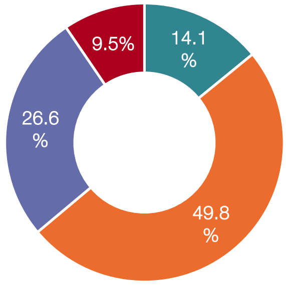
(4) As defined by the World Bank, in particular Algeria, Romania, Russia, Serbia and Tunisia.

BREAKDOWN BY CORE BUSINESS

The most significant changes in headcount in 2016 reflected the Group's restructurings and adaptations to the environment. They affected each core business differently:

- for International Retail Banking and Financial Services, the ongoing adjustments to different environments and markets led to a slight 1% decrease in headcount. The most significant development was the sale of Bank Republic in Georgia (approximately 1,000 employees);
- for Global Banking and Investor Solutions, the 5.5% decline in headcount was due to the various restructuring plans (including the transfer of support functions to the corporate divisions) and minor adjustments to headcount in several businesses and countries, partially offset in the United Kingdom by the acquisition of the private bank Kleinwort Benson (nearly 400 additional staff)[1];
- for French Retail Banking, the 1.3% decline in headcount can be attributed to departing employees (including internal mobility) who were not replaced in the Societe Generale network as part of the restructuring plan announced in early 2016 and the transfer of the support functions to the Corporate Divisions;
- for the Group's Corporate Divisions, the 20.7% increase in headcount was due to the centralisation of the communications and finance functions that had previously been housed in the divisions, and the ramp-up of the IT and compliance teams to support the Group's adaptation to technological developments and regulatory requirements.

BREAKDOWN OF STAFF BY CORE BUSINESS*



- Global Banking and Investor Solutions (20,512 people)
- French Retail Banking (38,758 people)
- International Retail Banking and Financial Services (72,550 people)
- Corporate Divisions (13,852 people)

* Headcount at end of period excluding temporary staff

BREAKDOWN OF WORKFORCE BY STATUS

	2016	2015
Overall headcount on permanent contracts at 31st December	135,511	135,050
Overall headcount on fixed-term contracts (including work-study participants) at 31st December	10,161	10,653
Temporary staff	11,338	10,891
Outside contractors*	7,535	6,850

* Monthly average in 2016 for Societe Generale SA in France. The use of outside contractors principally concerns the sub-contracting of specialised activities such as IT and consulting.

Supporting changing professions

Today, the banking profession is going through profound economic, regulatory and technological changes. The Group's Human Resources policy is supporting this transformation so that each of the Group's businesses has the skills required to serve the needs of its customers, while enabling its employees to develop their employability over the long term.

ANTICIPATING AND SUPPORTING CHANGES IN THE BUSINESSES

STRATEGIC WORKFORCE PLANNING, A KEY TOOL

The strategic workforce planning in place since 2013 is a key tool to support the current and future development of the Group's businesses. It corresponds to a strategic approach that gives the Group the skills its business lines will need in the medium and long term.

(1) At 31st December 2016, about 150 employees had been included in the headcount within the new Kleinwort Hambros entity, which is included in the reporting scope. The integration will continue until the second quarter of 2017.

The three-year forward-looking macro vision is based on the Group's strategic plan and the market environment, and aims to anticipate major qualitative trends in changing professions. This vision enables the Group to draw up mobility and recruitment plans for the full year, as well as a development plan for each employee that relates back to the individual management process. It also involves identifying key competencies and the connections between the Bank's professions. This approach is based on implementation of the right HR policies, particularly with respect to training and filling vacant positions. It gives employees the resources to examine their motivations and ambitions in light of the organisation's new requirements. Moreover, through the job trends observatory established in 2013, Societe Generale has been involved in a number of studies with the branch observatory, the Association Française des Banques (AFB – the French banking association), including an examination of the impact of the digital transition on banking professions.

FOCUS ON THE #MONJOB2020 INITIATIVE

The #MonJob2020 initiative was introduced in 2016 as part of the French Retail Banking transformation programme announced at the end of 2015 (see page 10). It aims to define the jobs and skills that will be needed to meet customers' expectations in the future. This collective effort brings together network managers and employees, business lines, HR and trade unions for workshops held across France. The project's first challenge was to understand customers' changing expectations as well as trends (regulatory, competition, digitisation, etc.) to identify impacts on how business is conducted (interactions between the different participants in the customer experience, tools, behavioural and interpersonal approaches to be taken). In total, more than 300 people participated in this initiative in 2016. Starting in 2017, field testing will be conducted on the tools and methods conceived throughout the workshops.

AN EMPLOYMENT DYNAMIC THAT RESPONDS TO THE GROUP'S CHANGES

TURNOVER: ARRIVALS AND DEPARTURES

	2016	2015
New hires on permanent contracts	16,283	15,155
New hires on fixed-term contracts (including work-study participants)	10,458	9,627
Departures of employees on permanent contracts	16,714	19,402

Recruitment: attracting the talent that the Group needs

In the 2016 financial year, the Group's recruitment broke down as follows:

- 16,283 permanent contracts, including 56.9% women;
- 10,458 fixed-term contracts, including 68.7% women.

In France, Societe Generale recruited:

- 4,151 permanent contracts (of which 2,831 for Societe Generale SA in France);
- 4,656 fixed-term contracts (including work-study contracts).

The recruitment and talent attraction policy is adapted to the characteristics of each business line and activity and to the specific regional environment.

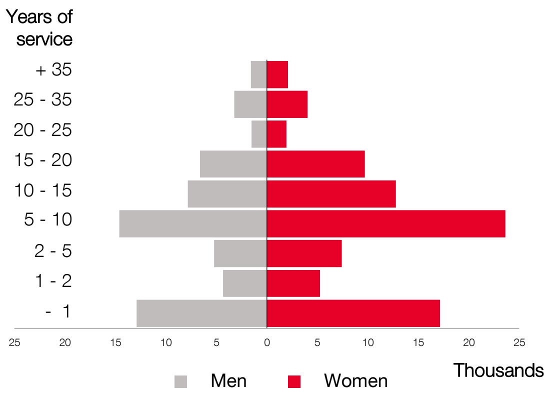
The *careers.societegenerale.com* site, the primary interface with candidates, offers a unified recruitment process for the Group in 20 countries. In 2016, approximately 300,000 applications were sent via the Careers site, which had close to 3.4 million hits.

Departures and turnover

The voluntary turnover rate for employees on permanent contracts (due to resignations only) was 7.3%. This rate was 5.5% excluding the Russian entities (where, in addition to significant structural adjustments, turnover rates are traditionally high), with rates particularly subdued in key countries such as France (3.5%) and the Czech Republic (4.9%). Nevertheless, voluntary turnover varied by business and geographical area. Highly competitive financial markets (especially in Asia) and countries with a dynamic labour market have higher voluntary turnover rates than most of the Group's entities. Specific, targeted actions have been undertaken to retain the best talent.

Overall, 16,714 employees on permanent contracts left the Group, due to the resignations mentioned above, retirements (1,601) and redundancies (4,657, of which 2,097 for economic reasons).

BREAKDOWN OF STAFF BY LENGTH OF SERVICE(1)



(1) Data at 31st December 2016 for 97% of the Group.

The average length of service within the Group is 9.5 years.

Specific focus on inducting young people

One of Societe Generale's HR challenges is attracting, recruiting and retaining the best talent. The Group continues to prioritise the recruitment of young graduates whose skills meet its needs. The Bank is therefore committed to a proactive approach to the professional integration of young people. In 2016, across all entities, the Group added to its workforce:

- 5,188 work-study participants (2,150 were posted within Societe Generale SA in France at the end of 2016, in line with the legal requirement);
- 10,471 interns. France alone (including subsidiaries) accounted for 3,951 interns. These internships, most of which are mandatory for graduation, allow students to be immersed in the business world, while benefiting from the support and supervision of their training supervisor.

Societe Generale's former interns, VIEs (volunteers for international experience) and work-study participants represent a priority recruiting ground for recent graduates. To attract the best candidates and retain the loyalty of the recent graduates who make up this talent pool, Societe Generale has, for example:

- partnered with a number of schools and institutes of higher education worldwide. In France and Europe, for example, the Group has partnered with close to 40 schools and institutes of higher education;
- funded educational programmes and research through 11 chairs, with a total commitment of more than EUR 6 million (e.g. Energy & Finance Chair with HEC, Financial Risk Chair with the École Polytechnique, UPMC and the École Nationale des Ponts et Chaussées);
- established Global Banking and Investor Solutions' GenerationNext (interns, VIEs and apprentices) and Junior Programme (recent graduates) support and development programmes, which serve as in-house launching pads (development of the professional network, mentoring, in-depth introduction to the businesses, training seminars, etc.). These programmes each have more than 1,500 members worldwide.

These initiatives demonstrate the Group's determination to attract and recruit talent by raising their awareness of the challenges and responsibilities of the banking sector and its professional realities from their very first contact with the company.

INTERNAL MOBILITY, A VECTOR FOR TRANSFORMATION

In 2016, Group internal mobility was as follows:

- Group internal mobility rate: 17%;
- 22,711 moves worldwide;
- 58% of permanent positions filled through internal mobility (76% for Societe Generale SA in France).

Societe Generale develops an active, effective internal mobility policy that promotes the ongoing adaptation of employee skills to the rapid changes in the economic, regulatory and technological environment, while reiterating its social commitment by developing employability. By offering internal opportunities for advancement, this mobility policy also promotes loyalty among employees, who become deeply attached to the Group: the 2015 Employee Satisfaction Survey measured the level of pride in belonging to the Societe Generale Group at 84% (up six points from 2013). A number of measures have been put in place to encourage internal mobility:

- Job@SG: a new tool rolled out in 2016 for both internal mobility and external recruitment. It lists open positions in 22 countries and allows all employees on permanent or fixed-term contracts, work-study participants, interns and VIEs to apply. They can streamline their application process by completing their profile in advance;
- mapping and "jobs" intranet: the mapping, performed since 2013 across all businesses and regularly expanded and updated, has helped identify possible connections between different professions. A "jobs" intranet allows employees to simulate various possible careers depending on their experience;
- monitoring: in France, driven in particular by the "Campus Métiers Mobilité"[1] (Job Mobility Campus), nearly 9,200 employees were transferred internally at Societe Generale SA in 2016 (compared with 8,700 in 2015) for a mobility rate of 23%.

International mobility is also encouraged to support the company's intercultural dimension. At the end of 2016, the Group had approximately 1,000 international mobility employees (all origins and destination countries combined). Meanwhile, the Bank has developed short-term international assignments, lasting a few months, for employees on international teams. These assignments are more flexible than an expatriation contract and can increase synergies and facilitate relationships within multicultural teams. More than 200 such assignments were undertaken in 2016.

DEVELOPING THE SKILLS AND EMPLOYABILITY OF EMPLOYEES

ADAPTING THE TRAINING POLICY TO MEET CURRENT BUSINESS AND CUSTOMER NEEDS

Training in 2016

In 2016, 84% of the Group's employees were able to finish at least one training programme, for over 3.8 million hours, of which 26% were completed remotely (e-learning, virtual classes, etc.). This represents an average of 26.2 hours of training per employee, compared with 25.2 in 2015. A total of EUR 92.3 million was earmarked for training expenses (1.2% more than in 2015[2]).

These controlled budgetary efforts enabled the Group to continue the digitisation of the educational tools, while completing the necessary investment to comply with regulatory requirements. Most of the training provided related to business-specific expertise, with a focus on technical skills. The remainder involved the Group's cross-business modules, including the risk management, regulatory, managerial, behavioural and personal development components.

(1) The "Campus Métiers Mobilité" centralises the positions to be filled for the Corporate Divisions and core businesses, except for internal moves within French Retail Banking, managed in a decentralised way on account of its structure and geographic breakdown.

(2) Figure restated relative to data published in the 2016 Registration Document.

Skills needed to meet the business line challenges

Training is key to helping employees develop their employability, taking into account the needs of customers and their future development. In 2016, business-line issues primarily concerned the changing customer relationship, the challenges posed by the digital transition, and increased regulatory constraints.

Strategic training initiatives have been analysed accordingly by the Learning Board, composed of members of the Executive Committee and Management Committee. In 2016, the emphasis was therefore on:

- customer focus, whether from the standpoint of sales know-how or customer relations and satisfaction;
- improvement in all employees' expertise in digital issues, targeting more specifically the impact of digital technology on each business and support function;
- stronger risk management and awareness of compliance issues, mainly through 17 cross-functional regulatory training courses (including a core curriculum of five courses that are mandatory for all) and about 100 regulatory training courses adapted to the Group's different businesses;
- managerial approach, as the management training courses have all been completely overhauled to better embody the Leadership Model (see page 280), foster discussion among peers and measure the subsequent impact of these training courses.

In addition, the Training division supports the Group's digital transformation by changing its learning methods (see Digitisation of training, on the right).

Professional training for the functions and learning processes

In addition to the individual training sessions, the Bank has spent several years developing learning communities and modules that target specific populations.

Accordingly, the development programmes are grouped into "academies" specific to each business or function within the Group (e.g. large corporate advisory, retail banking salespeople, human resources, audit, etc.). These academies offer enhanced support and help align practices abroad, regardless of entity.

Furthermore, in France, the training programmes known as "Cursus Cadre" (to obtain executive or so-called "cadre" status) and Passerell'E (to achieve France's banking classification Level E) also remain long-established drivers for employability and internal promotion. In 2016, 462 employees of Societe Generale SA in France successfully completed these programmes.

SUPPORTING THE DIGITAL TRANSITION

Technological developments have shifted practices towards greater agility and created new ways to interact. These trends, supported by specific efforts to recruit IT staff, have a direct impact on the Group's businesses, including development of relations and interactions with current and prospective customers, transformation of products and services, and transformation of operational models and the working environment for employees.

In 2016, the Societe Generale Group was ranked third as a company and first as a bank for its digital maturity at the 2016 eCAC40 awards organised by *Les Échos Business* and Gilles Babinet. This ranking acknowledges the in-depth transformation Societe Generale has undergone in the last two years, with:

- an accelerating digital transformation that involves the entire company, in all its businesses and regions;
- an original open-innovation strategy with worldwide ecosystems (see Experimenting with new working methods, p. 280);
- digital awareness for all employees at all levels of the Group.

Digital awareness

In 2014, Societe Generale launched its "Digital for All" programme with the aim of involving all employees in accelerating the Bank's digital transition by encouraging everyone to adopt digital tools and develop an awareness of the challenges of this transition. Through this programme, most employees now have access to digital tools and are gradually changing how they work by adopting tablets, collaborative tools and work communities on the corporate social network, as well as applications accessible through BYOD(1) on personal devices (smartphones or tablets) for employees who would like that option.

Digitisation of training

Societe Generale is pursuing an ambitious strategy to rethink training in the digital age. New learning methods are giving employees the opportunity to grow in areas of their choosing, at their own pace and at the location that suits them best (using mobile tools or from a virtual office, for example).

Employees now have access to:

- 7 MOOCs(2), which help them delve deeper into the different topics available through self-tests, videos and interactions with learning communities. Launched in 2015, the digital MOOC ("Make me digital") had close to 3,000 participants worldwide by the end of 2016;
- more than 300 Rapid Learning modules(3) designed strategically and in response to specific needs by Societe Generale experts in France and abroad, using a solution implemented throughout the Group since 2012;
- 450 microlearning modules less than three minutes long, with summary content that helps build targeted expertise through a variety of complementary media sources, including more than 200 self-study videos on the intranet (general economic and banking culture, data protection, employee savings, management control, etc.). Many of these modules were developed directly by employees.

(1) BYOD: Bring Your Own Device.
(2) Massive Open Online Course.
(3) 15-20 minute e-learning modules designed internally by business line experts.

DEVELOPING NEW WAYS OF WORKING AND ORGANISATIONAL MODELS

Telecommuting and redefining the workspace

Telecommuting serves a dual purpose: (i) to develop innovative operating procedures in the digital age, and (ii) to help employees achieve a better work-life balance. It is therefore a motivating factor, a source of empowerment and a performance lever. In April 2016, in France, 96% of Societe Generale's managers considered that performance levels had improved or been maintained after telecommuting was introduced in their department. A growing number of Group entities are experimenting with telecommuting through mechanisms that are appropriate to the local environment. At the end of 2016, the number of teleworkers had doubled from 2015 to nearly 10,000 people worldwide. The countries with the most teleworkers were France (nearly 5,600), the United Kingdom (nearly 1,600), the Czech Republic (nearly 900), and Romania (more than 400). For Societe Generale SA in France, the testing phase that began in 2014 has given way to the agreement reached in 2016 to perpetuate telecommuting. Within the central departments, which are eligible for telecommuting, nearly 27% of employees on permanent contracts now work from a home office, which ranks Societe Generale among the most advanced CAC 40 companies in this area.

The Group is also experimenting with new approaches to the workspace that encourage mobility, interaction and cooperation, in workspaces that are more open, more modular and less formal, and that use new digital tools. That is the case, for example, in Luxembourg, Hong Kong, London and New York, as well as in France, at the new Boursorama headquarters and new eastern Paris real estate complex "Les Dunes". Involving employees in the design process for Les Dunes was key to making it easier for the 5,000 people who have moved there since the autumn of 2016 to make the space their own. The design allows for a more horizontal management style, more teamwork and improved wellbeing at work. Taken together, this creates a pro-innovation work environment. The FlexWork approach implemented at Les Dunes means employees can choose where to sit for the day, based on the colleagues with whom they need to collaborate. The satisfaction rate of employees who have moved into this eastern Paris technology park was as high as 88% at the end of 2016.

Experimenting with new working methods

The open innovation initiative undertaken by the Group since 2015 gives the teams the chance to collaborate with the external innovation ecosystem (start-ups, FinTech and experts) to increase the creativity, agility and speed of their project development process. In addition to promoting alternative working methods ("pizza teams", continuous improvement through the Test & Learn method or user experience), the Group encourages teams to immerse themselves in innovative communities so they can bounce their ideas off experts in this ecosystem. In France, as well as in India, Dakar and London, the aim of the partnerships is to open up the business line challenges to the local ecosystems and boost innovation at all Group entities. These initiatives enabled the Group to open Le Plateau in the autumn of 2016, located at the heart of the new Les Dunes real-estate complex. Its purpose is to house external and internal start-ups working on disruptive innovative projects and to promote collaboration among different stakeholders in order to foster serendipity.

Developing a relationship banking culture based on common values

INVOLVING TEAMS IN THE GROUP'S VALUES

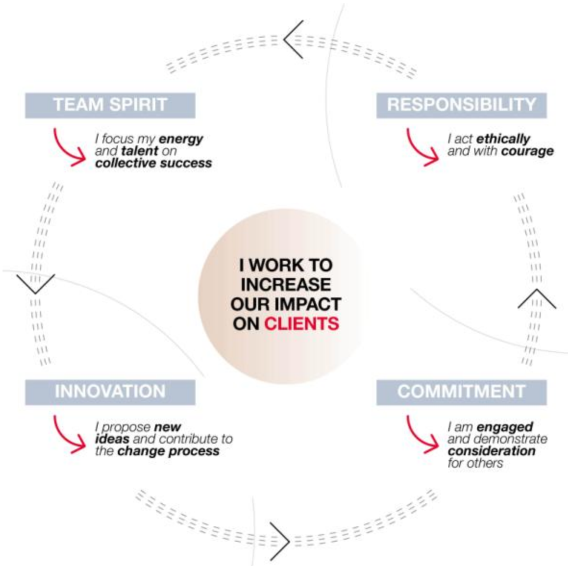
Societe Generale aims to set the standard for relationship banking, to be close to its customers and to be chosen for the quality and commitment of its teams. To make this ambition a reality, employees must work together, regardless of their job within the Group, with one shared objective: the customer.

To achieve this goal, in 2014 Societe Generale redefined its core values (commitment and responsibility were added to the long-standing values of innovation and team spirit) and then emphasised the behaviour and skills through which these values will be expressed by all employees to improve customer service. Discussions about Societe Generale's new Leadership Model were held among Group senior management (Executive Committee and Management Committee) and nearly 300 managers. They helped strengthen the corporate culture which combines the ambition to grow the business (innovation/customer) with a desire for individual and collective excellence (commitment and team spirit, respectively), as well as attention to ethics and compliance with rules (responsibility).

These values strengthen the corporate culture, with a client focus. Specific governance has been established at the highest level of the company through the Culture & Conduct programme introduced in 2016 (see Commitments, challenges and ambition, p. 242).

TRANSLATING VALUES INTO BEHAVIOUR

Societe Generale's Leadership Model translates the customer focus and each of the company's four values into the required skills. These are categorised for the three main levels of responsibility within the company – senior management, managers and employees – thereby introducing a common language that provides everyone with the keys to their success within the Group. For example, for employees, the five focus areas are reflected in the following behavioural skills:



The competency guide resulting from the Leadership Model then provides concrete and practical examples of the behaviours that stem from each of these skills and that are observable — and therefore measurable.

In conjunction with this guide, a self-assessment intranet tool allows respondents, after answering 20 questions, to locate themselves in relation to the behaviour that is expected. They can then use the development tools provided to improve in any areas that may be necessary.

After raising the awareness of all Group teams and businesses in 2015, the Leadership Model has gradually been integrated into all HR processes, including evaluation, development, the promotion procedure and management training. Examples can be found below. See also Policy governing remuneration of Chief Executive Officers, subject to shareholder approval, p. 96.

EVALUATING BEHAVIOUR

EVALUATION AT RECRUITMENT

The tasks assigned to each new employee require specific behavioural skills that have been identified and are consistent with the Leadership Model. These skills are clearly detailed and are identified in candidates using a common matrix during recruitment interviews. After a test phase in 2015, this approach is now used for each position to be filled in the company. Recruiters have therefore been a priority target for training in the Leadership Model, since hiring candidates evaluated according to the Leadership Model is one of the keys to changing the corporate culture over the long term.

PERFORMANCE EVALUATION AND MANAGEMENT

To ensure that this Leadership Model is firmly rooted in the daily professional work of every employee, it has now been incorporated into the performance management process. Aligning the annual appraisal with the Leadership Model is considered a key component of the transformation. This process assesses not only the achievement of operational results, but also the manner in which these results are obtained. One to two development objectives have to relate to the areas of focus of the Leadership Model, drawing on the concrete and measurable examples provided in the new Group skills guide (see Translating values into behaviour, p. 280).

In 2016, a total of nearly 116,700 Group employees had an appraisal, i.e. 93% of the workforce on permanent contracts.

EVALUATION WHEN IDENTIFYING THE NEXT GENERATION OF MANAGERS

The first people who have to embody Societe Generale's Leadership Model are the Group's current and future senior managers. Accordingly, this mode is now central to several key initiatives to identify, train and promote the leaders of tomorrow.

Detection and support

The aim of the Strategic Talent approach is to detect, develop and build the loyalty of high-potential employees to prepare the next generation of managers. A Strategic Talent is defined as an employee who embodies the Group's values (and therefore the Leadership Model), performs well over the long term and has strong potential for advancement. With its systematic approach, the Strategic Talent policy identifies individuals around the world on an objective basis defined by the Leadership Model, gives them the same opportunities to develop their potential and enables them to advance within the Group. The talent pool created represents 2.6% of the Group's workforce.

The Corporate University is responsible for developing the leadership qualities of the most senior managers and the Group's senior leaders. The modules it offers focus on the development of behavioural skills, through programmes that incorporate the Leadership Model as adapted for senior managers. In 2016, nearly 650 Group employees attended its programmes.

Succession plans

Societe Generale is paving the way for the next generation of managers with the succession plans in place for the Group's various scopes, both in France and abroad. The plans for 300 key Group positions are monitored by General Management. The plans for 1,500 strategic Group positions are approved and monitored by the core businesses and Corporate Divisions. The behaviour and interpersonal skills of the people identified as potential successors are analysed in relation to the Group's Leadership Model based on a matrix similar to that used when hiring new employees (see Evaluation at recruitment, on the left). One of the criteria used to identify potential successors for a key Group position is whether this behaviour is consistent with the Leadership Model.

MEASURING BEHAVIOURAL CHANGE

EMPLOYEES' PERCEPTION OF THE COMPANY

The Employee Satisfaction Survey is a comprehensive and anonymous internal survey conducted every two years throughout the Group. The results of each survey are used to develop improvement action plans. In 2015, the survey questions were revised with the Leadership Model in mind and a more streamlined questionnaire was developed to ensure that each question could be linked to one of the Group's four values. The results of the survey show how employees' feelings and experiences compare with the practices and behaviours associated with the corporate values. They will also be used to measure forward movement and change in the corporate culture over time, based on future surveys.

The results of the 2015 Employee Satisfaction Survey, which achieved a 68% response rate, highlighted a strong commitment to the values of Responsibility (79%) and Team Spirit (76%). They showed a significant improvement in Commitment (70%, five points higher than in 2013), while there appeared to be room for progress on the "Innovation" value (72%). More than 1,600 improvement actions have been developed jointly by teams from the different scopes, managers and HR. They cover all of the Group's values and were implemented throughout 2016.

360° PERCEPTION OF TOP MANAGERS

Since 2015, a 360° questionnaire based on the Leadership Model has been used to evaluate the Group's 300 senior managers around the world (members of the Executive Committee and the Management Committee, and holders of key Group positions) and nearly 1,000 managing directors in Global Banking and Investor Solutions. This annual evaluation is used to analyse how the daily actions and behaviour of key managers are perceived by their employees, peers and superiors. It also gives the subjects of the questionnaire an idea of their impact on their colleagues and shows them where they stand in relation to the expectations of the Leadership Model. Individually, the results of these assessments shed additional light on the performance management process, while the consolidated results will provide a way to measure changes in managerial practices over time.

CUSTOMERS' PERCEPTION OF THE COMPANY

Societe Generale's Leadership Model puts the focus on the customer. Customer satisfaction is the top priority and is therefore regularly analysed for each of the Bank's businesses. This is generally done through the net promoter score (rolled out gradually since 2015), an approach used at the highest level of the Group. See also Customer satisfaction, p. 248.

INTEGRATING THE RELATIONSHIP BANKING CULTURE INTO EMPLOYEES' DAILY LIFE

CLOSER TEAM RELATIONSHIPS

The rationale for the cultural transformation is first and foremost to build closer relationships with customers and further Societe Generale's stated "Relationship Banking" ambition. However, to achieve excellence in customer satisfaction, the same attention must be paid to the relationship with and among employees. Developing relationships of trust within a team and with one's manager is vital to developing this same relationship with one's customers.

That is why the "attention symmetry" initiative, which was launched in 2012, has gradually been expanded to cover the entire Group. This programme, in which the quality of employee relations mirrors customer satisfaction, seeks to encourage manager accessibility, direct contact and employee empowerment, as well as to foster a listening culture at every level of the organisation.

Initiatives rolled out to that end in 2016 included the creation of forums for dialogue, in particular within the teams in the Societe Generale network in France, which cover job content and the conditions under which the work is performed. More than 200 ideas and solutions have been put forward, some of which have been presented to the Management Committee. This gives employees the opportunity to have a direct impact on the company's operating procedures and customers' perception.

PROMOTING A QUALITY SOCIAL DIALOGUE

Constructive and structured international social dialogue

All the structural and cultural transformations underway at the Group require a high-quality, constructive Group-wide social dialogue.

In addition to its legal obligations, Societe Generale has set up dialogue and consultation bodies since 2013 to address the corporate strategy. In 2016, union leaders were given visibility over the strategic and economic directions of the company and the business lines through:

- two meetings with the Chief Executive Officer or his representatives at the European Group Works Council meeting;
- five meetings of the dialogue and consultation body, attended by Executive Committee members, to discuss strategy and the basis for any projects under consideration;
- five meetings with the Chief Executive Officer or his representatives at the meetings of the Central Works Council;
- four joint workshops between managers, HR, employees and union representatives as part of the "#MonJob2020" initiative (see page 277) and on the IT function's strategic workforce planning initiative.

Group-wide, Societe Generale is implementing an agreement on fundamental human rights and freedom of association, signed with UNI Global Union federation in 2015 (see Respect for human rights, p. 266). After a global communication and awareness campaign aimed at senior managers and HR, as well as wide internal dissemination of the agreement among employees, targeted initiatives were conducted in 2016 to promote social dialogue internationally. In particular, a management seminar for International Retail Banking's Africa and Middle East region led to specific workshops on building and facilitating social dialogue. In addition, Societe Generale participated in international conferences organised by the International Labour Organization (ILO) on the development of social dialogue and corporate practices regarding respect for fundamental rights in the supply chain.

The first meeting to follow up on the agreement was held in September 2016 between representatives of UNI Global Union, several Societe Generale union representatives abroad, and the Group's Human Resources Division. An analysis of social dialogue in Europe and Africa was presented at that time. This meeting showed that social dialogue is a reality in France and internationally, and that the Bank is honouring its commitment to fundamental rights at work.

Overview and impact of collective bargaining

In 2016, 217 agreements were signed within the Group (including 14 for Societe Generale SA in France). Nearly half of those agreements covered compensation and employee benefits. The main themes identified also included working conditions, social dialogue procedures and diversity.

15 agreements focused specifically on health and safety.

The expected impact of the 14 agreements signed in 2016 for Societe Generale SA in France is detailed hereafter:

AGREEMENTS SIGNED	IMPACTS ON ECONOMIC PERFORMANCE AND WORKING CONDITIONS
Employment and job support ■ Framework agreement on changing professions, skills and employment. ■ Four agreements on supporting the transformation in various Bank scopes.	The three-year framework agreement on employment provides a structure for the social dialogue policy on strategy, strategic workforce planning, mobility, intergenerationality and framework measures for employment protection plans. These measures are defined in four specific agreements that call for concrete actions to develop employability and guide employees through the transformation of the businesses, which is critical to the company's sustainability. This demonstrates the Group's commitment to ongoing support for its employees, in accordance with its commitments as a socially responsible employer. These agreements also provide visibility and security for employees on the level and content of the social support measures for which they are eligible.
Social issues, diversity, working conditions and employee benefits ■ Home office agreement. ■ Agreement on donating days of paid leave to employees with a seriously ill child (and amendment to the "RTT" (reduced work time) agreement). ■ Agreement on the employment of persons with disabilities. ■ Two technical amendments on retirement savings.	These agreements improve employees' working conditions (home office and disability), address social and solidarity challenges within the company (days off donation, disability) and allow employees to share in the company's financial performance (retirement savings). By implementing measures to maintain the work-life balance and promote diversity and equal opportunity within the company, these agreements are vehicles for employee engagement and resilience, while promoting the Group's values of responsibility and innovation. These elements are necessary for the company's operational performance.
Organisation of the Staff Representative Bodies ■ Three agreements on the staff representative bodies in the central departments.	These agreements facilitate the organisation and operation of social dialogue, which is necessary for the company's economic performance.

Fostering employee commitment

RECOGNISING EACH PERSON'S CONTRIBUTION TO THE COMPANY'S PERFORMANCE

AN ATTRACTIVE AND REWARDING REMUNERATION POLICY

Monetary remuneration includes a fixed salary, which rewards the ability to satisfactorily hold a position using the requisite skills and is determined in a manner consistent with market practices. It also includes, where applicable, variable remuneration which aims to recognise collective and individual performance. Variable remuneration is dependent on operational and behavioural goals set at the beginning of the year based on the environment, results and how those results were achieved (see Performance evaluation and management, p. 281). In particular, since 2016, the results of the 360° evaluation of key Group positions (see page 281) and their alignment with the Leadership Model have been taken into consideration when calculating the variable component. Lastly, since 2014, the individual commission system for the French Retail Banking and Private Banking sales forces in France has been eliminated and replaced with gross global annual remuneration and the variable component.

The Group's monetary remuneration policy is based on Group-wide principles applied in all the countries and is adjusted to the economic, social and competitive environment of the local markets as well as to the legal and regulatory obligations in force. Where possible, a cross-business review between functions and business lines is carried out to ensure consistent, objective remuneration levels between the Group's different activities and facilitate cross-business cooperation.

For the 2016 financial year, personnel expenses for the Group totalled EUR 9,455 million (see Note 5.1 on page 384). For Societe Generale SA in France, average gross annual remuneration[1] amounted to EUR 54,068, an increase of 1.30% compared with 2015, showing moderate growth in remuneration.

(1) Average overall remuneration includes fixed and variable components as well as bonuses, excluding financial remuneration (employer contribution and profit-sharing) and employer matching contributions. The average is calculated for all employees excluding those that are regulated (whose professional activities are liable to have a significant impact on the Group's risk profile), who are also subject to monitoring and disclosure (see Transparency and Communication, p. 284).

TRANSPARENCY AND COMMUNICATION

The principles governing the Group's remuneration policy, in particular for the categories of staff whose professional activities are liable to have a significant impact on the Group's risk profile, as per the European Capital Requirements Directive no. 2013/36/EU (CRD4), are detailed in the compensation policy and principles report. It will be published, as it is every year, prior to the General Meeting and transmitted to the ACPR in accordance with the provisions of EU Regulation no. 575/2013[1]. Detailed quantitative information on those persons likely to have a significant impact on the Group's risk profile is also sent to the ACPR.

For the employees themselves, an interactive Total Reward Statement is sent electronically every year to staff on permanent contracts and to work-study participants at Societe Generale SA in France. This personalised HR information document provides employees with a complete view of the components of their overall remuneration for the previous year and gives them a better understanding of those components. Other Group entities have also provided their teams with a similar document, including Credit du Nord and some Societe Generale branches abroad.

EMPLOYEE SHARE OWNERSHIP

At the end of 2016, current and former employees of Societe Generale, representing approximately 86,000 people, held a total of 6.61% of the share capital and 11.98% of the voting rights under the Company and Group Savings Plans. This high employee share ownership demonstrates the ongoing commitment of the workforce.

Free share plan

To involve each employee closely in the Group's earnings and future, a "free share plan granted to all employees" was implemented in 2010. All employees were awarded 40 shares subject to their continued employment within the Group, performance conditions and an increase in customer satisfaction. Those shares were delivered in two instalments for employees who are French residents for tax purposes (in 2013 and 2014). For non-residents of France for tax purposes, the first instalment was delivered at the end of March 2015 and the second at the end of March 2016.

Mandatory employer contributions, voluntary profit-sharing and company savings plan

In France, employees are involved in the long-term development of the Group via profit-sharing and/or employer contribution schemes. These schemes enable employees to finance projects or earn additional income. They are linked to the company's overall performance (financial and extra-financial) and regulated by Societe Generale agreements signed with the trade unions every three years. For Societe Generale SA in France, the total amount of mandatory employer contributions and voluntary profit-sharing for the financial year 2015 was EUR 95 million, a 21.8% increase from the previous year. This amount breaks down into EUR 76 million for financial performance, up 11%; EUR 16 million for the dividend distribution component, up 69%; and EUR 3 million for the share relating to CSR (corporate social responsibility) objectives.

The company savings plan proposes medium- and long-term savings, offering employees the opportunity to build up assets under preferential financial conditions[2] and tax rates through tailored management of a diversified portfolio of investment securities. It comprises a diversified range of seven funds, including the employee share ownership fund (Fonds E). Financial remuneration (consisting of the employer contribution and profit sharing[3]) may be invested in the company savings plan. See also SRI-certified savings for Societe Generale employees, page 255.

Information about the Societe Generale employee share ownership fund named "Société Générale Actionnariat (Fonds E)"

Under the terms of the rules governing the Societe Generale mutual fund, the voting rights attached to the Societe Generale shares included in the Fund's assets belong individually to the holders of fund units in proportion to the respective shares they hold. The Fund's Supervisory Board, which is composed of an equal number of unit-holding employee representatives and representatives of Management, exercises voting rights for fractional shares and voting rights not exercised by unit holders.

In the event of a public purchase or exchange offer, the Supervisory Board decides whether or not to tender shares to the offer, based on the relative majority of the votes cast. If there is no relative majority, the decision is put to the vote of the unit-holders, who decide according to the relative majority of the votes cast.

CARING ABOUT EMPLOYEES' WELLBEING AT WORK

PROMOTION OF WELLBEING AT WORK

Societe Generale considers employees' health and, more broadly, wellbeing to be a long-term driver of performance and critical to its attractiveness, effectiveness and sustainability. The Group is convinced there is a very strong link between wellbeing at work and quality of work. It therefore formalised an ambitious corporate project on wellbeing at work and in 2015 launched the "Life at Work" programme, which focuses on six specific themes:

- individual and collective efficiency (promotion of efficient working methods);
- health and prevention (relating to the risks inherent in the Group's businesses);
- teleworking and new organisational models (see page 280);
- working environment (see page 280);
- support during key life events (services that facilitate the work-life balance);
- change in managerial culture (training and awareness initiatives in connection with the Leadership Model).

(1) The report on the Group's compensation policy and principles in 2015 was sent to the ACPR in April 2016 and published on the Societe Generale website.

(2) Employer matching contribution and discount on the Societe Generale share in the event of a reserved capital increase.

(3) In addition to Societe Generale SA in France, for which the amounts of financial remuneration paid in 2016 are detailed in Note 4.1 (page 461), most French subsidiaries belonging to the Company Savings Plans are subject to an employer contribution and/or profit-sharing agreement.

For Societe Generale SA in France, this programme was launched in conjunction with discussions with employees and their representatives. An agreement on working conditions signed in 2015 defined a framework for rethinking operating procedures. It also promoted the expansion of best practices by encouraging new initiatives on the ground as well as ways to share and test them (see Closer team relationships, p. 282). This agreement also required that wellbeing at work be integrated into organisation or reorganisation projects that have a high impact on the teams, as was the case in 2016 with the IT teams' move to eastern Paris (see Telecommuting and redefining the workspace, p. 280). It is monitored regularly by the Wellbeing at Work Observatory (joint discussion forum, composed of representatives from management and from the trade unions), chiefly by means of quantitative and qualitative indicators identified through an annual survey of working conditions (see Focus on the prevention of psychosocial risks, on the right).

INDIVIDUAL AND COLLECTIVE EFFICIENCY

At the end of 2014, Societe Generale's Executive Committee signed the "15 Commitments for Work-Life Balance" Charter. This charter, introduced by the French Ministry of Social Affairs, Health and Women's Rights and the French Work-Life Balance and Corporate Parenthood Observatory, proposes that signatory companies work to improve their employees' work-life balance. Initiatives implemented under this Charter include heightened awareness of meeting schedules and the use of email outside working hours and initiatives to support employees on a daily basis (conferences, access to personal services, dedicated intranet, etc.).

This charter also resonates outside France with the following initiatives:

- a flexi-time policy at several Group entities (Germany, Belgium, Spain, Italy, Luxembourg, Portugal, United Kingdom, Scandinavia, Czech Republic, Serbia, Hong Kong, India, Taiwan and Canada);
- a requirement that managers pay greater attention to employees' workload, in particular through initiatives on individual coaching in work-life balance (in several Asia-Pacific entities and in the United States).

HEALTH AND PREVENTION

Social protection

Societe Generale fulfils its social responsibility by actively contributing to the social protection of all its employees, particularly in terms of healthcare, pension, death, invalidity and incapacity benefits.

As compulsory benefit plans vary according to the legislation and regulations which apply in each country, each Group entity is responsible for defining the degree of local additional cover needed, in accordance with the objective defined by the Group to offer a minimum level of cover at least comparable to local market practices. Working alongside their regulatory authorities (and potentially with other Societe Generale entities in the same country), Group entities must also factor in their development strategy, remuneration policies and financial position when defining employee cover.

International Retail Banking pays particularly close attention to the social protection schemes at its subsidiaries, including in Africa. Consequently, all African subsidiaries offer health cover to employees and their beneficiaries, in most cases personal protection insurance for beneficiaries should the employee die and, in certain cases, complementary pension plans. At the end of 2016, all employees in the Mediterranean Basin and Sub-Saharan Africa had easier access to care and benefited from the company's contribution to their healthcare expenses.

In France, the Societe Generale Group health plan covered nearly 120,500 people (participating members and beneficiaries).

Focus on the prevention of psychosocial risks

Stress prevention initiatives are conducted in 85 Group subsidiaries and branches in France and abroad, covering 76% of the Group's workforce in total. They seek to inform, train and support employees likely to encounter situations that are factors in psychosocial risks. This is reflected differently in various countries:

- free assistance programmes established in partnership with healthcare or insurance sector specialists, which allow employees to speak freely with an outside expert (Germany, France, United Kingdom, Switzerland, Romania, Australia, Korea, India, Singapore and United States);
- training on psychosocial risks and/or awareness-raising by the occupational health office or external experts (Spain, France, Italy, Luxembourg, United Kingdom, Poland, Czech Republic, Romania, Russia, Serbia, China, Korea, Hong Kong, Burkina Faso, Ghana, Morocco, Tunisia and Turkey);
- stress surveys and evaluations (Germany, Austria, Denmark, Spain, France, Italy, Monaco, United Kingdom, Scandinavia and Japan);
- leisure and relaxation activities (France, Montenegro, Romania, Russia, Serbia, Hong Kong, India, Singapore, Taiwan and Morocco).

In France, Societe Generale continued the efforts made since 2008 with all corporate actors and with the support of external stakeholders specialised in the prevention and management of psychosocial risks. Two priorities were set: preventing internal risks (stress, harassment) and external risks (aggression, armed assault).

- Stress and harassment: the training and awareness modules rolled out since 2009 (and updated in 2015 and 2016) have been used to train more than 8,000 employees (including HR, managers and senior management) in psychosocial risk management. Since 2016, a working conditions survey has replaced the Stress Observatory. The first survey was carried out among more than 37,000 employees on permanent contracts, achieving a response rate of 62%. This survey was used to identify psychosocial risk factors for each scope, as well as sources of satisfaction. The results will help define targeted action plans to improve the working conditions of the teams surveyed. Lastly, a sexual and psychological harassment prevention initiative and a dedicated procedure (listening, mediation, investigation and discipline, if necessary) have been in place since 2005.
- Prevention and management of aggression: under the company agreement signed in 2008, mandatory training on conflict situations (taken by all network employees) and specific psychological support programmes for employees who have been victims of armed assault or aggression (through the *Institut National d'Aide aux Victimes et de Médiation* - National Institute for Victim Support and Mediation, INAVEM) have been implemented.

Organisation of working hours

The organisation of working hours depends on the regulations applicable in each country where the Group operates and the employee's function. As a result, practices vary significantly (working time and hours, organisation, etc.):

- average annual working hours[1]: 1,738 hours;
- number of part-time employees: 8,789 (or 6 % of the workforce), of which 6,287 in France;
- total overtime hours[2]: 83,851 hours (or 1.4 hours on average per employee).

For Societe Generale SA in France:

- full time for hourly-paid staff (technical employees and executives): 1,607 hours/year[3];
- full time for salaried executives: 209 days (or 206 days depending on the length of service and age of employees in 2000, when the agreement took effect)[3];
- part time: employees may qualify for schemes that reduce the number of working hours to 90%, 80%, 70%, 60% or 50%[4].

Health and safety indicators

- Number of workplace accidents: 821 (945 in 2015);
- Accident frequency rate[5]: 3.5 (4.0 in 2015);
- Overall rate of absenteeism[6]: 3.5% (3.5% in 2015);
- Rate of absenteeism due to sick leave: 1.9% (1.9% in 2015);
- Rate of absenteeism due to maternity leave: 1.3% (1.3% in 2015).

PROMOTING TEAM DIVERSITY

DIVERSITY AT THE HEART OF BUSINESS LINE CHALLENGES

In addition to the ethical responsibility, the diversity of Societe Generale's employees and its inclusive culture address a performance challenge. The diversity of profiles and skills combinations can generate a variety of ideas and help the Bank better understand and serve its customers in all its markets.

In terms of diversity, the Group has made it a priority to promote women and international profiles to positions of responsibility and seats within the Bank's management bodies. This strategy has been adapted for the different entities, with each one implementing appropriate action plans to help the Group achieve its goals. A Diversity Board, composed of Executive Committee and Management Committee members, monitors progress on this issue.

Some HR processes are key drivers of progress in gender balance and internationalisation, including:

- succession plans (see page 281) that include women and international profiles;
- diverse Strategic Talent profiles (see page 281): currently 40% are women and 40% international (non-French).

In addition to these priorities, Societe Generale is committed to other aspects of diversity, such as intergenerationality, social inclusion and disability. A variety of initiatives are implemented locally, depending on the challenges and regulations in the different countries and core businesses (see also Fighting discrimination and promoting diversity, p. 266).

(1) Time-weighted based on the size of the entities' workforce.

(2) The definition of overtime is taken from French law, which means that the reporting scope for this indicator is therefore limited to France (Societe Generale SA and subsidiaries).

(3) In accordance with the agreement on the organisation of working hours of 12th October 2000 and its amendments.

(4) In accordance with the agreement of 2nd June 2004 and its amendment.

(5) See note on methodology, p. 292. The rate of accident severity is not an indicator that is monitored, given the nature of the Group's activities.

(6) Number of days absent/total number of days paid, as a percentage.

GENDER BALANCE

Share of women

	2016	2015
Group	59.1%	59.1%
Managers	44.2%	43.3%
Senior management (top 1,000)	22.2%	21.2%
Management Committee (61 members)(1)	21.3%	20.0%
Executive Committee (13 members)	23.1%	15.4%
Board of Directors (13 members)(2)	53.8%	50.0%
Executives (for Societe Generale SA in France)	45.7%	45.2%

(1) The Management Committee includes the members of the Executive Committee. At 16th January 2017, it includes 13 women (compared with 11 at the beginning of 2014, eight at the beginning of 2011 and six at the beginning of 2010).

(2) Board of Directors: seven women (including two staff-elected directors).

Gender balance reflects the company's ability to appoint and promote the person whose skills best match a given position without bias or cultural filters. Societe Generale encourages all of its managers to promote this balance within their teams and adopts this approach at the highest level of the company.

Accordingly, in 2016 Frédéric Oudéa signed the UN Global Compact's Women's Empowerment Principles, applicable Group-wide. These principles commit their signatories to make progress on promoting gender balance in the workplace, in the economic ecosystem and within the community. This charter was also signed by Societe Generale Dubai in order to cement this Group commitment among its local partners.

Numerous Group-wide initiatives have been undertaken in this area, including the examples listed below.

Training, development and support

Development initiatives are under way in various Group scopes, such as the Women in Leadership (WILL) development course designed for female Strategic Talent, participation in inter-company events (JUMP forum, EVE programme), awareness initiatives and training and mentoring programmes at various subsidiaries and branches (e.g. in Germany, Italy, Czech Republic, United States, India and Dubai).

The Group supports the women's and mixed networks formed within the company that actively and independently help promote gender balance. These networks have more than 2,400 members worldwide, including France, United States, Singapore, India, Luxembourg, Czech Republic, Senegal, Tunisia, Cameroon, United Kingdom, Korea, China, etc.

Gender equality in the workplace

The Group's gender balance policy is adapted locally through specific measures and collective agreements. For example:

- Societe Generale SA in France: the 2015 agreement on equality in the workplace pursues the commitments made in four priority action areas, namely training, career development, remuneration and work-life balance. It defines concrete and measurable objectives, such as the target of 46% women executives by the end of 2018 (it was 45.7% at the end of 2016), measures that allow female employees on maternity, adoption or parental leave to keep up with the transformations under way in the businesses, the methodology for eliminating pay gaps, etc. Since 2008, EUR 12.7 million has been earmarked to eliminate unjustified pay gaps between men and women doing equivalent jobs or at equivalent managerial or seniority levels within the company. These funds have been used to correct nearly 7,500 individual situations. Another EUR 1.7 million will be allocated for the same purpose in 2017;
- in the Czech Republic, the Group's subsidiaries are focused on establishing measures to smooth the return to work after maternity leave (by maintaining contact with the company, returning gradually and starting back with part-time work, benefiting from skills upgrades, etc.). The "Maternity Programme" at Komerčni Banka has helped to increase the rate of women who return after maternity leave from 45% (in 2008) to 65% (in 2016);
- in Luxembourg, the "Opportunités égales pour hommes et femmes" (Equal Opportunities for Men and Women) project approved and supported by the Luxembourg Ministry for Equal Opportunities focuses on three topics: equal treatment between men and women, gender equality in decision-making processes, and reconciling the work-life balance.

GEOGRAPHICAL ORIGINS

Employees' diverse geographical origins reflect as closely as possible the diversity of the businesses, customers, countries and societies in which the Group operates.

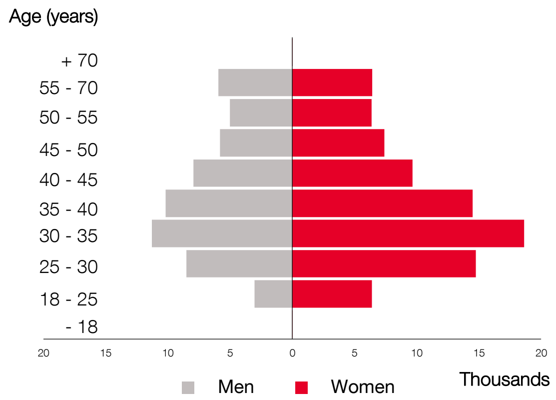
The Group has:

- 123 different nationalities;
- 58% non-French employees.

Within the Management Committee, 10 nationalities are represented and 23% of members are not French.

GENERATION BALANCE

BREAKDOWN OF STAFF BY AGE BRACKET[(1)]



(1) Data at 31st December 2016, for 97% of the Group.

Within the Group:

- 23% of employees are under the age of 30;
- 26% of employees are over the age of 45;
- the average age is 37.7.

Intergenerational cooperation

The Group is working to improve cooperation among the different generations, mainly through:

- the inter-company OCTAVE programme, in which it is a partner;
- the digital transformation, which offers opportunities for junior employees to transmit knowledge to senior employees (e.g. reverse mentoring).

It is also focusing its efforts on the professional integration of young people, while overseeing the continued employment of its older employees and accompanying them towards retirement. In France, as part of the effort to adapt the "generation contract", all Group subsidiaries have established specific agreements and/or dedicated action plans to reflect these objectives, for example:

- Societe Generale SA set an annual target for the recruitment of young people on permanent contracts. In 2016, this target was 500 (a target that was met and exceeded: 921 young people under the age of 26 were recruited during the year). The generation contract and the employment agreement signed in 2016 (see page 283) introduced concrete measures to support senior employees in areas such as training, health and prevention, adjustments to working hours and end-of-career skills transmission (for example, solidarity half-time compensated at 70%, carried out through an association/charity);
- Credit du Nord set a 5% recruitment target for people over the age of 45 over the course of the Senior action plans (November 2013 to November 2016 — by the end of this period, the rate was 7.5%) in order to ensure a balanced age and experience pyramid, including at the time of recruitment.

INTEGRATION OF PERSONS WITH DISABILITIES

Societe Generale is committed to promoting the employment of persons with disabilities. In 2016, Frédéric Oudéa signed the International Labour Organization's Business and Disability Charter and gave this commitment an international dimension. This makes Societe Generale a member of a network that aims to facilitate the sharing of knowledge and best practices on the inclusion of persons with disabilities in the workplace.

At the end of 2016, Societe Generale employed 2,365 disabled staff (as defined locally) around the world (mainly in France, Italy and Germany), accounting for 1.6% of the overall headcount, including 1,684 persons in France. The main achievements of Societe Generale SA in France in 2016 were:

- 520 long-term employment initiatives (a total of nearly 3,000 adjustments have been made to workstations since 2007);
- recruitment of 40 employees with disabilities;
- stronger initiatives to raise awareness among employees, managers and social partners (first Salon Handicap, Emploi & Achats Responsables (an employment and responsible-sourcing fair for the disabled) in Paris, local events in conjunction with the European Disability Employment Week, workshops and training);
- specific mechanisms for skills improvement to promote the integration of the disabled into the workplace (e.g. the HandiFormaBanques work-study programme);
- the development of the protected and adapted sector, with a reinforced approach to professionalising the sector (Diversifying sourcing practices, p. 257);
- the signature of a new three-year (2017-2019) agreement, strengthening the resources of "Mission Handicap" and support for employees.

In Serbia, the "Inclusive Academy" programme, led by employee volunteers from Societe Generale Srbija, helps young disabled people enter the job market. The programme has assisted 60 young people since 2011. Half of them have transformed their experience into long-term employment either at the Bank or externally.

In Romania, the Czech Republic, Germany, Spain, Algeria, Equatorial Guinea and Japan, recruitment, awareness-raising, induction and support programmes have been implemented to promote the employment of the disabled.

Societe Generale also makes sure its services are accessible to disabled customers. For example, in France:

- almost all of Societe Generale's and Credit du Nord's automated teller machines (ATMs) are equipped with voice synthesis and tactile sensors and new facilities comply with accessibility standards for people with disabilities or reduced mobility;
- Societe Generale's mobile application is accessible to the visually impaired;
- a reduced-rate phone number puts visually impaired customers in direct contact with a customer call centre and nearly 700 customers received their bank statements in Braille in 2016;
- at the end of 2016, 70% of Societe Generale branches and 75% of Credit du Nord Group branches were declared accessible to persons with disabilities. The goal is to achieve full coverage by 2021 (excluding historical heritage buildings).

SOCIAL INCLUSION

Over and above the initiatives implemented by the Societe Generale Foundation (see below), Societe Generale SA in France pursues a social inclusion policy for the underprivileged neighbourhoods in which it is located. In 2013, the Bank was one of the first companies to sign the "Entreprises et Quartiers" (Businesses and Neighbourhoods) Charter with France's Ministry for Urban Affairs. This framework built on an older policy that aimed to continue and promote a number of initiatives covering the employment, training and professional integration of young people from underprivileged neighbourhoods of the city. For example:

- the "Coup de Pouce" (Helping Hand) programme, which helped 200 young people with little or no academic qualifications join the retail banking network on apprenticeship contracts since 2008 (with nearly 70% converted to permanent contracts);
- the inclusive "Nouvelle Chance" (Second Chance) programme, introduced in 2015 in Hauts-de-Seine, which improves employability at every stage of the screening process and provides personalised support throughout the job search by promoting the professions within retail banking and ALD Automotive;
- the promotion of equal opportunities at the Group's target schools and through support and financing for specific inclusive programmes (Institut Villebon Georges-Charpak, etc.), which provides access to certificate-granting training and, ultimately, the possibility of a job at the Bank;
- nearly EUR 200,000 to fund subsidised contracts within local associations.

Moreover, in 2016, Societe Generale became a founding member of the Public Interest Group of the Grande École du Numérique (umbrella organisation for training in the digital transition). This certification label for short, qualifying training courses allows the general public (young people having difficulty finding a job, employees with career development plans, etc.) to quickly gain the skills companies will need in the future to address the digital transformation.

COMMITMENT: SPONSORSHIP AND PARTNERSHIPS

Societe Generale is committed to civil society and pursues a corporate commitment policy that is built around three strategic priorities: citizenship, sport and culture, via three separate entities. Whether in the teams, among customers or with third-party beneficiaries, every day these priority areas drive the four core values promoted by the Group: team spirit, innovation, responsibility and commitment.

Citizenship

The Group's solidarity policy is in particular demonstrated by the actions of the Societe Generale Corporate Foundation for Solidarity, established in 2006, and the implementation of civic engagement initiatives for employees, which reflect the Group's four core values. The Societe Generale Group is particularly proactive in the areas of vocational integration and social inclusion through sport and cultural activities.

The employee involvement programmes are social action drivers that complement and follow on from the company's actions in community life and respond to a growing demand from employees. They are also powerful drivers for mobilisation and commitment centred around the Bank's core values and social responsibility, strengthening its image as an employer and consolidating internal cohesion by fostering relations between employees and bringing added value to the teams.

Societe Generale Corporate Foundation for Solidarity

The purpose of the Societe Generale Corporate Foundation for Solidarity is to conduct and to support actions that are in the public interest, aimed at fostering the development of solidarity in society. Since its creation in 2006, it has been working to promote vocational integration, notably by supporting projects to help young people get into work and to fight illiteracy. Since 2015, the Foundation has extended its scope of intervention to include education, electing to support non-profit projects using sport or cultural activities as a means of promoting education and/or social inclusion for people in difficulty.

Since its creation in 2006, 867 non-profit projects in 29 countries have been supported through the Societe Generale Corporate Foundation for Solidarity, to the tune of over EUR 21.2 million.

The tenth anniversary of the Foundation in 2016 was the occasion to celebrate and publicise the solidarity commitment of Societe Generale and its employees through initiatives, events and talks organised throughout the year.

The Foundation is also directly involved in initiatives in both France and the other countries in which the Group is present. In a difficult economic environment, now more than ever, the Foundation supports a hundred or so projects each year by means of an annual endowment of EUR 3 million.

The Societe Generale Corporate Foundation for Solidarity regularly boosts the financial contributions of the Group's solidarity-based structures to the non-profit organisations supported. It thus seeks to both create synergies and identify opportunities to strengthen the links between Societe Generale's solidarity-based structures and the Foundation. Examples include the foundations in Brazil and Morocco, solidarity-driven actions in the United Kingdom, Talents & Partage (an association of employees and retirees of the Group) and Fondation 29 Haussmann (a foundation for Private Banking customers).

In 2016, Societe Generale contributed over EUR 10 million to solidarity sponsorship.

Employee involvement

In parallel with the financial support given by the Foundation, one of the objectives of the Group Citizenship Policy is to promote the civic commitment of Societe Generale employees by offering them the opportunity to put their skills to use for the benefit of the Group's partner associations, during their working hours. These schemes are not only social action drivers, but also drivers of mobilisation and commitment, which respond to a growing demand from employees to get involved in solidarity-based and skills sponsorship initiatives. In 2016, more than 12,600 employees throughout the Group were involved in a solidarity action proposed by the company. As a result, these employees devoted more than 5,000 days to such actions.

CITIZEN COMMITMENT

A highlight of the Societe Generale Group's citizenship programme is the Citizen Commitment Time, organised every year to foster and promote the benefits of employee commitment worldwide. Under this scheme, employees can take part in sports challenges to raise money, dedicate a day to skills sponsorship, mentoring or voluntary work in order to support partner associations of the Foundation working to promote education and social inclusion through sport and/or cultural activities.

In 2016, nearly 12,000 employees from 43 countries in which Societe Generale is present (including from Paris and all the French regions) took part in a wide variety of solidarity-related actions as part of the Citizen Commitment Time initiative. Thanks to their efforts, the company contributed nearly EUR 600,000 to non-profit projects related to social inclusion through sport and cultural activities.

SKILLS SPONSORSHIP

Skills sponsorship is one way of making employees available on an ad hoc basis and free of charge during their working hours to non-profit associations that are partners of the Foundation or supported by Societe Generale.

PRO BONO DAYS

The objective of these Pro Bono initiatives is to offer a day's support to a non-profit association chosen in keeping with the Group's citizenship strategy. Employees thus apply their high value-added expertise to addressing a clearly defined need on the part of the association (communications, marketing, HR, finance, IT, etc.). This skills sponsorship also serves to highlight the expertise of the employees involved. Since 2012, 49 Pro Bono Days have been organised, involving 346 employees and representing more than 2,600 Pro Bono hours for the benefit of 39 communities.

Overseas, skills sponsorship takes the form of Societe Generale employees helping non-profits or schools during their working hours.

MENTORING

Mentoring involves an employee of the company providing support to a person who is socially marginalised or far removed from the labour market, in the context of his or her schooling, orientation or job search, by sharing their experience and advice. In 2016, nearly 300 Societe Generale employees in France acted as mentors within six of the Foundation's partner associations (Proxité, Nos Quartiers ont des Talents, Solidarités Nouvelles face au Chômage, Frateli, Mozaïk RH and Capital Filles).

Aware of its role in civil society and of the importance of strengthening the ties between the company and young people, the Group encourages its employees to get involved in a wide variety of actions to mentor and support young people worldwide. In 2016, over 750 volunteer employees devoted more than 3,800 hours to helping young people prepare for the business world.

FINANCIAL EDUCATION

Convinced that the sensible use of banking products and services hinges on financial education, Societe Generale, drawing on the skills of its employees, rolls out tools to help young people and people in difficulty to manage their budget more effectively.

In France, Societe Generale and the non-profit Crésus have devised and implemented a budget education programme, which is delivered within the framework of skills sponsorship. Since 2013, the financial education project has been seeking to raise awareness amongst young people aged 16-25 and people in difficulty of the issues surrounding good budget management, through joint actions within French Apprentice Training Centres (CFA) and communities (the Second Chance Schools (E2C), Capital Filles, Chantiers d'Insertion, etc.). Since the programme was launched, some 3,500 CFA apprentices and beneficiaries of non-profit services have benefited from the course, thanks to the commitment of over 250 employees.

Societe Generale also gives its employees the opportunity to showcase their professional skills through the development of financial education programmes on an international scale (including in Poland, Morocco, Albania, the Czech Republic, Spain, the United States, Benin, Senegal, etc.).

In Poland, for example, a financial education programme has been developed since 2015. This programme, which is run in partnership with a community and secondary schools, aims to give secondary school pupils a better understanding and instil good habits in terms of budget management.

DISABLED SPORTS

Societe Generale strives, on a daily basis, to promote the inclusion of people with disabilities among its employees, getting involved in local and international events, committees and clubs. The Group has been working with the Paralympic movement since 2003 and shares its values with the French Disabled Sports Federation (*Fédération Française d'Handisport* – FFH) and the French Adaptive Sports Federation (*Fédération Française du Sport Adapté* – FFSA), two French federations dedicated to sport for people with disabilities.

This partnership also resonates abroad, through the commitment of Group subsidiaries, for instance in Algeria, Benin, the Czech Republic, the United Kingdom, Singapore, etc. Societe Generale Algeria (SGA) has been a partner of the Algerian Disabled Sports Federation for the past 11 years and renewed its support in 2016. The same subsidiary also financed the financial awards given to the gold, silver and bronze medal winners at the Rio 2016 Paralympics.

The Group ran an exceptional communication campaign around the 2016 Paralympics on the theme of "Societe Generale, supporting the 2016 Paralympic Team of France as closely as possible". Thanks to the support of Societe Generale, a group of young people from the favelas of Rio, supported by the non-profit association Gol de Letra, attended certain international events in Brazil and met Paralympians with Societe Generale employees in Brazil.

Culture, a commitment that echoes the company's values

Societe Generale's commitment to contemporary art and classical music goes back over several decades. These are long-term commitments and are implemented either centrally or locally by the Group subsidiaries.

MODERN AND CONTEMPORARY ART

IN FRANCE

In France, Societe Generale's contemporary art collection currently comprises more than 1,000 works, exhibited at the Group's premises in La Défense, on boulevard Haussmann in the centre of Paris and in Val de Fontenay. Projects based around the collection involve both employees and the general public, particularly on social networks.

The Societe Generale Collection is taking its mediation activities among young people and the wider general public a step further; in particular, it extended its programme of visits and projects with students in 2016.

Since 2013, patronage of the arts has included working with the students of Paris I-Panthéon Sorbonne, and the current project involves an exhibition at the Sorbonne university itself on the theme of commitment.

The arts patronage commitment of the Group towards cultural organisations is maintained, through the lending of works in France and abroad (Museum of the City of Lisbon) and support for art projects for a wider audience, such as those of the Van Gogh Foundation in Arles, LAAC in Dunkirk and the city of Le Havre for its 500th anniversary.

ABROAD

Overseas, Societe Generale also supports contemporary creation directly, particularly in North Africa through its historical collection of more than 1,000 works in Morocco, as well as more recent collections in Tunisia and Algeria, but also in Romania and Bulgaria. In addition, it sponsors the Artagon project, an annual art event and competition open to art school students.

The Group is also the main partner of the Victoria & Albert Museum for its landmark exhibitions in 2016 and 2017 (Botticelli Reimagined and Opera), as well as of the Pushkin Museum in Moscow and the National Gallery in Prague. It has also supported the French May in Hong Kong for many years.

CLASSICAL MUSIC

The Societe Generale Group has become one of the key actors in classical music, particularly through the patronage of its Mecenat Musical Societe Generale association, created in 1987.

MECENAT MUSICAL SOCIETE GENERALE ASSOCIATION

The number of musical ensembles supported by the Mecenat Musical Societe Generale reached 23 in 2016. The association continues to lend its support to prestigious concert halls, such as the Philharmonie de Paris, and is pursuing its collaboration with the Paris Autumn Festival, the concert seasons of the Théâtre des Bouffes du Nord and the Collège des Bernardins in Paris, and of the Museum of Grenoble.

Particularly focused on meeting the needs of talented young musicians starting out in their careers, the association awards grants to students of the national conservatories of Paris and Lyon each year – there were 42 such grants for 2016-2017. Mecenat Musical Societe Generale also strives to facilitate access to classical music for young people by supporting musical practice and mediation activities. To this end, the association is the founding patron of the *Démos* Project (a musical and orchestral education initiative with a social aspect), which ran throughout France in 2016 with 26 orchestras, and of Concerts de Poche, a non-profit association which organised 5,000 musical workshops and concerts. In addition to its policy of giving financial support to organisations in the world of classical music, Mecenat Musical also continued to organise concerts (on 43 occasions), thereby enabling young musicians and ensembles to perform on a regular basis.

Mecenat Musical Societe Generale will celebrate its 30th anniversary in 2017.

PRESTIGIOUS PARTNERS IN FRANCE AND ABROAD

In France, the Group is the partner of several major institutions, such as the Opéra Royal du Château de Versailles, the Grand Théâtre de Bordeaux, the Dominicains de Haute Alsace, the Volcan au Havre and the Opéra Grand Avignon, and also supports renowned festivals, such as the Flâneries Musicales de Reims and the Festival Pablo Casals de Prades. In addition, the Group is also partner to several top-level orchestras, such as the Orchestre National de Lille, the Orchestre des Pays de Savoie and the Orchestre de la Suisse Romande.

Societe Generale continues to support prestigious venues, such as Glyndebourne and the Royal Albert Hall (Great Britain), the Philharmonie de Luxembourg and the Prague National Theatre (Czech Republic).

PLAYING FOR PHILHARMONIE DE PARIS, A UNIQUE INITIATIVE IN THE BUSINESS WORLD

Following on from the success of the “Playing for Salle Pleyel” events in 2013 and 2014 and the “Playing for Philharmonie de Paris” event in 2016 (a choir and symphony orchestra made up of Societe Generale employees performing with the Les Siècles orchestra), Societe Generale has decided to export this initiative, which is unique in the business world, to London.

Hence, the nearly 300 employees who performed at the Philharmonie de Paris in November 2016, including around 50 from Cameroon and Morocco, joined by 30 or so London-based employees, will come together under the baton of François-Xavier Roth for the “Playing for London” concert at the Royal Festival Hall, Southbank Centre, on Saturday 22nd April 2017.

SPORT, EVER CLOSER

Societe Generale pursues a policy of forging sports partnerships to support the development of its activities around the world. Whether sponsoring champions during international competitions or reaching out to younger athletes, Societe Generale is the preferred partner of national leagues and federations and local clubs alike, focusing its support chiefly on rugby and golf.

RUGBY: SOCIETE GENERALE RENEWED ITS COMMITMENT TO THE FRENCH RUGBY FEDERATION IN 2016 FOR SIX YEARS

Societe Generale has been a devoted partner of local and national rugby in France, from the amateur level right up to the top, since 1987. Involved in more than 450 clubs, Societe Generale is a major partner of professional rugby and of France’s national team. The renewal of its partnership with the French Rugby Federation in 2016 for six years confirms Societe Generale’s commitment to rugby, at every level and on a long-term basis.

Through its subsidiaries and establishments, the Group also supports rugby in many countries around the world, including Luxembourg, China, Senegal and Serbia. 2016 marked the beginning of Societe Generale’s involvement in India, with both the women’s and men’s national teams but also at the local level through its commitment to World Rugby’s “Get into Rugby” programme, which aims to make rugby more widely available in schools. At the international level, Societe Generale is a key partner of the Rugby World Cup, which it has supported every four years since 2007.

Rugby sevens, which has been supported by Societe Generale since 2001 and has been an Olympic sport since 2016, is another way in which the Group brings rugby to new populations of school children and students. Since 2014, Societe Generale has organised the SG Sevens, the French university rugby sevens championship final.

GOLF: AN INSTRUMENT FOR BUILDING RELATIONSHIPS

Societe Generale has been a partner of the French Golf Federation since 2001. In keeping with its conviction that sports activities must be accessible to as many people as possible, Societe Generale also supports Handigolf, a non-profit association promoting golf for people with disabilities.

In line with the growing international interest, the Group has since 2008 been a partner of the only major ladies’ tournament held in continental Europe – the Evian Championship.

6. APPENDICES

NOTE ON METHODOLOGY

The purpose of this note is to explain the reporting methodology used by Societe Generale for matters relating to corporate social responsibility (CSR). This methodology is set out in detail in the group's reporting protocol, available on request.

Reporting protocol

The information included in the Registration Document, on the CSR website, in other communication media of Societe Generale, as well as in the Group's activity and sustainable development report, whether pertaining to the 2016 financial year or to previous years, was prepared on the basis of contributions from the Group's internal network of CSR officers and in accordance with the Group's CSR reporting protocol and CSR initiatives programme. It is also prepared on the basis of data from the "Planethic Reporting" tool, used for the standardised collection of the indicators used to keep track of the various initiatives. All reporting is coordinated by the Group CSR and Sustainable Development Department, which reports to the Group Corporate Secretary (see p. 244, Organisation & governance).

Regular efforts are made to bring contributors and managers on board and familiarise them with the reporting protocol and the tool in the interest of increasing data reliability.

This reporting protocol is updated on a regular basis.

Reporting periods

SOCIAL, SPONSORSHIP AND BUSINESS DATA

Quantitative indicators are calculated for the period running from 1st January 2016 to 31st December 2016 (12 months), with data taken as at 31st December 2016.

ENVIRONMENTAL DATA

Quantitative indicators are calculated for the period running from 1st October 2015 to 30th September 2016 (12 months), with data taken as at 30th September 2016.

CSR consolidation scope

Entities included in the reporting scope meet at least one of the following criteria:

- entities in which the parent company, Societe Generale SA (SGSA), directly or indirectly holds a controlling interest of over 50%. The branches are by definition wholly owned, since there are no shareholders;
- entities that are fully consolidated in the Societe Generale Group and have more than 50 employees.

The CSR consolidation includes 150 companies within the Group's financial consolidation scope as at 31st December 2016.

Data collection

The following data collection methods are used for the scope defined above:

- for social, environmental, business and corporate sponsorship data, most of the quantitative indicators are collected by each Group entity via the "Planethic Reporting" tool by collectors who enter the data at the level of their subsidiary, which is validated by validators who review the input data at the level of their entity before approving it, administrators who check and validate the data at the level of the core businesses, and central administrators (Group CSR and Sustainable Development Department) at the Group level, who carry out the final checks prior to consolidation;
- other data is collected directly from the core businesses' CSR officers or from the relevant departments (Purchasing Department, Risk Division, Human Resources Department) by the Group CSR and Sustainable Development Department.

Indicators

During a formal communication campaign, all contributors were informed of the data collection schedule, a Group Instruction and a protocol for each category of indicators. The protocol serves as a reminder of indicator definitions and application criteria.

The 2016 indicators were chosen particularly in respect of information requirements under the "Grenelle II" Law (in accordance with Article L. 225-102-1 of the French Commercial Code) as well as in light of the Group CSR strategy and the determination to align a core ambition as closely as possible with the GRI-G4.

The indicators are generally reported for a global scope. Some indicators, however, cannot be consistently applied to a global scope. In such cases, the indicators were analysed for the scope of France or Societe Generale SA in France (excluding subsidiaries).

Scope and rules for the calculation of social indicators

The workforce taken into account in all the social indicators (unless explicitly stated otherwise) corresponds to the total number of employees on a permanent contract or a fixed-term contract, including work-study contracts, regardless of whether they are present or absent.

The frequency rate of accidents in the workplace is the ratio of the number of accidents in the workplace (as defined by local regulations) to the total number of hours worked (workforce present on a permanent or fixed-term contract multiplied by the number of annual working hours in the entity) multiplied by 1,000,000.

The rate of absenteeism is the ratio of the number of reported days of absence paid to the total number of days paid, as a percentage. It is counted in calendar days and is calculated on the basis of the total number of employees (workforce present multiplied by 365).

The scope of the charts "Breakdown of staff by age bracket" (page 288) and "Breakdown of staff by length of service" (page 277) is the CSR consolidation scope as defined above, excluding the headcount of entities in Germany (GEFA, PEMA GmbH, On Vista, SGSS GmbH), Morocco (Sogelease) and Tunisia (UIB), for which this information is not consolidated.

Scope and main management rules for environmental indicators

The scope corresponds to the CSR consolidation scope as defined above. Coverage of the total data collection scope corresponds to the ratio of the headcount of all entities that participated in the data collection campaign to the total headcount of Societe Generale. With data having been collected on 145,672 employees, Societe Generale estimates that the total data collection scope – i.e. accounting for at least the data on occupants and surface area – covers approximately 97% of the workforce.

Restatement of historical data

To ensure the transparency of communication and the comparability of data, the emissions for the reference years and for 2014-2016 are presented in the emissions table.

Similarly, the new indicators that have been incorporated into the calculation of CO_2 emissions have also been incorporated into the historical data.

These restatements do not correct variations related to the growth or reduction of the activity within the entities themselves.

Environmental data: general rules

Environmental data is calculated on the basis of invoices, direct readings, information received from suppliers and estimates. The following checks and ratios are used to manage the reported data:

- checks on variation compared to the previous year were performed for all environmental indicators. Contributors received alerts asking them to check the data recorded if the variation was greater than 30%;
- data collected on energy, office paper and transport is expressed in relation to the number of occupants declared by the entity;
- energy consumption (electricity, steam, chilled water, oil, gas) is also expressed in relation to the surface area (per m^2);
- in the interest of continually improving the reliability of data, qualitative questions (answers expected via written comments) are used to identify different scopes of data and best practices, and to understand year-to-year variations.

Wherever possible, the number of occupants covered corresponds to the average number of Societe Generale employees or subcontractors working on-site during the reporting period or, failing that, the number of occupants as at 30th September 2016.

Coverage of the data collection scope for each indicator is the ratio of the headcount of all entities having completed the indicator to the total headcount of Societe Generale.

New indicators were incorporated or modified in 2016:

- new indicators for waste were added in order to meet the requirements of French Decree no. 2016-288 of 10th March 2016 which sets out various provisions adapting and simplifying regulations on waste prevention and management. Indicators for glass, metal, plastic and wood were also added;
- with the exception of the Societe Generale France network, most subsidiaries consolidate their data in the Group's reporting tool. Transport and paper consumption data for France is reported centrally by the Sustainable Development Department on the basis of data received from the Purchasing Department.

Calculation of CO_2 emissions

Calculation of the Group's CO_2 emissions is broken down into three categories:

- Scope 1 covers direct emissions related to energy consumption and fugitive emissions of fluorinated gases by the central departments;
- Scope 2 covers indirect emissions related to energy consumption (external electricity, steam and chilled water);
- Scope 3 covers GHG emissions from office paper consumption and business travel, since 2012. The scope has been widened to include the overall paper consumption, transport of goods and energy consumption of data centres hosted in France.

CO_2 emissions are calculated according to the GHG Protocol method.

INDEPENDENT VERIFIER'S REPORT ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

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

Societe Generale – Financial year ended 31st December 2016

To the Shareholders,

In our quality as an independent verifier accredited by the COFRAC(1) under number 3-1050, and as a member of the network of one of the statutory auditors of Societe Generale, we present our report on the consolidated social, environmental and societal information established for the financial year ended on 31st December 2016, presented in chapter 5 of the management report, hereafter referred to as the "CSR Information" pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

RESPONSIBILITY OF THE COMPANY

It is the responsibility of the Board of Directors to draw up a management report including the CSR Information referred to in Article R. 225-105-1 of the French Commercial Code, in accordance with the protocols used by the company (hereafter referred to as the "Criteria"), a summary of which is included in this Reference Document and available on request from the company's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulations, the Code of Ethics of our profession as well as the provisions in Article L. 822-11 of the French Commercial Code. In addition, we have implemented a quality control system, which includes documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

RESPONSIBILITY OF THE INDEPENDENT VERIFIER

It is our role, based on our work:

- to attest to whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of Presence of CSR Information);
- to express a limited assurance conclusion that the CSR Information, overall, is fairly presented in all material aspects in accordance with the Criteria (Limited Assurance on CSR Information).

Our verification work was undertaken by a team of six people between September 2016 and February 2017 for an estimated duration of fifteen weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13th May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the Limited Assurance on CSR Information, in accordance with the international standard ISAE 3000(2).

1. Attestation of presence of CSR information

NATURE AND SCOPE OF THE WORK

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the CSR Information presented in the management report with the list as provided for in Article R. 225-105-1 of the French Commercial Code.

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions of Article R. 225-105, paragraph 3, of the French Commercial Code.

We verified that the CSR Information covers the consolidated perimeter, namely the entity and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the entities that it controls within the meaning of Article L. 233-3 of the same code with the limitations specified in the Note on methodology in Chapter 5 of this Registration Document.

CONCLUSION

Based on this work, and given the limitations mentioned above, we confirm the presence in the management report of the required CSR Information.

2. LIMITED ASSURANCE ON CSR INFORMATION

NATURE AND SCOPE OF THE WORK

We conducted about 30 interviews with the people responsible for the preparation of the CSR Information in the departments in charge of the data collection process and, where applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality and understandability, taking into consideration, if relevant, industry standards;
- verify the implementation of the process for the collection, compilation, processing and control in respect of the completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

(1) The scope of the accreditation is available at *www.cofrac.fr*.

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information in relation to the characteristics of the Company, its social and environmental issues, and its strategy in relation to sustainable development and industry best practices.

For the CSR Information that we considered the most important[(1)]:

- at the level of the consolidated entity and the business lines we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a random basis, the calculations and the consolidation of the data, and also verified its coherence and consistency with the other information presented in the management report;
- at the level of the representative sample of entities that we selected[(2)], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify the correct application of the procedures and carried out detailed tests on the basis of samples, consisting of verifying the calculations made and linking them with supporting documentation. The sample of entities thus selected represents 25% of the total workforce for the social data, 26% of energy consumption for the environmental data and 16% of the consolidated net banking income for the business lines data.

For the other consolidated CSR Information, we assessed its consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations in light of, where appropriate, the partial or total absence of certain information.

We consider that the sampling methods and sizes of the samples that we considered by exercising our professional judgement allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be totally eliminated.

CONCLUSION

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken as a whole, has not been fairly presented, in compliance with the Criteria.

OBSERVATION

Without qualifying our conclusion above, we draw your attention to the following points:

Sectoral policies and environmental and social assessment of clients, which are voluntary commitments from Societe Generale, are not sufficiently implemented within certain Group business lines and geographical locations.

Paris La Défense, 7th March 2017

Independent Verifier

ERNST & YOUNG et Associés

Caroline Delerable

Partner, Sustainable Development France

Hassan Baaj

Partner

(1) Societal and business information:

Indicators (quantitative information): the number and amount of dedicated transactions signed by the Group in 2016 and reviewed under E&S assessment (under the Equator Principles scope as well as the voluntary extended scope of Societe Generale), amounts of new positive impact financing, green financing to corporate clients, financial authorisations granted to microfinance institutions.

Qualitative information: territorial, economic and social impacts (support for SMEs, the range of solidarity products and services in France and internationally, financial inclusion in France, the Positive Impact Finance initiative), measures undertaken in favour of consumers' health and safety (digital security and data protection), the implementation of the group's environmental and social commitments when conducting its business (integration of ESG issues in risk management topics, sector policies, Equator Principles, E&S evaluations of transactions and clients), taking into account social and environmental issues in the sourcing policy.

Environmental information:

Indicators (quantitative information): emissions of CO_2 per occupant.

Qualitative information: the general environmental policy, management tools for climate strategy including the methodology for monitoring outstandings in the coal sector in order to implement the bank's commitment to align with scenario 2DS of IEA by 2020.

Social information:

Indicators (quantitative information): total headcount, new hires, departures including dismissals, training policies, total number of hours of training and average number per employee.

Qualitative information: General Policy implemented in management and skills (#MonJob2020) and implementation of the agreement of fundamental rights and union rights signed with UNI Global Union.

(2) The entities selected are:
- For societal / business, environmental and social data: Credit du Nord Group (France), Rosbank (Russia), Komerčni Banka (Czech Republic),
- For societal / business and social data: Rusfinance (Russia),
- For societal / business data: Société Générale Hong Kong (China).

7. CROSS-REFERENCE TABLE

CSR CONCORDANCE TABLE (ARTICLE 225 – GRENELLE II)

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The information on the risk typology, the risk management linked to financial instruments as well as the information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union, is disclosed in Chapter 4 of the present Registration Document (Risks and capital adequacy).

The main characteristics of Societe Generale stock-option plans and free share plans are disclosed in Chapter 3 of the present Registration Document (Corporate governance).

This information belongs to the note to the consolidated financial statements and has been audited by statutory auditors; it is identified as such in Chapters 3 and 4 of the present Registration Document.

1. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET - ASSETS

(In EUR m)		31.12.2016	31.12.2015
Cash, due from central banks		96,186	78,565
Financial assets at fair value through profit or loss*	Notes 3.1, 3.2 and 3.4	514,715	519,600
Hedging derivatives	Note 3.2	18,100	16,538
Available-for-sale financial assets	Notes 3.3 and 3.4	139,404	134,187
Due from banks	Notes 3.5 and 3.9	59,502	71,682
Customer loans	Notes 3.5 and 3.9	426,501	405,252
Revaluation differences on portfolios hedged against interest rate risk		1,078	2,723
Held-to-maturity financial assets	Note 3.9	3,912	4,044
Tax assets	Note 6	6,421	7,367
Other assets*	Note 4.4	84,756	69,131
Non-current assets held for sale	Note 2.5	4,252	171
Investments accounted for using the equity method		1,096	1,352
Tangible and intangible fixed assets	Note 8.4	21,783	19,421
Goodwill	Note 2.2	4,535	4,358
Total		**1,382,241**	**1,334,391**

* Amounts restated relative to the financial statements published at 31st December 2015, following a modification in the presentation of physical commodities (see Note 4.2).

CONSOLIDATED BALANCE SHEET - LIABILITIES

(In EUR m)		31.12.2016	31.12.2015
Due to central banks		5,238	6,951
Financial liabilities at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	455,620	454,981
Hedging derivatives	Note 3.2	9,594	9,533
Due to banks	Notes 3.6 and 3.9	82,584	95,452
Customer deposits	Notes 3.6 and 3.9	421,002	379,631
Debt securities issued	Notes 3.6 and 3.9	102,202	106,412
Revaluation differences on portfolios hedged against interest rate risk		8,460	8,055
Tax liabilities	Note 6	1,444	1,571
Other liabilities	Note 4.4	94,212	83,083
Non-current liabilities held for sale	Note 2.5	3,612	526
Underwriting reserves of insurance companies	Note 4.3	112,777	107,257
Provisions	Note 8.3	5,687	5,218
Subordinated debt		14,103	13,046
Total liabilities		1,316,535	1,271,716
SHAREHOLDERS' EQUITY			
Shareholders' equity, Group share			
Issued common stocks, equity instruments and capital reserves		30,596	29,537
Retained earnings		25,813	23,905
Net income		3,874	4,001
Sub-total		60,283	57,443
Unrealised or deferred capital gains and losses		1,670	1,594
Sub-total equity, Group share		61,953	59,037
Non-controlling interests	Note 2.3	3,753	3,638
Total equity		65,706	62,675
Total		1,382,241	1,334,391

CONSOLIDATED INCOME STATEMENT

(In EUR m)		2016	2015
Interest and similar income	Note 3.7	24,660	25,431
Interest and similar expense	Note 3.7	(15,193)	(16,125)
Fee income	Note 4.1	10,116	10,144
Fee expense	Note 4.1	(3,417)	(3,466)
Net gains and losses on financial transactions		7,143	7,906
*o.w. net gains and losses on financial instruments at fair value through profit or loss**	*Note 3.1*	*5,759*	*6,957*
o.w. net gains and losses on available-for-sale financial assets	*Note 3.3*	*1,384*	*949*
Income from other activities*	Note 4.2	20,780	19,749
Expenses from other activities*	Note 4.2	(18,791)	(18,000)
Net banking income		**25,298**	**25,639**
Personnel expenses	Note 5	(9,455)	(9,476)
Other operating expenses	Note 8.2	(6,423)	(6,477)
Amortisation, depreciation and impairment of tangible and intangible fixed assets		(939)	(940)
Gross operating income		**8,481**	**8,746**
Cost of risk	Note 3.8	(2,091)	(3,065)
Operating income		**6,390**	**5,681**
Net income from investments accounted for using the equity method	Note 2.3	129	231
Net income/expense from other assets		(212)	197
Impairment losses on goodwill	Note 2.2	-	-
Earnings before tax		**6,307**	**6,109**
Income tax	Note 6	(1,969)	(1,714)
Consolidated net income		**4,338**	**4,395**
Non-controlling interests	Note 2.3	464	394
Net income, Group share		**3,874**	**4,001**
Earnings per ordinary share	Note 7.2	**4.26**	**4.49**
Diluted earnings per ordinary share	Note 7.2	**4.26**	**4.49**

* Amounts restated relative to the financial statements published at 31st December 2015, following a modification in the presentation of physical commodities (see Note 4.2).

STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

(In EUR m)	2016	2015
Net income	4,338	4,395
Unrealised or deferred gains and losses that will be reclassified subsequently into income	50	1,059
Translation differences(1)	389	797
Available-for-sale financial assets	(321)	425
Revaluation differences	*661*	*703*
Reclassified into income	*(982)*	*(278)*
Hedging derivatives	(6)	(174)
Revaluation differences	*1*	*(171)*
Reclassified into income	*(7)*	*(3)*
Unrealised gains and losses of entities accounted for using the equity method and that will be reclassified subsequently into income	-	(117)
Tax on items that will be reclassified subsequently into income	(12)	128
Unrealised or deferred gains and losses that will not be reclassified subsequently into income	(64)	80
Actuarial gains and losses on post-employment defined benefits plans	(54)	125
Tax on items that will not be reclassified subsequently into income	(10)	(45)
Total unrealised or deferred gains and losses	(14)	1,139
Net income and unrealised or deferred gains and losses	4,324	5,534
o.w. Group share	*3,891*	*5 148*
o.w. non-controlling interests	*433*	*386*

(1) The variation in translation differences amounted to EUR 389 million and consisted of a:
- EUR +385 million variation in Group translation differences, mainly due to the depreciation of the Euro against the US dollar (EUR +412 million) and the Russian rouble (EUR +129 million), partially offset by the appreciation of the Euro against the pound sterling (EUR -329 million);
- EUR +4 million variation in translation differences attributable to non-controlling interests.

CHANGES IN SHAREHOLDERS' EQUITY

	Capital and associated reserves					Retained earnings	Net income, Group Share
(In EUR m)	Issued common stocks	Issuing premium and capital reserves	Elimination of treasury stock	Other equity instruments	Total		
Shareholders' equity at 1st January 2015	1,007	20,141	(731)	9,069	29,486	25,216	-
Increase in common stock	1	4	-	-	5	(1)	-
Elimination of treasury stock	-	-	282	-	282	151	-
Issuance / Redemption of equity instruments	-	-	-	(297)	(297)	229	-
Equity component of share-based payment plans	-	61	-	-	61	-	-
2015 Dividends paid	-	-	-	-	-	(1,658)	-
Effect of acquisitions and disposals on non-controlling interests	-	-	-	-	-	(95)	-
Sub-total of changes linked to relations with shareholders	*1*	*65*	*282*	*(297)*	*51*	*(1,374)*	*-*
Unrealised or deferred gains and losses	-	-	-	-	-	80	-
Other changes	-	-	-	-	-	(17)	-
2015 Net income for the period	-	-	-	-	-	-	4,001
Sub-total	*-*	*-*	*-*	*-*	*-*	*63*	*4,001*
Change in equity of associates and joint ventures accounted for by the equity method	-	-	-	-	-	-	-
Shareholders' equity at 31st December 2015	1,008	20,206	(449)	8,772	29,537	23,905	4,001
Appropriation of net income	-					4,001	(4,001)
Shareholders' equity at 1st January 2016	1,008	20,206	(449)	8,772	29,537	27,906	-
Increase in common stock (see Note 7.1)	2	6			8	(2)	
Elimination of treasury stock (see Note 7.1)			78		78	(20)	
Issuance / Redemption of equity instruments (see Note 7.1)				908	908	251	
Equity component of share-based payment plans (see Note 5.3)		65			65		
2016 Dividends paid (see Note 7.2)					-	(2,289)	
Effect of acquisitions and disposals on non-controlling interests					-	23	
Sub-total of changes linked to relations with shareholders	*2*	*71*	*78*	*908*	*1,059*	*(2,037)*	
Unrealised or deferred gains and losses					-	(59)	
Other changes					-	3	
2016 Net income for the period					-		3,874
Sub-total	*-*	*-*	*-*	*-*	*-*	*(56)*	*3,874*
Change in equity of associates and joint ventures accounted for using the equity method					-		
Shareholders' equity at 31st December 2016	1,010	20,277	(371)	9,680	30,596	25,813	3,874

Unrealised or deferred gains and losses (net of tax) that will be reclassified subsequently into income					Non-controlling interests				
Translation reserves	Change in fair value of available-for-sale assets	Change in fair value of hedging derivatives	Total	Shareholders' equity, Group share	Capital and Reserves	Other Equity instruments issued by subsidiaries	Unrealised or deferred gains and losses	Total	Total consolidated shareholders' equity
(757)	1,027	257	527	55,229	2,778	800	67	3,645	58,874
-	-	-	-	4	-	-	-	-	4
-	-	-	-	433	-	-	-	-	433
-	-	-	-	(68)	-	-	-	-	(68)
-	-	-	-	61	-	-	-	-	61
-	-	-	-	(1,658)	(233)	-	-	(233)	(1,891)
-	-	-	-	(95)	(168)	-	-	(168)	(263)
-	*-*	*-*	*-*	*(1,323)*	*(401)*	*-*	*-*	*(401)*	*(1,724)*
769	556	(170)	1,155	1,235	-	-	(8)	(8)	1,227
-	-	-	-	(17)	8	-	-	8	(9)
-	-	-	-	4,001	394	-	-	394	4,395
769	*556*	*(170)*	*1,155*	*5,219*	*402*	*-*	*(8)*	*394*	*5,613*
-	(88)	-	(88)	(88)	-	-	-	-	(88)
12	1,495	87	1,594	59,037	2,779	800	59	3,638	62,675
				-				-	-
12	1,495	87	1,594	59,037	2,779	800	59	3,638	62,675
			-	6				-	6
			-	58				-	58
			-	1,159				-	1, 159
			-	65				-	65
			-	(2,289)	(291)			(291)	(2,580)
			-	23	(31)			(31)	(8)
-	*-*	*-*	*-*	*(978)*	*(322)*	*-*	*-*	*(322)*	*(1,300)*
385	(297)	(12)	76	17	(5)		(26)	(31)	(14)
			-	3	4			4	7
			-	3, 874	464			464	4,338
385	*(297)*	*(12)*	*76*	*3,894*	*463*	*-*	*(26)*	*437*	*4,331*
	1	(1)	-					-	-
397	1,199	74	1,670	61,953	2,920	800	33	3,753	65,706

CASH FLOW STATEMENT

(In EUR m)	2016	2015
Net income (I)	4,338	4,395
Amortisation expense on tangible fixed assets and intangible assets (include operational leasing)	3,876	3,597
Depreciation and net allocation to provisions	4,238	4,507
Net income/loss from investments accounted for using the equity method	(129)	(231)
Change in deferred taxes	655	651
Net income from the sale of long-term available-for-sale assets and subsidiaries	(716)	(337)
Other changes	3,201	4,455
Non-cash items included in net income and others adjustments not including income on financial instruments at fair value through profit or loss (II)	11,125	12,642
Income on financial instruments at fair value through profit or loss	(5,760)	(6,957)
Interbank transactions	(1,020)	14,659
Customers transactions	20,672	(5,724)
Transactions related to other financial assets and liabilities	(4,247)	(2,126)
Transactions related to other non financial assets and liabilities	(2,378)	4,226
Net increase/decrease in cash related to operating assets and liabilities (III)	7,267	4,078
NET CASH INFLOW (OUTFLOW) RELATED TO OPERATING ACTIVITIES (A) = (I) + (II) + (III)	22,730	21,115
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long-term investments	1,294	1,997
Net cash inflow (outflow) related to tangible and intangible fixed assets	(5,531)	(4,502)
NET CASH INFLOW (OUTFLOW) RELATED TO INVESTMENT ACTIVITIES (B)	(4,237)	(2,505)
Cash flow from/to shareholders	(1,357)	(1,522)
Other net cash flows arising from financing activities	1,306	4,404
NET CASH INFLOW (OUTFLOW) RELATED TO FINANCING ACTIVITIES (C)	(51)	2,882
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	18,442	21,492
Cash, due from central banks (assets)	78,565	57,065
Due to central banks (liabilities)	(6,951)	(4,607)
Current accounts with banks (see Note 3.5)	26,113	23,625
Demand deposits and current accounts with banks (see Note 3.6)	(14,920)	(14,767)
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	82,808	61,316
Cash, due from central banks (assets)	96,186	78,565
Due to central banks (liabilities)	(5,238)	(6,951)
Current accounts with banks (see Note 3.5)	24,639	26,113
Demand deposits and current accounts with banks (see Note 3.6)	(14,337)	(14,920)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	101,250	82,808
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS	18,442	21,492

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 8th February 2017.

NOTE 1 - SIGNIFICANT ACCOUNTING PRINCIPLES

1. INTRODUCTION

ACCOUNTING STANDARDS

In accordance with European Regulation 1606/2002 of 19th July 2002 on the application of International Accounting Standards, the Societe Generale Group ("the Group") prepared its consolidated financial statements for the year ended 31st December 2016 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date.

These standards are available on the European Commission website at:

http://ec.europa.eu/finance/company-reporting/standards-interpretations/index_en.htm

The Group also continued to make use of the provisions of IAS 39, as adopted by the European Union, for applying macro-fair value hedge accounting (IAS 39 "carve-out").

FINANCIAL STATEMENTS PRESENTATION

As the IFRS accounting framework does not specify a standard model, the format used for the financial statements is consistent with the format proposed by the French Accounting Standard Setter, the ANC, under Recommendation 2013-04 of 7th November 2013.

Disclosure provided in the notes to the consolidated financial statements are focused on information that is both relevant and material to the financial statements of the Societe Generale Group, its activities and the circumstances in which it conducted its operations over the period.

PRESENTATION CURRENCY

The presentation currency of the consolidated financial statements is the euro.

The balance sheet items of consolidated companies reporting in foreign currencies are translated into euros at the official exchange rates prevailing at the closing date. Income statement items of these companies are translated into euros at the average month-end exchange rates.

The figures presented in the financial statements and in the notes are expressed in millions of euros, unless otherwise specified. The effect of rounding can generate discrepancies between the figures presented in the financial statements and those presented in the notes.

2. NEW ACCOUNTING STANDARDS APPLIED BY THE GROUP AS OF 1ST JANUARY 2016

Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"

Annual improvements to IFRSs (2010-2012)

Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"

Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortisation"

Annual improvements to IFRSs (2012-2014)

Amendments to IAS 1 "Disclosure Initiative"

The future application of these amendments and improvements is not expected to have significant impacts on the Group's net income and equity.

AMENDMENTS TO IAS 19 "DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS"

These amendments apply to contributions from employees to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent from the number of years of employee service.

ANNUAL IMPROVEMENTS TO IFRSs (2010-2012) AND (2012-2014)

As part of the annual Improvements to International Financial Reporting Standards, the IASB has published amendments to some accounting standards.

AMENDMENTS TO IFRS 11 "ACCOUNTING FOR ACQUISITIONS OF INTERESTS IN JOINT OPERATIONS"

The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business as defined in IFRS 3 "Business combinations". It requires that all principles of IFRS 3 be applied to the acquisition of an interest.

AMENDMENTS TO IAS 16 AND IAS 38 "CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION"

IASB clarifies that using a revenue-based method to calculate the depreciation and amortisation of an asset is not appropriate with few exceptions.

AMENDMENTS TO IAS 1 "DISCLOSURE INITIATIVE"

These amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. IASB clarifies that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial statements.

3. ACCOUNTING STANDARDS, AMENDMENTS OR INTERPRETATIONS TO BE APPLIED BY THE GROUP IN THE FUTURE

Not all of the accounting standards, amendments or interpretations published by the IASB had been adopted by the European Union at 31st December 2016. They are required to be applied from annual periods beginning on 1st January 2017 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Group as of 31st December 2016.

These standards are expected to be applied according to the following schedule:

2017

- Amendments to IAS 12 "Recognition of deferred Tax Assets between an Investor and its Associate or Joint Venture"
- Amendments to IAS 7 "Disclosure Initiative"
- Annual improvements to IFRS 12 (2014-2016)

2018

- IFRS 9 "Financial Instruments" [Adopted by EU]
- IFRS 15 "Revenue from Contracts with Customers" [Adopted by EU]
- Clarifications to IFRS 15 "Revenue from Contracts with Customers"
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"
- Amendments to IAS 40 "Transfers of Investment Property"
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"
- Annual improvements to IAS 28 (2014-2016)

2019

- IFRS 16 "Leases"

ACCOUNTING STANDARDS, AMENDMENTS OR INTERPRETATIONS ADOPTED BY THE EUROPEAN UNION

IFRS 9 "Financial Instruments"

Adopted on 22nd November 2016 and becoming effective for annual periods beginning on or after 1st January 2018

This standard aims to replace IAS 39. IFRS 9 determines new requirements for classifying and measuring financial assets and financial liabilities, the new credit risk impairment methodology for financial assets, and hedge accounting treatment, except accounting for macro hedging for which the IASB currently has a separate project.

The following treatments will be applicable to accounting periods beginning on or after 1st January 2018, replacing the accounting principles currently applied for financial instruments and that are described in Note 3.

Classification and measurement

A single approach for financial assets, based on the characteristics of the contractual cash flows and the business model within which they are held.

Credit risk

A more timely depreciation model, based on expected credit losses.

Hedge accounting (general model)

An improved model more closely aligned with risk management; but also a policy choice, selected by the Group, to continue to apply the hedge accounting requirements of IAS 39.

Macro-hedging

Excluded from the scope of IFRS 9 (specific research project).

Classification and measurement

Financial assets are required to be classified into three categories according to measurement methods to be applied (amortised cost, fair value through profit or loss and fair value through other comprehensive income). Classification will depend on the contractual cash flow characteristics of the instruments and the entity's business model for managing its financial instruments.

By default, financial assets will be classified as subsequently measured at fair value through profit or loss.

Debt instruments (loans, receivables and bonds) will be measured at amortised cost only if the objective of the entity (business model) is to collect the contractual cash flows and if these cash flows consist solely of payments of principal and interest. Debt instruments will be measured at fair value through other comprehensive income (with cumulative gain or loss reclassified in profit or loss when the instruments are derecognised) if the objective of the entity (business model) is to collect the contractual cash-flows or to sell the instruments and if these contractual cash-flows consist solely of payments of principal and interest.

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are compatible with a so-called basic loan. In a basic loan arrangement, the interest is mainly consideration for the time value of the money and for the credit risk. Any contract clause that might generate exposure to risk or to volatility of cash flows unrelated to such a basic loan arrangement (for example, exposure to changes in equity prices or in a stock index, or introduction of a leverage effect) do not give rise to contractual cash flow that are solely payments of principal and interest on the principal amount outstanding, unless there is only minimal effect on the flows.

Analysis of contractual cash flows may also require comparison with the cash flows of a benchmark instrument if the time value component of the money included in the interest is subject to modification due to the instrument's contractual clauses. This is the case, for example, if the interest rate of the financial instrument is periodically revised, but the frequency of the revisions does not correspond with the duration for which the interest rate has been defined (for example, an interest rate that is revised monthly according to an annual rate) or if the interest rate of the financial instrument is revised periodically according to an average of short-term and long-term interest rates.

Embedded derivatives will no longer be recognised separately when their host contracts are financial assets and the hybrid instrument in its entirety will then be measured at fair value through profit or loss.

Equity instruments will be measured at fair value through profit or loss except in case of irrevocable election made at initial recognition for measurement at fair value through other comprehensive income (provided these financial assets are not held for trading purposes and not classified as such into financial assets measured at fair value through profit or loss) without subsequent reclassification into income.

Requirements for the classification and measurement of financial liabilities contained in IAS 39 have been incorporated into IFRS 9 without any modification, except for financial liabilities designated at fair value through profit or loss (using the fair value option). For these financial liabilities, the amount of change in their fair value attributable to changes in credit risk will be recognised in other comprehensive income without subsequent reclassification into income.

Derecognition rules for financial assets and financial liabilities have been carried forward unchanged from IAS 39 to IFRS 9.

IFRS 9 was adopted by the European Union on 22nd November 2016 and will be applicable to annual periods beginning on or after 1st January 2018. IFRS 9 allows the early application of the direct recording in equity of any change in value attributable to credit risk variations on financial liabilities that are designated to be measured at fair value through profit or loss (using the fair value option). As of 31st December 2016, the Group did not anticipate the application of this treatment.

Credit risk

All debt instruments classified as financial assets measured at amortised cost or at fair value through other comprehensive income, as well as lease receivables, loan commitments and issued financial guarantee contracts, will be systematically subject to impairment or a provision for expected credit losses since their initial recognition.

The main change involves the systematic recording of depreciation on loans as soon as the loan is granted or as soon as the bonds are acquired, without waiting the occurrence of an objective evidence of impairment.

Thus, the financial assets in question will be allocated into three categories according to the gradual deterioration of their credit risk since their initial recognition, and an impairment will be booked to each of these categories as follows:

Stage 1

- All financial assets in question are initially recognised in this category.
- A loss allowance will be recorded at an amount equal to 12-month expected credit losses.
- Interest income will be recognised in the income statement using the effective interest rate method applied to the gross carrying amount of the asset before impairment.

Stage 2

- If the credit risk on a financial asset significantly increases since its initial recognition, the asset will be transferred to this category.
- The loss allowance for the financial asset will then be increased to the level of its lifetime expected credit losses.
- Interest income will be recognised in the income statement using the effective interest rate method applied to the gross carrying amount of the asset before impairment.

Stage 3

- Financial assets identified as being credit-impaired will be transferred to this category.
- The loss allowance for credit risk will continue to be measured at an amount equal to the lifetime expected credit losses and will be adjusted if necessary to take into account any additional deterioration of the credit risk.
- Interest income will then be recognised in the income statement using the effective interest rate method applied to the net carrying amount of the asset after impairment.

The significant increase of the credit risk will be assessed on an instrument-by-instrument basis but it will also be possible to assess it on the basis of consistent portfolios of similar assets, where individual assessment will not appear to be relevant. A counterparty-based approach (applying the default contagion principle to all of the counterparty's outstanding loans) will also be possible if it gives similar results.

The Group will have to take into account all available past due and forward-looking information as well as potential consequences of a change in macro-economic factors at a portfolio level, so that any significant increase in the credit risk on a financial asset may be assessed as early as possible.

There will be a rebuttable presumption that the credit risk on a financial asset has increased significantly when the contractual payments on this asset are more than 30 days past due. However, this 30-day late period is an ultimate indicator. The entity should use all available information (behaviour scores, "loan to value" type indicators, etc.) and apply a forward looking view to assess whether there is significant increases in credit risk before contractual payments are over 30 days past due.

The application of IFRS 9 will not alter the definition of default currently used to determine whether or not there is objective evidence of impairment of a financial asset. An asset will notably be presumed in default if one or more contractual payments are more than 90 days past due.

The expected credit losses will be measured taking into account past events, but also the current situation, as well as reasonable forecasts of future economic conditions. Thus, such losses shall not be calculated according to average data's observed through the cycle, and may then introduce some pro-cyclicality into depreciation expenses.

Lifetime expected credit losses will be measured taking into account past events, but also the current situation, as well as reasonable forecasts of future economic conditions and relevant macro-economic factors up until the contract term.

Hedge accounting (excluding macro-hedges)

This new standard will align hedge accounting more closely with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The standard expands the scope of non-derivative financial instruments that could be considered as hedging instruments. Similarly, the scope of items that could be considered as hedged items is expanded to include components of non-financial items. The standard also amends the approach for assessing hedge effectiveness.

However, the transition guidance of IFRS 9 allow entities to continue applying the provisions of IAS 39 on hedge accounting, in which case they must be applied to all hedging transactions.

Additional disclosures will also be required to explain both the effect that hedge accounting has had on the financial statements and the entity's risk management strategy.

ORGANISATION OF IFRS 9 IMPLEMENTATION

In 2013, the Group began preliminary assessments aimed at determining the potential consequences of the future IFRS 9 standard. To this end, a project structure was established by the Finance Division and a joint programme has been launched between the Risk Division and the Finance Division to review the parts of the standard dealing with credit risk.

As soon as IFRS 9 was published in July 2014, the Group Risk and Finance functions set up a special structure to organise the works to be performed in order to implement the new standard and to be ready to apply it on 1st January 2018.

Under the aegis of the governance bodies established for this purpose, the Group conducted analyses of the standard (banking implications) and performed a planning study concerning the adaptation of its information systems and processes.

- Classification and measurement

The Group's portfolios of financial assets were reviewed to determine, based on the characteristics of their contractual cash flows and on how they are managed (business models), their future accounting treatment under IFRS 9. Another objective of this review was to identify the most significant impacts on the information systems and accounting consolidation tools.

This review was carried out in 2016 in order to determine the scope of financial assets whose classification and measurement will be modified by applying IFRS 9. Processes have been developed for analysing the contractual flows of financial assets, particularly in order to be able to compare those flows with a benchmark instrument when the monetary time value component included in the interest is subject to modification according to the instrument's contractual clauses.

The specifications necessary to adapt the entities' information systems, on the one hand, and the consolidation processes and reporting schedules, on the other hand, also continued through 2016. Development work was begun on information systems to identify qualification criteria for financial assets, update accounting treatments and collect the additional information to be disclosed in the notes. The Group also initiated preparations for a dry run exercise and general rehearsal, scheduled respectively for the second and third quarter of 2017, to test the new system in its entirety.

Moreover, the IASB has received a submission related to the classification of loans whose contractual terms include a prepayment option held by the borrower according to which the lender could receive a reimbursement amount including a negative prepayment indemnity or a reimbursement amount equal to the fair value of the loan at the prepayment date. The IASB decided to propose a limited amendment to IFRS 9 on this issue; the Group will follow closely the works and proposals of the IASB in order to assess their potential consequences on the future accounting classification of its financial assets under IFRS 9.

- Credit risk

Since 2015, the Group has set up a framework methodology defining the rules for assessing the deterioration of credit risk and for determining 12-month and lifetime expected credit losses, factoring in macroeconomic projections reflecting the credit cycle. This framework has started to be calibrated and reviewed for approval in 2016, in particular in the following areas:

- Implementation of the methodological framework in all entities;
- Start of the IT developments in order to begin the testing period as of beginning of 2017;
- First description of the organisational processes, including the operational governance.

Thanks to the achieved steps, the group ambition is still to almost get the main part of the programme done at the end of the third quarter of 2017 to proceed to a general rehearsal.

The calibration stream and the validation of the methodological framework will take place in 2017 in order to understand as much as possible the new IFRS 9 provisioning models. These works require to simulate different management rules as well as different calibration rules (as consistent as possible with the Basel rules) in order to determine the conjunctions that best meet both the normative and business criteria. In addition to these themes, other streams will be launched, such as the definition of backtests, surveys to better understand the intrinsic pro-cyclicality of IFRS 9 models, and definition of the governance for updating the models and the weighted macro-economic scenarios in compliance with the accounting closing period.

During 2016, the general principles for implementation have been decided and will be implemented as follows:

- Centralisation of the provisioning models even though they are implemented taking into account the entities specificities;
- Use of a common calculator for the major part of the assets;
- Central collection of the assets and their provisions in order to face all the communication, explanation and reporting challenges around the provisions calculation.

- Hedging

The Group has analysed the various options offered by IFRS 9 in its transition guidance for hedge accounting and has decided, as allowed by IFRS 9, not to modify the hedge accounting methods currently applied in accordance with IAS 39 as adopted in the European Union. The Group will continue to keep abreast of IASB research on accounting methods for macro-hedging operations.

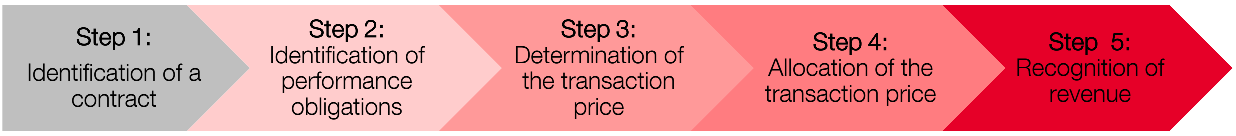
At this point of the IFRS 9 implementation process, the consequences of its application to Group financial statements cannot be estimated reasonably.

IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

Adopted on 22nd September 2016 and becoming effective for annual periods beginning on or after 1st January 2018

This standard sets out the requirements for recognising revenue that apply to all contracts with customers, except for leases contracts, insurance contracts, financial instruments and guarantees.

In order to recognise revenue, it will be necessary to apply five steps between the identification of a contract and the recognition of the revenue when a performance obligation is satisfied:



The Group is currently analysing the impact of this standard on its net income and equity. Given the application scope of the standard, the contracts that are expected to be mostly concerned by this analysis are those service contracts that lead to the recognition of fee income (loyalty packages, fees related to asset management or to loan syndication, etc.). The Group does not expect any significant impact due to the application of the standard.

AMENDMENTS, ACCOUNTING STANDARDS OR AMENDMENTS NOT YET ADOPTED BY THE EUROPEAN UNION AT 31ST DECEMBER 2016

AMENDMENTS TO IAS 12 "RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES"

Issued by IASB on 19th January 2016

These amendments clarify how to account for deferred tax assets related to unrealised losses on debt instruments measured at fair value.

AMENDMENTS TO IAS 7 "DISCLOSURE INITIATIVE"

Issued by IASB on 29th January 2016

These amendments will enhance the information on changes in liabilities arising from financing activities, including both cash and non-cash changes.

AMENDMENTS TO IFRS 2 "CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS"

Issued by IASB on 20th June 2016

These amendments clarify how to account for certain types of share-based payment transactions: modelling vesting conditions regardless of settlement method, impacts of tax withholdings on share-based payment transactions, accounting treatment of modifications that change the classification of the share-based payment transactions.

AMENDMENTS TO IFRS 4: APPLYING IFRS 9 "FINANCIAL INSTRUMENTS" WITH IFRS 4 "INSURANCE CONTRACTS"

Issued by IASB on 12th September 2016

These amendments propose solutions to treat the volatility in profit or loss that will arise from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard IFRS 4 "Insurance contracts". They give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied and before the new insurance contracts standard becomes effective. They give also companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 2021. These entities will continue to apply the existing financial instruments standard, IAS 39.

ANNUAL IMPROVEMENTS TO IFRS 12 AND IAS 28 (2014-2016)

Issued by IASB on 8th December 2016

As part of the annual Improvements to International Financial Reporting Standards, the IASB has published amendments to some accounting standards.

AMENDMENTS TO IAS 40 "TRANSFERS OF INVESTMENT PROPERTY"

Issued by IASB on 8th December 2016

These amendments reinforce the principle that the entity shall transfer a property into or out of Investment property category. Such a transfer shall occur if and only if property meets, or ceases to meet, the definition of investment property and if there is evidence of a change in management's intentions for the use of the property.

IFRIC 22 "FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION"

Issued by IASB on 8th December 2016

This interpretation clarifies the accounting for foreign currency transactions (payments or prepayments). The transaction shall provide a consideration that is denominated or priced in a foreign currency. Before this transaction, a prepayment asset or a deferred income liability shall be recognised and considered as a non-monetary item. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset or liability, except if there are multiple payments or receipts in advance, in which case the date of transaction will be established for each payment or receipt.

IFRS 16 "LEASES"

Issued by IASB on 13th January 2016

This new standard supersedes the existing standard, IAS 17 and modifies accounting requirements for leases and more specifically in relation to the lessees' financial statements, with very few impacts for the lessors.

For all lease agreements, the lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. In its income statement, the lessee shall separately recognise the depreciation of the right-of-use assets and the interest expense on lease liabilities:

	Income statement	Fixed assets	Liabilities	Off balance sheet rights and obligations
IAS 17	Lease payments in Other operating expenses	---	---	€ € €
IFRS 16	Interest expense in NBI + Amortisation expense		€ € €	---

This new accounting treatment of lease contracts for the lessee does not apply to short-term leases (with a term of less than twelve months including option to extend the lease) and leases for which the underlying asset is of low value.

Furthermore, the standard modifies the identification guidance of a lease contract in order to distinguish it from the accounting treatment applicable to a contract for services.

After a preliminary effects analysis of this new standard, the Group has started on the 4th quarter 2016 a framework project for the implementation transition in its information systems and processes and for the definition of the lease contracts to be included in the scope of this new standard. Property leases are the main contracts identified by the current assessment.

4. USE OF ESTIMATES AND JUDGEMENT

When applying the accounting principles disclosed in the following notes for the purpose of preparing the Group's consolidated financial statements, the Management makes assumptions and estimates that may have an impact on figures recorded in the income statement, on the valuation of assets and liabilities in the balance sheet, and on information disclosed in the notes to the consolidated financial statements.

In order to make these assumptions and estimates, the Management uses information available at the date of preparation of the consolidated financial statements and can exercise its judgement. By nature, valuations based on estimates include risks and uncertainties relating to their occurrence in the future. Consequently, actual future results may differ from these estimates and may then have a significant impact on the financial statements.

The use of estimates mainly concerns the following valuations:

- fair value in the balance sheet of financial instruments not quoted in an active market which are classified as *Financial assets* and *liabilities at fair value through profit or loss*, *Hedging derivatives* or *Available-for-sale financial assets* (described in Notes 3.1, 3.2, 3.3 and 3.4) and fair value of instruments measured at amortised cost for which this information must be disclosed in the notes to the financial statements (see Note 3.9);
- the amount of impairment of financial assets (*Loans and receivables*, *Available-for-sale financial assets*, *Held-to-maturity financial assets*), tangible and intangible fixed assets and goodwill (see Notes 2.2, 3.8 and 8.4);
- provisions recognised under liabilities (in particular, provisions for disputes in a complex legal environment and provisions for employee benefits), including *Underwriting reserves of insurance companies* (see Notes 3.8, 4.3 and 5.2);
- the amount of deferred tax assets recognised in the balance sheet (see Note 6);
- the assessment of control of the Group over an entity when updating the consolidation scope, mainly when structured entities are concerned (see Note 2);
- the initial value of goodwill determined for each business combination (see Notes 2.1 and 2.2);
- in the event of loss of control of a consolidated subsidiary, the fair value that is used to remeasure the portion retained by the Group in this entity, where applicable (see Note 2).

The United Kingdom held a referendum on 23rd June 2016, in which a majority of British citizens voted to leave the European Union (Brexit). Further to this decision, a long period of negotiations has begun, to redefine the economic relationships between the United Kingdom and the European Union. The Group closely follows the progress of the discussions and their consequences in the short, medium and long term. If necessary, the Group takes these consequences into account when making assumptions and estimates for preparing its consolidated financial statements.

NOTE 2 – CONSOLIDATION

MAKING IT SIMPLE

The various activities of the Societe Generale Group in France and abroad are carried out by Societe Generale – Parent company (which includes the Societe Generale foreign branches) and by all of the entities that it controls either directly or indirectly (subsidiaries and joint arrangements) or on which it exercises significant influence (associates). All of these entities make up the scope of the Group consolidation.

Consolidation uses a standardised accounting process to give an aggregated presentation of the accounts of Societe Generale – Parent company and its subsidiaries, joint arrangements and associates, presented as if they were a single entity.

To do so, the individual accounts of the entities that make up the Group are restated so that they are in accordance with IFRS, as adopted by the European Union, in order to present consistent information in the consolidated financial statements.

In addition, the accounting balances (assets, liabilities, income and expense) generated by transactions between Group entities are eliminated through the consolidation process so that the consolidated financial statements present only the transactions carried out with third parties outside of the Group and the corresponding results.

ACCOUNTING PRINCIPLES

The consolidated financial statements of Societe Generale include the financial statements of the parent company and of the main French and foreign companies as well as foreign branches over which the Group exercises control, joint control or significant influence.

CONSOLIDATED ENTITIES

- **Subsidiaries**

Subsidiaries are the entities over which the Group has exclusive control. The Group controls an entity if and only if the following conditions are met:

- the Group has power over the entity (ability to direct its relevant activities, i.e. the activities that significantly affect the entity's returns), through the holding of voting rights or other rights; and
- the Group has exposure or rights to variable returns from its involvement with the entity; and
- the Group has the ability to use its power over the entity to affect the amount of the Group's returns.

Power

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

When voting rights are not relevant to determine whether or not the Group controls an entity, the assessment of this control shall consider all the facts and circumstances, including the existence of one or more contractual arrangements. Power over an investee exists only if the investor has substantive rights that give it the current ability to direct relevant activities without barriers.

Some rights are designed to protect the interests of their holder (protective rights) without giving that party power over the investee to which those rights relate.

If several investors each have substantive rights that give them the unilateral ability to direct different relevant activities, the investor that has the current ability to direct the activities that most significantly affect the variable returns of the investee is presumed to have power over the investee.

Exposure to variable returns

Control exists only if the Group is significantly exposed to the variability of variable returns generated by its investment or its involvement in the entity. These returns, which could be dividends, interest, fees, etc., can be only positive, only negative or both positive and negative.

Link between power and returns

Power over the relevant activities does not give control to the Group if this power does not allow it to affect its returns from its involvement with the entity. If the Group has been delegated decision-making rights that it exercises on behalf and for the benefit of third parties (the principals), it is presumed to act as an agent for these principals, and therefore it does not control the entity when it exercises its decision-making authority. In asset management activities, an analysis shall be performed in order to determine whether the asset manager is acting as agent or principal when managing the net assets of a fund; the fund is presumed to be controlled by the asset manager if the latter is considered as a principal.

Special case of structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Such is the case, for example, when voting rights solely concern administrative tasks and when the relevant activities are directed by means of contractual arrangements.

A structured entity often presents certain characteristics such as a limited business activity, a specific and carefully defined purpose, or insufficient capital to fund its activities without the use of subordinated financing. Structured entities may assume different legal forms: stock companies, partnerships, securitisation vehicles, mutual funds, unincorporated entities, etc.

When assessing the existence of control over a structured entity, all facts and circumstances shall be considered among which:

- the purpose and design of the entity;
- the structuring of the entity;
- risks to which the entity is exposed by way of its design and the Group's exposure to some or all of these risks;
- potential returns and benefits for the Group.

Unconsolidated structured entities are those that are not exclusively controlled by the Group.

Joint arrangements

Through a joint arrangement (either a joint operation or a joint venture) the Group exercises joint control over an entity if decisions about the direction of its relevant activities require the unanimous consent of the parties that collectively control the entity. Assessing joint control requires an analysis of the rights and obligations of all the parties. In the case of a joint operation, the parties to the arrangement have rights to the assets and obligations for the liabilities.

In the case of a joint venture, the parties have rights to the net assets of the entity.

Associates

Associates are companies over which the Group exercises significant influence and are accounted for using the equity method in the Group's consolidated financial statements. Significant influence is the power to participate in the financial and operating policies of an entity without exercising control. In particular, significant influence can result from Societe Generale being represented on the Board of Directors or Supervisory Board, from its involvement in strategic decisions, from the existence of significant intercompany transactions, from the exchange of management staff, or from the company's technical dependency on Societe Generale. The Group is assumed to exercise significant influence over the financial and operating policies of an entity when it directly or indirectly holds at least 20% of the voting rights in this entity.

CONSOLIDATION RULES AND METHODS

The consolidated financial statements are built up from the financial statements of the entities that are included in the consolidation scope. Companies with a fiscal year ending more than three months before or after that of Societe Generale prepare pro-forma statements for a twelve-month period ending 31st December. All significant balances, profits and transactions between Group companies are eliminated.

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

Consolidation methods

The subsidiaries, which may include structured entities over which the Group has exclusive control are fully consolidated.

In the consolidated balance sheet, full consolidation consists in replacing the value of the subsidiary's equity securities held by the Group with each of the subsidiary's assets and liabilities, in addition to the goodwill recognised when the Group assumed control over the entity (see note 2.2). In the income statement and the statement of net income and unrealised or deferred gains and losses, the subsidiary's expense and income items are aggregated with those of the Group.

The share of non-controlling interests in the subsidiary is presented separately in the consolidated balance sheet and income statement. However, in consolidating structured entities that are controlled by the Group, the shares of said entities not held by the Group are recognised as *Debt* in the balance sheet.

In the case of a joint operation, the Group distinctly recognises in its consolidated financial statements its share in the assets and liabilities as well as its share in the related revenue and expense.

Associates and joint ventures are accounted for using the equity method in the consolidated financial statements of the Group. Under the equity method, on initial recognition the investment in an associate is recognised under *Investments accounted for using the equity method* at the cost of the Group's investment in the joint venture or associate, including goodwill, and after the date of acquisition the carrying amount is increased or decreased to recognise the changes in the investor's share in the net asset value of the investee.

These investments are tested for impairment if there is objective evidence of impairment. If the recoverable amount of the investment (value in use or market value net of selling costs, whichever is higher) is lower than its carrying amount, an impairment loss is recorded on the balance sheet at the carrying amount of the investment. Impairment allowances and reversals are recorded under *Net income from investments accounted for using the equity method*.

The Group's share in the entity's net income and unrealised or deferred gains and losses is presented on separate lines in the consolidated income statement and the consolidated statement of net income and unrealised or deferred gains and losses. If the Group's share in the losses of an entity consolidated using the equity method becomes greater than or equal to its ownership interest in the company, the Group ceases to recognise its share in subsequent losses unless it is required to do so by legal or implied obligations, in which case it records a provision for said losses. Capital gains and losses generated on disposal of companies accounted for using the equity method are recorded under *Net income/expense from other assets*.

- Translation of foreign entity financial statements

The balance sheet items of consolidated companies reporting in foreign currencies are translated into euros at the official exchange rates prevailing at the closing date. Income statement items of these companies are translated into euros at the average month-end exchange rates. Gains and losses arising from the translation of capital, reserves, retained earnings and income are recognised under *Unrealised or deferred gains and losses – Translation differences*. Gains and losses arising from the translation of the capital contribution of foreign branches of Group banks are also included in changes in consolidated shareholders' equity under the same heading.

In accordance with the option allowed under IFRS 1, the Group allocated all differences arising on translation of foreign entity financial statements at 1st January 2004 to consolidated reserves. As a result, if any of these entities are sold, the proceeds from the sale will only include write-backs of those translation differences arising since 1st January 2004.

- Changes in the Group's ownership interest in a consolidated entity

In the event of an increase in the Group's ownership interest in a subsidiary over which it already exercises control: the difference between the price paid for the additional stake and the assessed fair value of the proportion of net assets acquired at this date is recorded under *Consolidated reserves, Group share*.

Also, in the event of a reduction in the Group's stake in an entity over which it keeps control, the difference between the selling price and the carrying amount of the share of interests sold is accounted for under *Consolidated reserves, Group share*.

The cost relative to these transactions is recognised directly in equity.

At the date on which the Group loses control of a consolidated subsidiary, any investment retained in the former subsidiary is then remeasured at fair value through profit or loss, at the same time the capital gain or loss is recorded under *Net income/expense from other assets* in the consolidated income statement. The gain or loss on disposal includes a share of goodwill previously allocated to the cash-generating units to which the subsidiary belongs. This share is determined using a relative approach based on the normative capital allocated to the subsidiary that is sold and to the portion of cash-generating unit that is retained.

COMMITMENTS TO BUY OUT MINORITY SHAREHOLDERS IN FULLY CONSOLIDATED SUBSIDIARIES

The Group has awarded minority shareholders in some fully consolidated Group subsidiaries commitments to buy out their stakes. For the Group, these buyout commitments are put option sales. The exercise price for these options can be established using a formula agreed upon at the time of the acquisition of the shares in the subsidiary that takes into account its future performance. It can also be set as the fair value of these shares at the exercise date of the options.

The commitments are recorded as follows:

- in accordance with IAS 32, the Group records a financial liability for the put options granted to minority shareholders of the subsidiaries over which it exercises control. This liability is initially recognised at the present value of the estimated exercise price of the put options under *Other Liabilities*;
- the obligation to recognise a liability even though the put options have not been exercised means that, in order to be consistent, the Group must use the same accounting treatment as that applied to transactions in *Non-controlling interests*. As a result, the counterpart of this liability is a write-down in value of non-controlling interests underlying the options, with any balance deducted from *Retained earnings, Group share*;
- subsequent variations in this liability linked to changes in the estimated exercise price of the options and the carrying value of Non-controlling interests are recorded in full in *Retained earnings, Group share*;
- if the buy-out takes place, the liability is settled by the cash payment linked to the acquisition of non-controlling interests in the subsidiary in question. However if, when the commitment reaches its term, the buy-out has not occurred, the liability is written off against *Non-controlling interests* and *Retained earnings, Group share* for their respective portions;
- as long as the options have not been exercised, the results linked to *Non-controlling interests* with a put option are recorded under *Non-controlling interests* on the Group's consolidated income statement.

NOTE 2.1 - CONSOLIDATION SCOPE

The scope of consolidation is presented by location in Note 8.6.

The scope of consolidation includes subsidiaries and structured entities under the Group's exclusive control, joint arrangements (joint ventures and joint operations) and associates whose financial statements are significant relative to the Group's consolidated financial statements, notably regarding Group consolidated total assets and gross operating income.

The main changes to the consolidation scope at 31st December 2016, compared with the scope applicable at the closing date of 31st December 2015, are as follows:

PARCOURS

On 3rd May 2016, ALD Automotive acquired the Parcours Group, subsidiary of Wendel, located in Europe and mostly in France. This acquisition reinforced ALD Automotive on the SME and very small businesses segment, and enables accelerated growth on the French long-term leasing market.

The Group balance sheet increased by EUR 0.9 billion, with EUR 0.8 billion in assets under *Tangible and intangible fixed assets* and EUR 0.7 billion in liabilities under *Due to banks*.

KLEINWORT BENSON

On 6th June 2016, Societe Generale Hambros Ltd. acquired Kleinwort Benson Bank Limited and Kleinwort Benson Channel Islands Holdings Limited. The two entities were acquired as part of the Group's core market development strategy for Private Banking, in accordance with its ambition of being a reference as a relationship-focused bank.

The Group's balance sheet increased by EUR 2.4 billion, mainly through assets of EUR 0.8 billion under *Customer loans*, EUR 0.7 billion under *Available-for-sale financial assets* and EUR 0.6 billion under *Due from banks*, and liabilities of EUR 2.3 billion under *Customer deposits*.

BANK REPUBLIC

On 20th October 2016, The Group sold its majority shareholding in Bank Republic (93.64%), its Georgian subsidiary, to TBC Bank Group PLC, the second largest player in the Georgian banking industry. Societe Generale now holds limited minority stakes in TBC Bank Group PLC. The operation generated an expense in the income statement under *Net income/expense from other assets* totalling EUR 17 million.

The sale reduced the Group's balance sheet by EUR 0.7 billion, mainly through EUR 0.5 billion in assets under *Customer loans* and EUR 0.3 billion in liabilities under *Customer deposits*.

POST-CLOSING EVENTS

On 25th February 2015, the Group exercised its call option under the Shareholder Agreement between Aviva France and Credit du Nord pursuant to the Antarius joint venture. Following a period necessary for the operational transition, Aviva France and Sogecap signed on 8th February 2017 an agreement defining the conditions of the acquisition by Sogecap of the 50% interest in Antarius previously held by Aviva France. The transfer of the shares will be effective on 1st April 2017. Antarius will then be 100% owned by the Group, jointly by Sogecap and Credit du Nord and fully consolidated.

NOTE 2.2 - GOODWILL

MAKING IT SIMPLE

When the Group acquires a company, it integrates in its consolidated balance sheet all of the new subsidiary's assets and liabilities at fair value, as if they had been individually acquired.

But the acquisition price of a company is generally higher than the net revalued amount of its assets and liabilities. The excess value, called goodwill, can represent part of the company's intangible capital (reputation, quality of its personnel, market shares, etc.) which contributes to its overall value, or the value of the future synergies that the Group hopes to develop by integrating the new subsidiary in its existing activities.

In the consolidated balance sheet, the goodwill is recognised as an intangible asset, the useful life of which is presumed to be unlimited; it is not amortised and therefore does not generate any recurring expense in the Group's future results.

However, every year, the Group assesses whether the value of its goodwill has depreciated. If it has, an irreversible expense is immediately recognised in the Group results, which indicates that the profitability of the intangible capital of the acquired entity is lower than initial expectations, or that the anticipated synergies have not been realised.

ACCOUNTING PRINCIPLES

The Group uses the acquisition method to recognise its business combinations.

At the acquisition date, all assets, liabilities, off-balance sheet items and contingent liabilities of the acquired entities that are identifiable under the provisions of IFRS 3 "Business Combinations" are measured individually at their fair value regardless of their purpose. The analyses and professional appraisals required for this initial valuation must be carried out within 12 months as from the acquisition date, as must any corrections to the value based on new information related to facts and circumstances existing at the acquisition date. At the same time, *Non-controlling interests* are valued according to their share of the fair value of the identifiable assets and liabilities of the acquired entity. However, for each business combination, the Group may also choose to measure *Non-controlling interests* initially at their fair value, in which case a fraction of goodwill is allocated.

The acquisition cost is calculated as the total fair value, at the date of acquisition, of all assets given, liabilities incurred or assumed and equity instruments issued in exchange for the control of the acquired entity. The costs directly linked to business combinations are recognised in the income statement for the period except those related to the issuance of equity instruments.

Any contingent consideration is included in the acquisition cost at its fair value on the acquisition date, even if its occurrence is only potential. It is recognised under equity or debt in the balance sheet depending on the settlement alternatives; if recognised as debt, any subsequent adjustments are recorded under income for financial liabilities in accordance with IAS 39 and within the scope of the appropriate standards for other debts. For equity instruments, these subsequent adjustments are not recognised. Any excess of the price paid over the assessed fair value of the proportion of net assets acquired is recorded on the asset side of the consolidated balance sheet under *Goodwill*. Any deficit is immediately recognised in the income statement.

On the date of acquisition of an entity, any stake in this entity already held by the Group is remeasured at fair value through profit or loss. In the case of a step acquisition, goodwill is therefore determined by referring to the fair value on the acquisition date.

At the acquisition date, each item of goodwill is allocated to one or more cash-generating units expected to derive benefits from the acquisition. When the Group reorganises its reporting structure in a way that changes the composition of one or more cash-generating units, goodwill previously allocated to modified units is reallocated to the units affected (new or existing). This reallocation is generally performed using a relative approach based on the normative capital requirements of each cash-generating unit affected.

Goodwill is reviewed regularly by the Group and tested for impairment whenever there is any indication that its value may have diminished, and at least once a year. Any impairment of goodwill is calculated based on the recoverable value of the relevant cash-generating unit(s).

If the recoverable amount of the cash-generating unit(s) is less than its (their) carrying amount, an irreversible impairment is recorded in the consolidated income statement for the period under *Impairment losses on goodwill*.

The table below shows the changes in the net values of goodwill recorded by the Cash-Generating Units (CGUs) in 2016:

(In EUR m)	Net book value at 31.12.2015	Acquisitions and other increases	Disposals and other decreases	Impairments	Net book value at 31.12.2016
French Retail Banking	815	-	-	-	815
Societe Generale Network	304				304
Credit du Nord	511				511
International Retail Banking & Financial Services	2,676	203	(123)	-	2,756
Europe	1,910		(123)		1,787
Russia	-				-
Africa, Asia, Mediterranean Basin and Overseas	231				231
Insurance	10				10
Equipment and Vendor Finance	335				335
Auto Leasing Financial Services	190	203			393
Global Banking and Investor Solutions	867	99	(2)	-	964
Global Markets and Investor Services	501				501
Financing and Advisory	39				39
Asset and Wealth Management	327	99	(2)		424
TOTAL	4,358	302	(125)	-	4,535

The scope of certain CGUs changed over 2016, including in particular:

- Auto Leasing Financial Services, following the acquisition of Parcours Group in May 2016;
- Asset and Wealth Management, following the acquisitions of Kleinwort Benson Bank Limited and Kleinwort Benson Channel Islands Holding Limited in June 2016;
- Europe, following the sale of the retail bank in Georgia (Bank Republic) and the reclassification of the retail bank in Croatia (Splitska Banka) under *Non-current assets held for sale and related debt* at the end of 2016 (see Note 2.5).

At 31st December 2016, goodwill recorded by the 11 CGUs can be broken down as follows:

Pillars	Activities
French Retail Banking	
Societe Generale Network	Societe Generale's retail banking network, online banking activities (Boursorama), consumer and equipment financing in France and transaction and payment management services
Credit Du Nord	Retail banking network of Credit du Nord and its 7 regional banks
International Retail Banking and Financial Services	
Europe	Retail banking and consumer finance services in Europe, notably in Germany (Hanseatic Bank, BDK), Italy (Fiditalia), the Czech Republic (KB, Essox), Romania (BRD) and Poland (Eurobank)
Russia	Integrated banking group including Rosbank and its subsidiaries DeltaCredit and Rusfinance
Africa, Asia, Mediterranean Basin and Overseas	Retail banking and consumer finance in Africa, Asia, the Mediterranean Basin and Overseas, including in Morocco (SGMA), Algeria (SGA), Tunisia (UIB), Cameroon (SGBC), Côte d'Ivoire (SGBCI) and Senegal (SGBS)
Insurance	Life and non-life insurance activities in France and abroad (including Sogecap, Sogessur and Oradéa Vie)
Equipment and Vendor Finance	Financing of sales and professional equipment by Societe Generale Equipment Finance
Auto Leasing Financial Services	Operational vehicle leasing and fleet management services (ALD Automotive)
Global Banking and Investor Solutions	
Global Markets and Investor Services	Market solutions for businesses, financial institutions, the public sector, family offices and a full range of securities services, clearing services, execution, prime brokerage and custody
Financing and Advisory	Advisory and financing services for businesses, financial institutions and the public sector
Asset and Wealth Management	Asset and Wealth Management Solutions in France and abroad

The Group performed an annual impairment test at 31st December 2016 for each CGU to which goodwill had been allocated. A CGU is defined as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from the Group's other assets or groups of assets. Impairment tests consist into assessing the recoverable value of each CGU and comparing it with its carrying value. An irreversible impairment loss is recorded in the income statement if the carrying value of a CGU, including goodwill, exceeds its recoverable value. This loss is booked to the impairment of goodwill.

The recoverable amount of a cash-generating unit is calculated using the most appropriate method, generally the discounted cash flow (DCF) method applied to the entire cash-generating unit. The cash flows used in this calculation are income available for distribution generated by all the entities included in the cash-generating unit, taking into account the Group targeted equity allocated to each CGU.

Historically determined on the basis of a nine-year business plan, the cash flows were determined this year on a shorter six-year period, with the prospective four-year budgets (from 2017 to 2020) extrapolated over a two-year period (2021-2022), the year 2022 corresponding to a "normative" year used to calculate the terminal value:

- allocated equity at 31st December 2016 amounted to 11% of risk-weighted assets, excepted for Credit du Nord, whose allocated equity amounted to 10.5%, in accordance with the entity's management guidelines;
- the discount rate is calculated using a risk-free rate grossed up by a risk premium based on the CGU's underlying activities. This risk premium, specific to each activity, is calculated from a series of equity risk premiums published by SG Cross Asset Research and from its specific estimated volatility (beta). Where appropriate, the risk-free rate is also grossed up by a sovereign risk premium, representing the difference between the risk-free rate available in the area of monetary assignment (mainly US dollar area or Eurozone) and the interest rate observed on liquid long-term treasury bonds issued (mainly US dollar area or Eurozone), in proportion with risk-weighted assets for CGUs covering several countries;
- the growth rates used to calculate the terminal value is determined using forecasts on long-term economic growth and sustainable inflation. These rates are estimated using two mains sources, namely the International Monetary Fund and the economic analyses produced by SG Cross Asset Research which provide 2020-2021 forecasts.

No goodwill impairment was recorded at 31st December 2016 as a result of the annual CGU impairment test.

The table below presents discount rates and long-term growth rates specific for the CGUs of the Group's three core businesses:

Assumptions at 31st December 2016	Discount rate	Long-term growth rate
French Retail Banking		
Societe Generale Network and Credit du Nord	8%	2%
International Retail Banking and Financial Services		
Retail Banking and Consumer Finance	10.2% to 15.4%	3% to 3.5%
Insurance	9.1%	2.5%
Equipment and Vendor Finance and Auto Leasing Financial Services	9.7%	2%
Global Banking and Investor Solutions		
Global Markets and Investor Services	11.3%	2%
Financing and Advisory	10%	2%
Asset and Wealth Management	9.8%	2%

Budget projections are based on the following main business line and macroeconomic assumptions:

French Retail Banking	
Societe Generale Network and Crédit du Nord	In a challenging environment (regulatory constraints, low inflation, historically low rates), ongoing efforts to shift operations and relationship banking at Societe Generale and Crédit du Nord towards a digital model
	Confirmation of Boursorama's customer acquisition plan
	Further investments to support the transformation
International Retail Banking & Financial Services	
Europe	Continued adaptation of our models to capture growth potential in the region and consolidate the competitive positions of our operations
	Strict discipline applied to operating expenses and normalisation of cost of risk
Russia	Continued transformation of Rosbank in stabilising economic conditions, with a focus on the efficiency of the retail banking arm, information systems, quality of customer service and pooling of resources
	Strict discipline applied to operating expenses and cost of risk
Africa, Asia, Mediterranean Basin and Overseas	Development of Societe Generale's sales network and expansion of services through the mobile banking offer
	Continued focus on operating efficiency
Insurance	Dynamic growth maintained and international development of the bank insurance model, in synergy with the retail banking network, Private Banking and financial services to businesses
Equipment and Vendor Finance	Consolidation of leadership in these corporate financing businesses
	Consolidation of profitability by continuing to focus on activities with the best risk/reward
Auto Leasing Financial Services	Solid momentum in a highly competitive international environment
Global Banking and Investor Solutions	
Global Markets and Investor Services	Adaptation of market activities to a competitive environment, coupled with further business and regulatory investments.
	Consolidation of market-leading franchises in equities
	Continued of optimisation measures and investments in information systems
Financing and Advisory	Continuation of origination momentum of financing activities
	Consolidation of market-leading franchises in commodity and structured financing
	Management of cost of risk despite challenging economic conditions
Asset and Wealth Management	Development of synergies with retail bank networks, both in France or abroad and with corporate and investment banking
	Consolidation in United Kingdom following the acquisition by SG Hambros of Kleinwort Benson

Sensitivity tests are carried out to measure the impact on each CGU's recoverable value of the variation in certain assumptions. At 31st December 2016, in light of the risks associated with business activity in the current environment (market volatility, regulatory uncertainties), sensitivities to variations in the discount rate, long-term growth and regulatory changes were measured.

According to the results of these tests:

- an increase of 50 basis points applied to all discount rates for the CGUs disclosed in the table above would lead to a decrease of 6.9% in recoverable value and would not generate any additional impairment;
- similarly, a decrease of 50 basis points in long-term growth rates would lead to a decrease of 2.4% in recoverable value and would not generate any additional impairment;
- finally, consideration of regulatory constraints (Basel 4, IFRS 16 and IFRS 9 accounting standards) under their current provisions would not generate any additional impairment.

NOTE 2.3 - ADDITIONAL DISCLOSURES FOR CONSOLIDATED ENTITIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This Note provides additional disclosures for entities included in the consolidation scope.

These disclosures concern entities over which Societe Generale exercises exclusive control, joint control or significant influence, provided these entities have significant impact on the Group's consolidated financial statements. The significance of the impact is considered in particular regarding Group consolidated total assets and gross operating income.

1. CONSOLIDATED STRUCTURED ENTITIES

Consolidated structured entities include:

- collective investment vehicles such as SICAVs (open-ended investment funds) and mutual funds managed by the Group's asset management subsidiaries;
- securitisation funds and conduits issuing financial instruments that can be subscribed for by investors and that generate credit risks inherent in an exposure or basket of exposures which can be divided into tranches; and
- asset financing vehicles (aircraft, rail, shipping or real estate finance facilities).

The Group has not provided any financial support to these entities outside of any contractual framework for the closing period and as of 31st December 2016 does not intend to support them financially.

The Group has contractual arrangements with some consolidated structured entities which may require it to provide financial support to these entities in relation to their exposure to credit risk, market risk or liquidity risk.

The structured debt securities issued by issuing vehicles are covered by an unconditional and irrevocable guarantee granted by Societe Generale to ensure payments on due dates. These issuing vehicles have also entered into hedging transactions with Societe Generale to hedge their contractual outflows. At 31st December 2016, the outstanding guaranteed amount was EUR 54.1 billion.

Carrying out securitisation transactions on behalf of customers and investors, Societe Generale provides liquidity facilities to two ABCP conduits (Asset Backed Commercial Paper) for a total amount of EUR 16.8 billion at 31st December 2016.

2. NON-CONTROLLING INTERESTS

Non-controlling interests refer to equity holdings in fully consolidated subsidiaries that are neither directly nor indirectly attributable to the Group. They include equity instruments issued by these subsidiaries and not held by the Group, as well as the share of income and cumulative reserves, and of unrecognised or deferred gains and losses attributable to the holders of these instruments.

Non-controlling interest amounted to EUR 3,753 million at 31st December 2016 (vs. EUR 3,638 million at 31st December 2015) and accounted for 6% of Group shareholders' equity at 31st December 2016 (vs. 6% at 31st December 2015).

The *Non-controlling interests,* of significant amount in terms of contribution to the total shareholders' equity in the Group's consolidated balance sheet, relate to:

- listed subsidiaries Komercni Banka A.S, BRD - Groupe Societe Generale SA and SG Marocaine de Banques;
- Sogecap, fully owned, with the subordinated notes issued in December 2014.

	31.12.2016				
(In EUR m)	**Group voting interest**	**Group ownership interest**	**Net income attributable to non-controlling interests**	**Total non-controlling interests**	**Dividends paid during the year to holders of non-controlling interests**
KOMERCNI BANKA A.S	60.73%	60.73%	190	1,228	(162)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	77	589	(19)
SG MAROCAINE DE BANQUES	57.46%	57.46%	21	400	(4)
SOGECAP	100.00%	100.00%	33	829	(33)
Other entities	-	-	143	707	(73)
Total	-	-	464	3,753	(291)

	31.12.2015				
(In EUR m)	Group voting interest	Group ownership interest	Net income attributable to non-controlling interests	Total non-controlling interests	Dividends paid during the year to holders of non-controlling interests
KOMERCNI BANKA A.S	60.73%	60.73%	184	1,222	(163)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	45	542	-
SG MAROCAINE DE BANQUES	57.01%	57.01%	16	380	(10)
SOGECAP	100.00%	100.00%	33	829	(6)
Other entities	-	-	116	665	(54)
Total	-	-	394	3,638	(233)

SUMMARISED FINANCIAL INFORMATION FOR MAIN NON-CONTROLLING INTERESTS

The information below are the data of the entities or sub-groups (excluding Sogecap) taken at 100% and before the elimination of intragroup operations.

	31.12.2016			
(In EUR m)	Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S	1,131	505	797	33,655
BRD - GROUPE SOCIETE GENERALE SA	596	196	139	11,349
SG MAROCAINE DE BANQUES	339	53	81	7,968

	31.12.2015			
(In EUR m)	Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S	1,094	482	821	32,587
BRD - GROUPE SOCIETE GENERALE SA	569	116	80	11,020
SG MAROCAINE DE BANQUES	346	40	62	7,757

3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (ASSOCIATES AND JOINT VENTURES)

SUMMARISED FINANCIAL INFORMATION FOR JOINT VENTURES AND ASSOCIATES

(In EUR m)	Joint ventures		Associates		Total investments accounted for using the equity method	
Group share:	2016	2015	2016	2015	2016	2015
Net income	72	72	57	159	129	231
Unrealised or deferred gains and losses (net of tax)	-	-	-	(88)	-	(88)
Net income and unrealised or deferred gains and losses	72	72	57	71	129	143

The activities of joint ventures mainly include real estate development, asset and wealth management and insurance.

COMMITMENTS TO RELATED PARTIES

(In EUR m)	31.12.2016	31.12.2015
Loan commitments granted	-	-
Guarantee commitments granted	17	33
Forward financial instrument commitments	90	279

4. RESTRICTIONS

SIGNIFICANT RESTRICTIONS ON THE ABILITY TO ACCESS OR USE THE ASSETS OF THE GROUP

Legal, regulatory, statutory or contractual constraints or requirements may restrict the ability of the Group to transfer assets freely to or from entities within the Group.

The ability of consolidated entities to distribute dividends or to grant or repay loans and advances to entities within the Group depends on, among other things, local regulatory requirements, statutory reserves and financial and operating performance. Local regulatory requirements may concern regulatory capital, exchange controls or non-convertibility of the local currency (as it is the case in countries belonging to the West African Economic and Monetary Union or to the Economic and Monetary Community of Central Africa), liquidity ratios (as in the United States) or large exposures ratios that aim to cap the entity's exposure in relation to the Group (regulatory requirement to be fulfilled in most countries in Eastern and Central Europe, Maghreb and sub-Saharan Africa).

The ability of the Group to use assets may also be restricted in the following cases:

- assets pledged as security for liabilities, notably guarantees provided to the central banks, or assets pledged as security for transactions in financial instruments, mainly through guarantee deposits with clearing houses;
- securities that are sold under repurchase agreements or that are lent;
- assets held by insurance subsidiaries in representation of unit-linked liabilities with life-insurance policy holders;
- assets held by consolidated structured entities for the benefit of the third party investors that have bought the notes or securities issued by the entity;
- mandatory deposits placed with central banks.

NOTE 2.4 - UNCONSOLIDATED STRUCTURED ENTITIES

The information provided hereafter concerns entities structured but not controlled by the Group. This information is grouped by main type of similar entities, such as Financing activities, Asset management and Others (including Securitisation and Issuing vehicles).

Asset financing includes lease finance partnerships and similar vehicles that provide aircraft, rail, shipping or real estate finance facilities.

Asset management includes mutual funds managed by the Group's asset management subsidiaries.

Securitisation includes securitisation funds or similar vehicles issuing financial instruments that can be subscribed for by investors and that generate credit risks inherent in an exposure or basket of exposures which can be divided into tranches.

The Group's interests in unconsolidated entities that have been structured by third parties are classified among financial instruments in the consolidated balance sheet according to their nature (*Financial assets at fair value through profit or loss* or *Liabilities at fair value through profit or loss*, *Available-for-sale financial assets*, *Loans* and *Deposits*, *Debts*, etc.).

1. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group's interests in an unconsolidated structured entity refer to contractual and non-contractual involvements that expose the Group to the variability of returns from the performance of this structured entity.

Such interests can be evidenced by:

- the holding of equity or debt instruments (regardless of their rank of subordination);
- other funding (loans, cash facilities, loan commitments, liquidity facilities);
- credit enhancement (guarantees, subordinated instruments, credit derivatives, etc.);
- issuance of guarantees (guarantee commitments);
- derivatives that absorb all or part of the risk of variability of the structured entity's returns, except Credit Default Swaps (CDS) and options purchased by the Group;
- contracts remunerated by fees indexed to the structured entity's performance;
- tax consolidation agreements.

	Asset financing		Asset management		Others	
(In EUR m)	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Total balance sheet of the entity(1)	8,730	8,748	90,537	70,292	19,204	14,544
Net carrying amount of Group interests in unconsolidated structured entities:						
Assets:	3,915	4,480	10,274	10,104	6,654	3,986
Financial assets at fair value through profit or loss	522	586	9,836	9 278	2,633	425
Available for sale financial assets	67	117	17	24	613	3
Bank and customer loans and receivables	3,318	3,768	419	802	3,403	3,553
Others	8	9	2	-	5	5
Liabilities:	1,803	1,853	10,893	9,457	5,048	1,580
Financial liabilities at fair value through profit or loss	255	188	9,235	8,081	3,414	662
Due to banks and customer deposits	1,513	1,593	1,631	1,371	1,587	909
Others	35	72	27	5	47	9

(1) For Asset management, NAV (Net Asset Value) of funds.

The Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31st December 2016, did not have any intention to provide such support.

The maximum exposure to loss related to interests in unconsolidated structured entities is measured as:

- the amortised cost or fair value(1) for non-derivative financial assets entered into with the structured entity depending on how they are measured on the balance sheet;
- the fair value(1) of derivative financial assets recognised in the balance sheet;
- the notional amount of written Credit Default Swaps (maximum amount to pay);
- the notional amount of loan commitments or guarantee commitments granted.

(1) Fair value at the closing date, which may fluctuate in subsequent periods.

	Asset financing		Asset management		Others	
(In EUR m)	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Amortised cost or fair value[(1)] (according to the measurement of the financial instrument) of non derivative financial assets entered into with the structured entity	3,714	3,849	6,798	5,173	1,718	1,236
Fair value[(1)] of derivative financial assets recognised in the balance sheet	357	412	4,926	4,124	2,436	526
Notional amount of CDS sold (maximum amount to be paid)	-	-	2	-	-	-
Notional amount of loan or guarantee commitments granted	562	663	1,468	1,780	1,049	1,256
Maximum exposure to loss	4,633	4,924	13,194	11,077	5,203	3,018

(1) Fair value at the closing date, which may fluctuate in subsequent periods.

The amount of maximum exposure to loss can be mitigated by:

- the notional amount of guarantee commitments received;
- the fair value[(1)] of collateral received;
- the carrying amount of surety deposits received.

These mitigating amounts must be capped in case of legal or contractual limitation of their realisable or recoverable amounts. They amounted to EUR 3,198 million and mainly concern Asset financing.

2. INFORMATION ON UNCONSOLIDATED STRUCTURED ENTITIES SPONSORED BY THE GROUP

The Group may have no ownership interest in a structured entity, but still be considered as a sponsor of this structured entity if it acts or has acted as:

- a structurer;
- an originator for potential investors;
- an asset manager;
- an implicit or explicit guarantor of the entity’s performance (in particular via capital or return guarantees granted to mutual fund unit holders).

A structured entity is also considered to be sponsored by the Group if its name includes the name of the Group or the name of one of its subsidiaries.

Conversely, entities that are structured by the Group according to specific needs expressed by one or more customers or investors are considered to be sponsored by said customers or investors.

The total amount of the balance sheet of these unconsolidated structured entities, sponsored by the Group, and in which the Group does not have any interest, was EUR 8,444 million (including EUR 6,015 million for Other structures).

The amount of income from these structured entities (mainly Asset financing) was EUR 0.2 million from gains on derecognition of interests in structured entities.

(1) Fair value at the closing date, which may fluctuate in subsequent periods.

NOTE 2.5 - NON CURRENT ASSETS HELD FOR SALE AND RELATED DEBT

ACCOUNTING PRINCIPLES

A non-current asset or group of assets and liabilities is deemed to be “held for sale” if its carrying value will primarily be recovered via a sale and not through its continuing use. For this classification to apply, the asset or group of assets and liabilities must then be immediately available-for-sale in its present condition and it must be highly probable that the sale will occur within twelve months.

For this to be the case, the Group must be committed to a plan to sell the asset (or disposal group of assets and liabilities) and have begun actively searching for a buyer. Furthermore, the asset or group of assets and liabilities must be marketed at a price that is reasonable in relation to its current fair value.

Assets and liabilities falling into this category are reclassified as *Non-current assets held for sale* and *Non-current liabilities held for sale*, with no netting.

If the fair value less selling costs of non-current assets and groups of assets and liabilities held for sale is less than their net carrying value, an impairment is then recognised in profit or loss. Moreover, *Non-current assets held for sale* are no longer amortised or depreciated.

(In EUR m)	31.12.2016	31.12.2015
Assets	**4,252**	**171**
Fixed assets and Goodwill	124	27
Financial assets	666	6
Receivables:	3,447	104
due from banks	*746*	*90*
customer loans	*2,127*	*14*
others	*574*	-
Other assets	15	34
Liabilities	**3,612**	**526**
Allowances	18	163
Financial liabilities	1	-
Debts	3,528	346
due to banks	*763*	-
customer deposits	*2,748*	*346*
others	*17*	-
Other liabilities	65	17

The *Non-current assets held for sale and related debt* include, in particular, the assets and liabilities of the retail bank in Croatia (Splitska Banka and its subsidiaries) and the brokerage and financial information disclosure activities in Germany.

In order to materialise the unrealised losses on the Croatian retail bank assets held for sale, an impairment loss of EUR -235 million has been recorded under *Net income/expense from other assets.*

NOTE 3 - FINANCIAL INSTRUMENTS

MAKING IT SIMPLE

The Group's banking activities generally take the form of financial instruments covering a broad spectrum of assets and liabilities, such as loans, investment portfolios (equity, bonds, etc.), deposits, regulated savings accounts, debt securities issued and derivative instruments (swaps, options, forward contracts, credit derivatives, etc.). These financial instruments represent the contractual rights or obligations to receive or to pay cash or other financial assets.

In the financial statements, classification and valuation of financial assets and liabilities depends on the nature of those assets and liabilities and the reasons for which they are held.

However, this distinction is not applicable to derivative instruments, which are always measured at fair value in the balance sheet, no matter what their purpose (market activities or hedging transactions).

ACCOUNTING PRINCIPLES

CLASSIFICATION OF FINANCIAL INSTRUMENTS

When initially recognised, financial instruments are booked on the balance sheet to categories that determine their accounting treatment and their subsequent valuation method. This classification depends on the type of financial instrument and purpose of the transaction.

Financial assets are booked to one of the following four categories:

- *Financial assets at fair value through profit or loss*: these are financial assets held for trading purposes, which by default include derivative financial assets not qualifying as hedging instruments and non-derivative financial assets designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option;
- *Loans and receivables*: these include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes, not held for sale from the time they are originated or acquired, and not designated upon initial recognition to be carried at fair value through profit or loss (in accordance with the fair value option). They are measured at amortised cost, and impairment, determined on an individual or a collective basis, may be recorded if appropriate;
- *Held-to-maturity financial assets*: these are non-derivative financial assets with fixed or determinable payments and a fixed maturity, that are quoted in an active market and which the Group has the intention and ability to hold to maturity. They are measured at their amortised cost and may be subject to impairment as appropriate. Amortised cost includes premiums and discounts as well as transaction costs;
- *Available-for-sale financial assets*: these are non-derivative financial assets held for an indeterminate period, which the Group may sell at any time. By default, they are any assets that do not fall into one of the above three categories. These instruments are measured at fair value against *Unrealised or deferred gains and losses*. Interest accrued or paid on debt securities is recognised in the income statement using the effective interest rate method while dividend income earned on equity securities is recorded in the income statement under *Net gains and losses on available-for-sale financial assets*.

Financial liabilities are booked to one of the following two categories:

- *Financial liabilities at fair value through profit or loss*: these are financial liabilities held for trading purposes, which by default include derivative financial liabilities not qualifying as hedging instruments and non-derivative financial liabilities designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option;
- *Debts*: these include the other non-derivative financial liabilities and are measured at amortised cost.

Derivative financial assets and liabilities qualifying as hedging instruments are carried on separate lines of the balance sheet (see Note 3.2).

RECLASSIFICATION OF FINANCIAL ASSETS

After their initial recognition, financial assets may not be later reclassified as *Financial assets at fair value through profit or loss*.

A non-derivative financial asset, initially recognised as an asset held for trading purposes under *Financial assets at fair value through profit or loss*, may be reclassified out of this category when it meets the following conditions:

- if a financial asset with fixed or determinable payments initially held for trading purposes can no longer, after acquisition, be quoted in an active market and the Group has the intention and ability to hold it for the foreseeable future or until maturity, then this financial asset may be reclassified as *Loans and receivables*, provided that the eligibility criteria for this category are met at the date of transfer;
- if rare circumstances generate a change in the holding purpose of non-derivative financial assets initially held for trading, then these assets may be reclassified as *Available-for-sale financial assets* or as *Held-to-maturity financial assets*, provided that the eligibility criteria for the category in question are met at the date of transfer.

In any case, financial derivatives and financial assets measured using the fair value option may not be reclassified out of *Financial assets at fair value through profit or loss*. A financial asset initially recognised under *Available-for-sale financial assets* may be reclassified to *Held-to-maturity financial assets*, provided that the eligibility criteria for this category are met. Furthermore, if a financial asset with fixed or determinable payments initially recognised under *Available-for-sale financial assets* can subsequently no longer be quoted in an active market and if the Group has the intention and ability to hold it for the foreseeable future or until maturity, then this financial asset may be reclassified to *Loans and receivables* provided that the eligibility criteria for this category are met at the date of transfer.

These reclassified financial assets are transferred to their new category at their fair value at the date of reclassification and are subsequently measured according to the rules that apply to the new category. The amortised cost of financial assets reclassified out of *Financial assets at fair value through profit or loss* or *Available-for-sale financial assets* to *Loans and receivables* and the amortised cost of financial assets reclassified out of *Financial assets at fair value through profit or loss* to *Available-for-sale financial assets* are determined on the basis of estimated future cash flows measured at the date of reclassification. The estimated future cash flows must be reviewed at each closing date. In the event of an increase in estimated future cash flows resulting from an increase in their recoverability, the effective interest rate is adjusted prospectively. However, if there is objective evidence that the financial asset has been impaired as a result of an event occurring after reclassification, and the loss event in question has a negative impact on the estimated future cash flows of the financial asset, the impairment of this financial asset is recognised under *Cost of risk* in the income statement.

FAIR VALUE

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation methods used by the Group to establish the fair value of financial instruments are detailed in Note 3.4.

INITIAL RECOGNITION

Purchases and sales of financial assets recorded under *Financial assets at fair value through profit or loss*, *Held-to-maturity financial assets* and *Available-for-sale financial assets* are recognised in the balance sheet at the delivery-settlement date. Changes in fair value between the trade and settlement dates are recorded in the income statement or booked to shareholders' equity depending on the accounting category of the relevant financial assets. *Loans and receivables* are recorded in the balance sheet on the date they are paid or at the maturity date for invoiced services.

When initially recognised, financial assets and liabilities are measured at fair value including transaction costs directly attributable to their acquisition or their issuance, except for financial instruments recognised at fair value through profit or loss, for which these costs are booked directly to the income statement.

If the initial fair value is based on observable market data, any difference between the fair value and the transaction price, i.e. the sales margin, is immediately recognised in the income statement. However, if valuation inputs are not observable or if the valuation models are not recognised by the market, the initial fair value of the financial instrument is deemed to be the transaction price and the sales margin is then generally recognised in the income statement over the life of the instrument. For some instruments, due to their complexity, this margin is recognised at their maturity or in the event of early sale. When valuation inputs become observable, any portion of the sales margin that has not yet been recorded is recognised in the income statement at that time (see Note 3.4.7).

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

The Group derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to ownership of the asset.

The Group also derecognises financial assets over which it has retained the contractual rights to the associated cash flows but is contractually obligated to pass these same cash flows through to a third party ("pass-through agreement") and for which it has transferred substantially all the risks and rewards.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has effectively not retained control of the financial asset, the Group derecognises it and, where necessary, recognises a separate asset or liability to cover any rights and obligations created or retained as a result of the asset's transfer. If the Group has retained control of the asset, it continues to recognise it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognised in its entirety, a gain or loss on disposal is recorded in the income statement for an amount equal to the difference between the carrying value of the asset and the payment received for it, adjusted where necessary for any unrealised profit or loss previously recognised directly in equity and for the value of any servicing asset or servicing liability. Indemnities billed to borrowers following the prepayment of their loan are recorded in the income statement on the prepayment date among *Interest and similar income*.

The Group only derecognises all or part of a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

A financial liability may also be derecognised in the event of a substantial amendment to its contractual conditions or where an exchange is made with the lender for an instrument whose contractual conditions are substantially different.

The information on the risk typology, the risk management linked to financial instruments as well as the information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union, is disclosed in Chapter 4 of the present Registration Document (Risks and capital adequacy).

This information belongs to the note to the consolidated financial statements and has been audited by statutory auditors; it is identified as such in Chapters 3 and 4 of the present Registration Document.

NOTE 3.1 - FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2016		31.12.2015	
(In EUR m)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Trading portfolio*	450,593	389,508	463,042	400,931
Financial instruments measured using the fair value option through profit or loss	64,122	66,112	56,558	54,050
Total	**514,715**	**455,620**	**519,600**	**454,981**
o.w. securities purchased/sold under resale/repurchase agreements	*152,803*	*126,436*	*136,157*	*141,265*

* Amounts restated relative to the financial statements published at 31st December 2015, following a modification in the presentation of physical commodities (see Note 4.2).

1. TRADING PORTFOLIO

ACCOUNTING PRINCIPLES

The trading portfolio contains financial assets and liabilities which, upon initial recognition, are:

- acquired or incurred with the intention of selling or repurchasing them in the short term; or
- held for market making purposes; or
- acquired or incurred for the purposes of the specialised management of a trading portfolio including derivative financial instruments, securities or other financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

This portfolio also includes, among *Other trading assets*, physical commodities that are held by the Group as part of its market-maker activity on commodity derivative instruments.

By default, derivative financial instruments are booked to the trading portfolio, unless they qualify as hedging instruments (see Note 3.2).

The financial instruments recorded in the trading portfolio are measured at fair value at the balance sheet date and recognised in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in their fair value are recorded in the income statement as *Net gains and losses on financial instruments at fair value through profit or loss.*

ASSETS

(In EUR m)	31.12.2016	31.12.2015
Bonds and other debt securities	41,430	54,628
Shares and other equity securities	69,549	79,297
Trading derivatives(1)	182,504	188,329
Other trading assets*	157,110	140,788
Total	**450,593**	**463,042**
o.w. securities lent	*13,332*	*15,766*

(1) See Note 3.2 Financial derivatives.

* Amounts restated relative to the financial statements published at 31st December 2015, following a modification in the presentation of physical commodities (see Note 4.2).

LIABILITIES

(In EUR m)	31.12.2016	31.12.2015
Debt securities issued	16,314	15,524
Amounts payable on borrowed securities	44,655	37,271
Bonds and other debt instruments sold short	11,592	14,142
Shares and other equity instruments sold short	1,958	1,407
Trading derivatives(1)	188,638	190,228
Other trading liabilities	126,351	142,359
Total	**389,508**	**400,931**

(1) See Note 3.2 Financial derivatives.

2. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS USING FAIR VALUE OPTION

ACCOUNTING PRINCIPLES

Financial assets and liabilities at fair value through profit or loss also include non-derivative financial assets and liabilities designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option. Changes in the fair value of these items are recognised through profit or loss under *Net gains and losses on financial instruments at fair value through profit or loss*.

This option is only applied in the following cases:

- when it eliminates or significantly reduces discrepancies in the accounting treatment of certain financial assets and liabilities;
- when it applies to a hybrid instrument containing one or more embedded derivatives that would otherwise be subject to a separate recognition;
- when a group of financial assets and/or liabilities is managed and its performance is measured on a fair value basis.

The Group thus recognises some structured bonds issued by the Global Markets and Investor Services business at fair value through profit or loss. These issues are purely commercial and the associated risks are hedged on the market using financial instruments managed in trading portfolios. By using the fair value option, the Group can ensure consistency between the accounting treatment of these bonds and that of the derivatives hedging the associated market risks, which have to be carried at fair value.

The Group also recognises the financial assets held to guarantee the unit-linked policies of its life insurance subsidiaries at fair value through profit or loss to ensure that their accounting treatment matches that of the corresponding insurance liabilities. Under IFRS 4, insurance liabilities must be recognised according to local accounting principles. Revaluations of underwriting reserves on unit-linked policies, which are directly linked to revaluations of the financial assets underlying their policies, are therefore recognised in the income statement. The fair value option thus allows the Group to record changes in the fair value of the financial assets through profit or loss so that they match fluctuations in value of the insurance liabilities associated with these unit-linked policies.

Furthermore, in order to simplify their accounting treatment by avoiding the separate recognition of embedded derivatives, the Group applies the fair value option to convertible bonds that are not held for trading purposes.

ASSETS

(In EUR m)	31.12.2016	31.12.2015
Bonds and other debt securities	23,238	20,704
Shares and other equity securities	18,921	18,537
Customer loans	19,604	17,026
Other financial assets	1,803	1
Separate assets for employee benefit plans	556	290
Total	**64,122**	**56,558**

LIABILITIES

Financial liabilities measured at profit or loss in accordance with the fair value option predominantly consist of structured bonds issued by the Societe Generale Group. The change in fair value attributable to the Group's own credit risk generated an expense of EUR 354 million at 31st December 2016. The revaluation differences attributable to the Group's issuer credit risk are determined using valuation models taking into account the Societe Generale Group's actual financing terms and conditions on the markets and the residual maturity of the related liabilities.

At 31st December 2016, the difference between fair value of financial liabilities measured using the fair value option through profit or loss (EUR 66,112 million versus EUR 54,050 million at 31st December 2015) and the amount repayable at maturity (EUR 65,837 million versus EUR 53,769 million at 31st December 2015) was EUR 275 million (EUR 281 million at 31st December 2015).

3. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(In EUR m)	**2016**	**2015**
Net gain/loss on trading portfolio*	(2,276)	394
Net gain/loss on financial instruments measured using fair value option	16	1,879
Net gain/loss on derivative instruments	7,857	3,421
Net gain/loss on hedging transactions	89	244
Net gain/loss on fair value hedging derivatives	*998*	*(2,004)*
Revaluation of hedged items attributable to hedged risks	*(911)*	*2,248*
Net gain/loss on foreign exchange transactions	75	1,019
Total[(1)]	5,759	6,957

* Amounts restated relative to the financial statements published at 31st December 2015, following a modification in the presentation of physical commodities (see Note 4.2).

(1) Insofar as income and expenses booked in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through P&L must be assessed as a whole. It should be noted that the income shown here does not include the refinancing cost of these financial instruments, which is shown under interest expense and interest income.

NOTE 3.2 - FINANCIAL DERIVATIVES

MAKING IT SIMPLE

Derivative instruments are financial instruments for which the value changes according to that of an underlying item, and can be accompanied by a leverage effect. The items underlying these instruments are various (interest rates, exchange rates, equity, indexes, commodities, credit rating, etc.), as are their forms (forward contracts, swaps, calls and puts, etc.).

The Group may use these derivative instruments for their market activities to provide its customers with solutions to meet their risk management or revenue optimisation needs. In that case, they are accounted for as trading derivatives.

The Group may also use derivative instruments to manage and hedge its own risks, in which case they are qualified as hedging derivatives. Hedging transactions can concern individual items or transactions (micro-hedging relationships) or portfolios of financial assets and liabilities that can generate a structural interest-rate risk (macro-hedging relationships).

Contrary to other financial instruments, derivative instruments are always measured at fair value in the balance sheet, regardless of their purpose (market activities or hedging transactions). The fair value adjustments of trading derivatives are directly recognised in the income statement. However, the accounting method used on hedging transactions aims to neutralise in the income statement the effects of the revaluation of hedging derivatives, as long as the hedge is effective.

ACCOUNTING PRINCIPLES

Derivatives are financial instruments meeting the following three criteria:

- their value changes in response to the change in a specified interest rate, foreign exchange rate, share price, index of prices, commodity price, credit rating, etc.;
- they require little to no initial investment;
- they are settled at a future date.

All financial derivatives are recognised at fair value in the balance sheet as financial assets or financial liabilities. They are considered to be trading derivatives by default, unless they are designated as hedging instruments for accounting purposes.

SPECIAL CASE - FINANCIAL DERIVATIVES HAVING SOCIETE GENERALE SHARES AS THEIR UNDERLYING INSTRUMENT

Financial derivatives having Societe Generale shares as their underlying instrument or shares in Group subsidiaries and whose liquidation entails the payment of a fixed amount in cash (or another financial asset) against a fixed number of Societe Generale shares (other than derivatives) are equity instruments. These instruments, and any related premiums paid or received, are recognised directly in equity, and any changes in the fair value of these derivatives are not recorded. For sales of put options on Societe Generale shares, a debt is recognised for the present value of the strike price as a contra-entry of the equity.

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

EMBEDDED DERIVATIVES

An embedded derivative is a component of a hybrid instrument. If this hybrid instrument is not measured at fair value through profit or loss, the Group separates the embedded derivative from its host contract if, at the inception of the transaction, the economic characteristics and risks of the derivative are not closely related to the economic characteristics and risk profile of the host contract and it would separately meet the definition of a derivative. Once separated, the derivative is recognised at its fair value in the balance sheet under *Financial assets or liabilities at fair value through profit or loss* and accounted for as above. The host contract is classified and measured according to its accounting category.

1. TRADING DERIVATIVES

ACCOUNTING PRINCIPLES

Trading derivatives are recorded in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in fair value are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*.

Changes in the fair value of financial derivatives involving counterparties which subsequently went into default are recorded under *Net gains and losses on financial instruments at fair value through profit or loss* until the termination date of these instruments. At this termination date, receivables and debts on these counterparties are recognised at fair value in the balance sheet. Any further impairment of these receivables is recognised under *Cost of risk* in the income statement.

BREAKDOWN OF TRADING DERIVATIVES

	31.12.2016		31.12.2015	
(In EUR m)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate instruments	125,801	125,848	126,002	124,931
Foreign exchange instruments	27,140	28,325	23,713	24,725
Equity and index instruments	18,987	22,878	18,589	20,727
Commodity instruments	6,485	6,494	12,604	11,690
Credit derivatives	3,902	4,179	7,108	7,265
Other forward financial instruments	189	914	313	890
Total	182,504	188,638	188,329	190,228

The Group uses credit derivatives in the management of its Corporate credit portfolio, primarily to reduce individual, sector and geographic concentration and to implement a proactive risk and capital management approach. All credit derivatives, regardless of their purpose, are measured at fair value through profit or loss and cannot be qualified as hedging instruments for accounting purposes. Accordingly, they are recognised at fair value among trading derivatives.

2. HEDGING DERIVATIVES

ACCOUNTING PRINCIPLES

In order to be hedged against certain market risks, the Group sets up hedging derivatives. From an accounting standpoint, the Group designates the hedging transaction as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation, depending on the risk and on the instruments that are hedged.

To designate an instrument as a hedging derivative, the Group must document the hedging relationship in detail, from the inception of the hedge. This documentation specifies the asset, liability, or future transaction hedged, the risk to be hedged and the associated risk management strategy, the type of financial derivative used and the valuation method that will be used to measure its effectiveness.

A derivative designated as a hedging instrument must be highly effective in offsetting the change in fair value or cash flows arising from the hedged risk. This effectiveness is verified when changes in the fair value or cash flows of the hedged instrument are almost entirely offset by changes in the fair value or cash flows of the hedging instrument, with the expected ratio between the two changes ranging from 80% to 125%. Effectiveness shall be assessed both when the hedge is first set up and throughout its life. Effectiveness is measured each quarter prospectively (expected effectiveness over the future periods) and retrospectively (effectiveness measured on past periods). Where the effectiveness falls outside the range specified above, hedge accounting is discontinued.

Hedging derivatives are recognised in the balance sheet under *Hedging derivatives*.

FAIR VALUE HEDGES

The purpose of these hedges is to protect the Group against an adverse fluctuation in the fair value of an instrument which could affect profit or loss if the instrument were derecognised from the balance sheet.

Changes in the fair value of the hedging derivative are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*; for interest rate derivatives, however, accrued interest income and expenses on the derivative are recorded in the income statement under *Interest income and expense – Hedging derivatives* at the same time as accrued interest income and expenses related to the hedged item.

In the balance sheet, the carrying value of the hedged item is adjusted for gains and losses attributable to the hedged risk, which are reported in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*. To the extent that the hedge is highly effective, changes in the fair value of the hedged item and changes in the fair value of the hedging derivative are accurately offset through profit or loss, the difference corresponding to an ineffectiveness gain or loss.

Prospective effectiveness is assessed via a sensitivity analysis based on probable market trends or via a regression analysis of the statistical relationship (correlation) between certain components of the hedged item and the hedging instrument. Retrospective effectiveness is assessed by comparing any changes in the fair value of the hedging instrument with any changes in the fair value of the hedged item.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or if it is terminated or sold, hedge accounting is discontinued prospectively. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value attributable to the hedged risk and the cumulative adjustments previously recognised under hedge accounting are amortised over its remaining life. Hedge accounting is also discontinued if the hedged item is sold prior to maturity or redeemed early.

CASH FLOW HEDGES

The purpose of interest rate cash flow hedges is to protect against changes in future cash flows associated with a financial instrument on the balance sheet (loans, securities or floating-rate notes) or with a highly probable future transaction (future fixed rates, future prices, etc.). The purpose of these hedges is to protect the Group against adverse fluctuations in the future cash-flows of an instrument or transaction that could affect profit or loss.

The effective portion of changes in the fair value of hedging derivatives is booked to *Unrealised or deferred gains and losses*, while the ineffective portion is recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*. For interest rate derivatives, accrued interest income and expenses on the derivative are recorded in the income statement under *Interest income and expense – Hedging derivatives* at the same time as accrued interest income and expenses related to the hedged item.

The effectiveness of the hedge is assessed using the hypothetical derivative method, which consists in i) creating a hypothetical derivative bearing exactly the same characteristics as the instrument being hedged (in notional terms, in terms of the date on which the rates are reset, in terms of the rates themselves, etc.), but which moves in the opposite direction and whose fair value is nil when the hedge is set up, then ii) comparing the expected changes in the fair value of the hypothetical derivative with those of the hedging instrument (sensitivity analysis) or performing a regression analysis on the prospective effectiveness of the hedge. Here, only any “over-hedging” is deemed ineffective.

Amounts directly recognised in equity in respect of the revaluation of cash flow hedging derivatives are subsequently reclassified to *Interest income and expense* in the income statement at the same time as the cash flows being hedged.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is discontinued prospectively. Amounts previously recognised directly in equity are reclassified under *Interest income and expense* in the income statement over the periods during which interest income is affected by cash flows arising from the hedged item. If the hedged item is sold or redeemed earlier than expected or if the hedged forecast transaction ceases to be highly probable, unrealised gains and losses recognised in equity are immediately reclassified in the income statement.

HEDGING OF A NET INVESTMENT IN A FOREIGN OPERATION

The purpose of a hedge of a net investment in a foreign company is to protect against exchange rate risk.

The hedged item is an investment in a country whose currency differs from the Group’s functional currency. The hedge therefore serves to protect the net position of a foreign subsidiary or branch against an exchange rate risk linked to the entity’s functional currency.

The effective portion of the changes in the fair value of a hedging derivative designated for accounting purposes as a hedge of a net investment is recognised in equity under *Unrealised or deferred gains and losses,* while the ineffective portion is recognised in the income statement.

MACRO-FAIR VALUE HEDGES

In this type of hedge, interest rate derivatives are used to globally hedge against structural interest rate risks usually arising from Retail Banking activities. When accounting for these transactions, the Group applies the IAS 39 “carve-out” standard as adopted by the European Union, which facilitates:

- the application of fair value hedge accounting to macro-hedges used for asset-liability management, including customer demand deposits in the fixed-rate positions being hedged;
- the performance of effectiveness tests required by IAS 39 as adopted by the European Union.

The accounting treatment of financial derivatives designated as macro-fair value hedges is similar to that of other fair value hedging instruments. Changes in the fair value of the portfolio of macro-hedged instruments are reported on a separate line in the balance sheet under *Revaluation differences on portfolios hedged against interest rate risk* through profit or loss.

BREAKDOWN OF HEDGING DERIVATIVES

	31.12.2016		31.12.2015	
(In EUR m)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Fair value hedge				
Interest rate instruments	17,365	9,289	15,448	9,199
Foreign exchange instruments	45	4	79	4
Equity and index instruments	1	-	5	-
Cash flow hedge				
Interest rate instruments	584	121	589	135
Foreign exchange instruments	72	179	384	183
Other financial instruments	33	1	33	12
Total	18,100	9,594	16,538	9,533

The Group sets up hedging relationships recognised for accounting purposes as fair value hedges in order to protect its fixed-rate financial assets and liabilities (primarily loans/borrowings, securities issued and fixed-rate securities) against changes in long-term interest rates. The hedging instruments used mainly consist of interest rate swaps.

Through some of its activities of the Global Banking and Investor Solutions, the Group is exposed to future cash flow changes in its short and medium-term funding requirements, and sets up hedging relationships recognised for accounting purposes as cash flow hedges. Highly probable funding requirements are determined using historic data established for each activity and representative of balance sheet outstandings. These data may be increased or decreased with changes in management methods.

The following tables specify the amount of cash flow that is subject to a cash flow hedge relationship (broken down by expected due date) and the amount of highly probable hedged forecast transactions.

(In EUR m)	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31.12.2016
Floating cash flows hedged (rates, etc.)	174	505	862	5,270	6,811
Highly probable forecast transaction	44	95	115	109	363
Other (Forex, etc.)	13	-	3	-	16
Total flows covered by cash flow hedge	231	600	980	5,379	7,190

(In EUR m)	**Less than 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**	**Over 5 years**	31.12.2015
Floating cash flows hedged (rates, etc.)	368	890	744	911	2,913
Highly probable forecast transaction	2	164	178	110	454
Other (Forex, etc.)	1	2	-	-	3
Total flows covered by cash flow hedge	371	1,056	922	1,021	3,370

3. FORWARD FINANCIAL INSTRUMENT COMMITMENTS (NOTIONAL AMOUNTS)

	31.12.2016		**31.12.2015**	
(In EUR m)	**Trading**	**Hedging**	**Trading**	**Hedging**
Interest rate instruments				
Firm instruments				
Swaps	7,659,277	425,723	9,464,657	388,205
FRAs	1,643,107	372	1,401,505	291
Options	2,508,569	2,238	2,519,669	542
Foreign exchange instruments				
Firm instruments	2,406,365	12,713	2,429,059	9,635
Options	899,930	-	612,156	-
Equity and index instruments				
Firm instruments	81,292	-	85,632	-
Options	1,803,498	-	1,806,733	35
Commodity instruments				
Firm instruments	151,588	-	183,023	-
Options	49,075	-	57,682	-
Credit derivatives	485,505	-	675,181	-
Other forward financial instruments	32,041	226	33,260	342
TOTAL	17,720,247	441,272	19,268,557	399,050

4. MATURITIES OF FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)

These items are presented according to the contractual maturity of the financial instruments.

(In EUR m)	**Less than 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**	**Over 5 years**	**31.12.2016**
Interest rate instruments	1,290,563	3,086,161	4,613,613	3,248,949	12,239,286
Foreign exchange instruments	1,583,635	823,150	651,781	260,442	3,319,008
Equity and index instruments	295,416	1,283,202	262,229	43,943	1,884,790
Commodity instruments	106,211	58,646	29,572	6,234	200,663
Credit derivatives	38,052	134,167	287,752	25,534	485,505
Other forward financial instruments	4,772	12,596	14,787	112	32,267
Total	3,318,649	5,397,922	5,859,734	3,585,214	18,161,519

NOTE 3.3 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

ACCOUNTING PRINCIPLES

Available-for-sale financial assets are non-derivative financial assets held for an indeterminate period which the Group may sell at any time. By default, they are any financial assets that are not classified under *Loans and receivables*, *Financial assets at fair value through profit or loss*, or *Held to maturity financial assets*.

Interest accrued or paid on fixed-income securities is recognised in the income statement using the effective interest rate method under *Interest and similar income – Transactions in financial instruments*. Dividend income earned on these securities is recorded in the income statement under *Net gains and losses on available-for-sale financial assets*.

At the balance sheet date, available-for-sale financial assets are measured at fair value, and any changes in fair value, excluding income, are booked to *Unrealised or deferred capital gains and losses*, except for foreign exchange losses or gains on foreign-currency monetary assets, which are taken to the income statement.

If these financial assets are sold, the unrealised gains and losses booked to equity are reclassified as *Net gains and losses on available-for-sale financial assets*.

If, at the balance sheet date, there is objective evidence of impairment of an available-for-sale financial asset arising from one or more events subsequent to its initial recognition, the unrealised loss previously accumulated in equity is reclassified under *Cost of risk* for debt instruments and under *Net gains and losses on available-for-sale financial assets* for equity instruments. The impairment rules applied by the Group are described in Note 3.8.

1. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31.12.2016		31.12.2015	
(In EUR m)	**Net**	*o.w. allowances for impairment*	**Net**	*o.w. allowances for impairment*
Debt instruments	124,747	*(257)*	119,467	*(266)*
Equity instruments[(1)]	12,447	*(567)*	12,091	*(363)*
Long-term equity investments	2,210	*(518)*	2,629	*(510)*
Total	139,404	*(1,342)*	134,187	*(1,139)*
o.w. securities lent	*2*	-	*1*	-

(1) Including UCITS.

CHANGES IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

(In EUR m)	2016
Balance at 1st January 2016	134,187
Acquisitions	55,665
Disposals / redemptions[(1)]	(49,564)
Change in scope and others	(1,294)
Gains and losses on changes in fair value recognised directly in equity during the period	926
Change in impairment on debt instruments recognised in P&L	9
increase	*(7)*
write-backs	*10*
others	*5*
Impairment losses on equity instruments recognised in P&L	(285)
Change in related receivables	(113)
Translation differences	(127)
Balance at 31st December 2016	139,404

(1) Disposals are valued according to the weighted average cost method.

2. NET GAINS AND LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

(In EUR m)	2016	2015
Dividend income	460	722
Gains and losses on sale of debt instruments(1)	182	133
Gains and losses on sale of equity instruments(2)	(54)	995
Impairment losses on equity instruments(3)	(254)	(102)
Profit-sharing on available-for-sale financial assets of insurance companies	315	(893)
Gains and losses on sale of long-term equity investments	766	118
Impairment losses on long-term equity investments(4)	(31)	(24)
Total net gains and losses on available-for-sale assets	1,384	949
Interest income on available-for-sale assets	2,496	2,811

(1) o.w. EUR 5 million for Insurance activities in 2016.
(2) o.w. EUR -63 million for Insurance activities in 2016.
(3) o.w. EUR -248 million for Insurance activities in 2016.
(4) o.w. EUR -1 million for Insurance activities in 2016.

3. BREAKDOWN OF UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

	2016		
(In EUR m)	**Unrealised gains**	**Unrealised losses**	**Net revaluation**
Unrealised gains and losses on available-for-sale equity instruments	586	(40)	546
Unrealised gains and losses on available-for-sale debt instruments	867	(377)	490
Unrealised gains and losses of insurance companies	698	(198)	500
Total	2,151	(615)	1,536

	2015		
(In EUR m)	**Unrealised gains**	**Unrealised losses**	**Net revaluation**
Unrealised gains and losses on available-for-sale equity instruments	1,119	(62)	1,057
Unrealised gains and losses on available-for-sale debt instruments	1,047	(679)	368
Unrealised gains and losses of insurance companies	550	(119)	431
Total	2,716	(860)	1,856

SALE OF VISA SHARES

After being approved by the appropriate European authorities, Visa Inc.'s acquisition of the unlisted Visa Europe shares held by the Group and recorded under *Available-for-sale assets*, agreed on 2nd November 2015, was closed on 21st June 2016. The Visa Europe shares were sold against a three-part payment: an upfront cash consideration, a deferred cash payment, and Visa Inc. preference shares.

The preference shares will be convertible into ordinary shares over a period of four to 12 years, subject to conditional terms; they are not listed and are subject to limited transferability. To assess the value of the preference shares, the Group incorporated their illiquidity the uncertainties surrounding the factors that will be used to determine the final conversion rate into ordinary Visa shares, using estimates and assumptions similar to those made for the valuation of Visa Europe shares at 31st December 2015. As a result of this sale, the EUR 552 million before tax booked to *Unrealised gains and losses on available-for-sale equity instruments* at 31st December 2015 were recycled to income and a total capital gain of EUR 725 million was recorded under *Net gains and losses on available-for-sale financial assets*.

NOTE 3.4 - FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

MAKING IT SIMPLE

The financial assets and liabilities recognised in the Group balance sheet are measured either at fair value or at amortised cost. In the latter case, the fair value of the instruments is disclosed in the notes (see Note 3.9).

If an instrument is quoted on an active market, its fair value is equal to its market price.

But many financial instruments are not listed (for example, most customer loans and deposits, interbank debts and claims, etc.), or are only negotiable on illiquid markets or over-the-counter markets (as is the case for many derivative instruments).

In such situations, the fair value of the instruments is calculated using measurement techniques or valuation models. Market parameters are included in these models and must be observable; otherwise they are determined based on estimates. The models and parameters used are subject to independent validations and internal controls.

ACCOUNTING PRINCIPLES

DEFINITION OF FAIR VALUE

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In the absence of observable prices for identical assets or liabilities, the fair value of financial instruments is determined using another measurement technique that maximises the use of observable market input based on assumptions that market operators would use to set the price of the instrument in question.

FAIR VALUE HIERARCHY

For information purposes, in the notes to the consolidated financial statements, the fair value of financial instruments is classified using a fair value hierarchy that reflects the significance of the inputs used, according to the following levels:

Level 1 (L1): instruments valued on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 1 instruments carried at fair value on the balance sheet include in particular shares listed in an active market, government or corporate bonds priced directly by external brokers/dealers, derivatives traded on organised markets (futures, options), and units of funds (including UCITS) whose net asset value is available on the balance sheet date.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and they reflect actual and regular market transactions on an arm's length basis.

Determining whether a market is inactive requires the use of indicators such as a sharp decline in trading volume and the level of activity in the market, a sharp disparity in prices over time and among the various above-mentioned market participants, or the fact that the latest transactions conducted on an arm's length basis did not take place recently enough.

Where a financial instrument is traded in several markets to which the Group has immediate access, its fair value is represented by the market price at which volumes and activity levels are highest for the instrument in question.

Transactions resulting from involuntary liquidations or distressed sales are usually not taken into account to determine the market price.

Level 2 (L2): instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Instruments quoted in an insufficiently liquid market and those traded over-the-counter belong to this level. Prices published by an external source derived from the valuation of similar instruments are considered as data derived from prices.

Level 2 instruments include in particular securities carried at fair value on the balance sheet that are not directly quoted (e.g. corporate bonds, mortgage-backed securities, units of funds), and firm derivatives and options traded over-the-counter: interest rate swaps, caps, floors, swaptions, equity options, index options, foreign exchange options, commodity options and credit derivatives. The maturities of these instruments are linked to ranges of terms commonly traded in the market, and the instruments themselves can be simple or offer a more complex remuneration profile (e.g. barrier options, products with multiple underlying instruments), with said complexity remaining limited however. The valuation techniques used in this category are based on common methods shared by the main market participants.

This category also includes the fair value of loans and receivables at amortised cost granted to counterparties whose credit risk is quoted via Credit Default Swap (see Note 3.9).

Level 3 (L3): instruments valued using inputs that are not based on observable market data (referred to as unobservable inputs).

Level 3 instruments carried at fair value on the balance sheet are predominantly instruments for which the sales margin is not immediately recognised in profit or loss (see Note 3.4.7).

Accordingly, Level 3 financial instruments include derivatives with longer maturities than those usually traded and/or with specifically-tailored return profiles. Similarly, debt measured at fair value is classified as Level 3 where the valuation of the associated embedded derivatives is also based on unobservable inputs.

The main L3 complex derivatives are:

- Equity derivatives: options with long maturities and/or incorporating bespoke remuneration mechanisms. These instruments are sensitive to market inputs (volatility, dividend rates, correlations, etc.). In the absence of market depth and an objective approach made possible by regularly observed prices, their valuation is based on proprietary methods (e.g. extrapolation from observable data, historical analysis). Hybrid equity instruments (i.e. having at least one non-equity underlying instrument) are also classified as L3 insofar as correlations between the different underlyings are generally unobservable;
- Interest rate derivatives: long-term and/or exotic options, products sensitive to correlation between different interest rates, different exchange rates, between interest rates and exchange rates or, for quanto products for example (in which the instrument is settled in a currency different from the currency of the underlying); they are liable to be classified as L3 because the valuation inputs are unobservable due to the liquidity of the correlated pair and the residual maturity of the transactions (e.g. exchange rate correlations are deemed unobservable for the USD/JPY);
- Credit derivatives: L3 credit derivatives mainly include baskets of instruments exposed to time to default correlation (“N to default” products in which the buyer of the hedge is compensated as of the Nth default, which are exposed to the credit quality of the issuers comprising the basket and to their correlation, or CDO Bespoke products, which are Collateralised Debt Obligations created specifically for a group of investors and structured according to their needs), as well as products subject to credit spread volatility;
- Commodity derivatives: this category includes products involving unobservable volatility or correlation inputs (including options on commodity swaps, baskets of underlyings).

1. FINANCIAL ASSETS MEASURED AT FAIR VALUE

	31.12.2016				31.12.2015			
(In EUR m)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading portfolio	104,225	163,469	395	268,089	119,627	154,499	587	274,713
Bonds and other debt securities	38,161	3,253	16	41,430	46,383	8,021	224	54,628
Shares and other equity securities	65,790	3,758	1	69,549	72,975	6,322	-	79,297
Other trading assets[(1)]*	274	156,458	378	157,110	269	140,156	363	140,788
Financial assets measured using fair value option through P&L	39,621	23,184	1,317	64,122	37,710	16,444	2,404	56,558
Bonds and other debt securities	22,926	126	186	23,238	20,291	228	185	20,704
Shares and other equity securities	16,695	2,153	73	18,921	17,419	975	143	18,537
Other financial assets	-	20,349	1,058	21,407	-	14,951	2,076	17,027
Separate assets for employee benefit plans	-	556	-	556	-	290	-	290
Trading derivatives	162	179,344	2,998	182,504	413	184,065	3,851	188,329
Interest rate instruments	46	123,862	1,893	125,801	38	123,411	2,553	126,002
Foreign exchange instruments	98	26,842	200	27,140	298	23,142	273	23,713
Equity and index instruments	-	18,488	499	18,987	-	18,107	482	18,589
Commodity instruments	-	6,423	62	6,485	-	12,361	243	12,604
Credit derivatives	-	3,724	178	3,902	-	6,855	253	7,108
Other forward financial instruments	18	5	166	189	77	189	47	313
Hedging derivatives	-	18,100	-	18,100	-	16,538	-	16,538
Interest rate instruments	-	17,949	-	17,949	-	16,037	-	16,037
Foreign exchange instruments	-	117	-	117	-	463	-	463
Equity and index instruments	-	1	-	1	-	5	-	5
Other forward financial instruments	-	33	-	33	-	33	-	33
Available-for-sale financial assets	128,861	8,526	2,017	139,404	123,718	8,200	2,269	134,187
Debt securities	118,429	6,115	203	124,747	113,374	5,983	110	119,467
Equity securities	10,251	2,160	36	12,447	10,153	1,827	111	12,091
Long-term equity investments	181	251	1,778	2,210	191	390	2,048	2,629
Total financial assets at fair value	272,869	392,623	6,727	672,219	281,468	379,746	9,111	670,325

(1) o.w. EUR 151,001 million of securities purchased under resale agreements at 31st December 2016 vs. EUR 136,158 million at 31st December 2015.

* Amounts restated relative to the financial statements published at 31st December 2015, following a modification in the presentation of physical commodities (see Note 4.2).

2. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

	31.12.2016				31.12.2015			
(In EUR m)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio	13,518	180,408	6,944	200,870	15,564	189,175	5,964	210,703
Debt securities issued	-	9,567	6,747	16,314	-	9,728	5,796	15,524
Amounts payable on borrowed securities	13	44,642	-	44,655	52	37,219	-	37,271
Bonds and other debt instruments sold short	11,547	45	-	11,592	14,105	36	1	14,142
Shares and other equity instruments sold short	1,958	-	-	1,958	1,407	-	-	1,407
Other trading liabilities(1)	-	126,154	197	126,351	-	142,192	167	142,359
Financial liabilities measured using fair value option through P&L	325	37,499	28,288	66,112	306	32,570	21,174	54,050
Trading derivatives	96	184,491	4,051	188,638	279	185,884	4,065	190,228
Interest rate instruments	22	123,199	2,627	125,848	42	122,334	2,555	124,931
Foreign exchange instruments	69	28,224	32	28,325	221	24,470	34	24,725
Equity and index instruments	-	22,082	796	22,878	-	19,991	736	20,727
Commodity instruments	-	6,428	66	6,494	-	11,436	254	11,690
Credit derivatives	-	3,649	530	4,179	-	6,780	485	7,265
Other forward financial instruments	5	909	-	914	16	873	1	890
Hedging derivatives	-	9,594	-	9,594	-	9,533	-	9,533
Interest rate instruments	-	9,410	-	9,410	-	9,334	-	9,334
Foreign exchange instruments	-	183	-	183	-	187	-	187
Equity and index instruments	-	-	-	-	-	-	-	-
Other financial instruments	-	1	-	1	-	12	-	12
Total financial liabilities at fair value	13,939	411,992	39,283	465,214	16,149	417,162	31,203	464,514

(1) o.w. EUR 125,146 million of securities sold under repurchase agreements at 31st December 2016 vs. EUR 141,166 million at 31st December 2015.

3. VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AT FAIR VALUE

(In EUR m)	Balance at 01.01.2016	Acquisitions	Disposals / redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance at 31.12.2016
Trading portfolio	587	140	(227)	(173)	69	(16)	15	-	395
Bonds and other debt securities	224	120	(151)	(171)	-	(6)	-	-	16
Shares and other equity securities	-	20	(76)	-	69	(15)	3	-	1
Other trading assets	363	-	-	(2)	-	5	12	-	378
Financial assets measured using fair value option through profit or loss	2,404	775	(358)	(1,438)	-	(96)	30	-	1,317
Bonds and other debt securities	185	2	(2)	(1)	-	2	-	-	186
Shares and other equity securities	143	1	(52)	-	-	(19)	-	-	73
Other financial assets	2,076	772	(304)	(1,437)	-	(79)	30	-	1,058
Separate assets for employee benefit plans	-	-	-	-	-	-	-	-	-
Trading derivatives	3,851	50	(22)	(1,055)	391	(312)	95	-	2,998
Interest rate instruments	2,553	-	(20)	(673)	91	(123)	65	-	1,893
Foreign exchange instruments	273	7	-	(6)	75	(159)	10	-	200
Equity and index instruments	482	37	(2)	(147)	23	95	11	-	499
Commodity instruments	243	6	-	(217)	-	30	-	-	62
Credit derivatives	253	-	-	(12)	28	(94)	3	-	178
Other forward financial instruments	47	-	-	-	174	(61)	6	-	166
Hedging derivatives	-	-	-	-	-	-	-	-	-
Available-for-sale financial assets	2,269	493	(378)	(399)	-	175	(13)	(130)	2,017
Debt securities	110	169	(65)	(7)	-	-	(2)	(2)	203
Equity securities	111	14	(35)	-	-	2	(7)	(49)	36
Long-term equity investments	2,048	310	(278)	(392)	-	173	(4)	(79)	1,778
Total financial assets at fair value	9,111	1,458	(985)	(3,065)	460	(249)	127	(130)	6,727

FINANCIAL LIABILITIES AT FAIR VALUE

(In EUR m)	Balance at 01.01. 2016	Issues	Acquisitions / disposals	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Balance at 31.12. 2016
Trading portfolio	5,964	2,426	(1)	(1,781)	(310)	426	66	154	6,944
Debt securities issued	5,796	2,426	-	(1,777)	(200)	247	107	148	6,747
Amounts payable on borrowed securities	-	-	-	-	-	-	-	-	-
Bonds and other debt instruments sold short	1	-	(1)	-	-	-	-	-	-
Shares and other equity instruments sold short	-	-	-	-	-	-	-	-	-
Other trading liabilities	167	-	-	(4)	(110)	179	(41)	6	197
Financial liabilities measured using fair value option through P&L	21,174	11,201	-	(5,285)	(2,898)	3,631	207	258	28,288
Trading derivatives	4,065	575	(9)	(303)	(760)	223	220	40	4,051
Interest rate instruments	2,555	13	(9)	-	(405)	181	269	23	2,627
Foreign exchange instruments	34	8	-	-	(17)	1	4	2	32
Equity and index instruments	736	549	-	(301)	(210)	21	(12)	13	796
Commodity instruments	254	5	-	(1)	(70)	-	(121)	(1)	66
Credit derivatives	485	-	-	-	(58)	20	80	3	530
Other forward financial instruments	1	-	-	(1)	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-	-
Total financial liabilities at fair value	31,203	14,202	(10)	(7,369)	(3,968)	4,280	493	452	39,283

4. VALUATION METHODS OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE ON THE BALANCE SHEET

For financial instruments recognised at fair value on the balance sheet, fair value is determined primarily on the basis of the prices quoted in an active market. These prices can be adjusted if none are available on the balance sheet date or if the clearing value does not reflect transaction prices.

However, due notably to the varied characteristics of financial instruments traded over-the-counter on the financial markets, a large number of financial products traded by the Group do not have quoted prices in the markets.

For these products, fair value is determined using models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for swaps or the Black & Schools formula for certain options, and using valuation parameters that reflect current market conditions at the balance sheet date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.

Furthermore, the inputs used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of GBIS (Global Banking and Investor Solutions), in accordance with the methodologies defined by the Market Risk Department.

If necessary, these valuations are supplemented by additional reserves (such as bid-ask spreads and liquidity) determined reasonably and appropriately after an analysis of available information.

Derivatives and security financing transactions are subject to a Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA). The Group includes all clients and clearing houses in this adjustment, which also reflects the netting agreements existing for each counterparty.

CVA is determined on the basis of the Group entity's positive expected exposure to the counterparty, the counterparty's probability of default (conditional to the entity not defaulting) and the loss given default. The DVA is determined symmetrically based on the negative expected exposure. These calculations are carried out over the life of the potential exposure, with a focus on the use of relevant and observable market data.

Similarly, an adjustment to take into account the costs or profits linked to the financing of these transactions (FVA, Funding Value Adjustment) is also performed.

Observable data must be: independent, available, publicly distributed, based on a narrow consensus and/or backed up by transaction prices.

For example, consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For high maturities, these consensus data are not observable. This is the case for the implied volatility used for the valuation of equity options with maturities of more than five years. However, when the residual maturity of the instrument falls below five years, its fair value becomes sensitive to observable inputs.

In the event of unusual tensions on the markets, leading to a lack of the usual reference data used to measure a financial instrument, the Risk Division may implement a new model in accordance with pertinent available data, similar to methods used by other market players.

SHARES AND OTHER EQUITY SECURITIES

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

- valuation based on a recent transaction involving the issuing company (third party buying into the issuing company's capital, appraisal by a professional valuation agent, etc.);
- valuation based on a recent transaction in the same sector as the issuing company (income multiple, asset multiple, etc.);
- proportion of net asset value held.

For unlisted securities in which the Group has significant holdings, valuations based on the above methods are supplemented by a discounted future cash flow valuation based on business plans or on valuation multiples of similar companies.

DEBT INSTRUMENTS HELD IN PORTFOLIO, ISSUES OF STRUCTURED SECURITIES MEASURED AT FAIR VALUE AND FINANCIAL DERIVATIVES

The fair value of these financial instruments is determined based on the quoted price on the balance sheet date or prices provided by brokers on the same date, when available. For unlisted financial instruments, fair value is determined using valuation techniques. Concerning liabilities measured at fair value, the on-balance sheet amounts include changes in the Group's issuer credit risk.

OTHER DEBTS

For listed financial instruments, fair value is taken as their closing quoted price on the balance sheet date. For unlisted financial instruments, fair value is determined by discounting future cash flows to present value at market rates (including counterparty risks, non-performance and liquidity risks).

5. ESTIMATES OF MAIN UNOBSERVABLE INPUTS

The following table provides the valuation of Level 3 instruments on the balance sheet and the range of values of the most significant unobservable inputs by main product type.

(In EUR m)	Value in balance sheet					
Cash instruments and derivatives (1)	**Assets**	**Liabilities**	**Main products**	**Valuation techniques used**	**Significant unobservable inputs**	**Range of inputs min & max**
Equities/funds	1,993	25,643	Simple and complex instruments or derivatives on funds, equities or baskets of stocks	Various option models on funds, equities or baskets of stocks	Equity volatilities	2.5%; 97.9%
					Equity dividends	0.0%; 32.2%
					Correlations	-99%; 100%
					Hedge fund volatilities	8.5%; 11.9%
					Mutual fund volatilities	1.7%; 24.5%
Rates and Forex	2,694	13,044	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	-47.1%; 90%
			Forex derivatives	Forex option pricing models	Forex volatilities	1%; 28.1%
			Interest rate derivatives whose notional is indexed to prepayment behaviour in European collateral pools	Prepayment modelling	Constant prepayment rates	0%; 45%
			Inflation instruments and derivatives	Inflation pricing models	Correlations	64.4%; 93%
Credit	201	530	Collateralised Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	0%; 100%
					Recovery rate variance for single name underlyings	0%; 100%
			Other credit derivatives	Credit default models	Time to default correlations	0%; 100%
					Quanto correlations	-50%; 40%
					Credit spreads	0 bps; 1,000 bps
Commodities	62	66	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	-0.9%; 98.5%
Long term equity investments	1,778	-	Securities held for strategic purposes	Various securities valuation models (Discounted Cash Flows – DCF, Net Book Value)	Growth rate (DCF)	1%; 3%
					Cost of Equity (DCF)	8%; 10%
TOTAL	6,728	39,283				

(1) Hybrid instruments are broken down by main unobservable inputs.

6. SENSITIVITY OF FAIR VALUE FOR LEVEL 3 INSTRUMENTS

Unobservable inputs are assessed carefully, particularly in this persistently uncertain economic environment and market. However, by their very nature, unobservable inputs inject a degree of uncertainty into the valuation of Level 3 instruments.

To quantify this, fair value sensitivity was estimated at 31st December 2016 on instruments whose valuation requires certain unobservable inputs. This estimate was based either on a "standardised" variation in unobservable inputs, calculated for each input on a net position, or on assumptions in line with the additional valuation adjustment policies for the financial instruments in question.

The "standardised" variation is:

- either the standard deviation of consensus prices (TOTEM, etc.) used to measure an input nevertheless considered as unobservable; or
- the standard deviation of historic data used to measure the input.

SENSITIVITY OF LEVEL 3 FAIR VALUE TO A REASONABLE VARIATION IN UNOBSERVABLE INPUTS

	31.12.2016	
(In EUR m)	**Negative impact**	**Positive impact**
Shares and other equity instruments and derivatives	**(20)**	**94**
Equity volatilities	0	17
Dividends	(1)	5
Correlations	(19)	59
Hedge Fund volatility	0	8
Mutual Fund volatility	0	5
Rates and/or Forex instruments and derivatives	**(5)**	**49**
Correlations between exchange rates and/or interest rates	(3)	42
Forex volatilities	(2)	5
Constant prepayment rates	0	0
Inflation / inflation correlations	(1)	3
Credit instruments and derivatives	**(8)**	**16**
Time to default correlations	(1)	1
Recovery rate variance for single name underlyings	(7)	7
Quanto correlations	0	8
Credit spreads	(1)	1
Commodity derivatives	**0**	**2**
Commodities correlations	0	2
Long term securities valued using internal models	**(15)**	**27**
Growth rate and cost of equity	(15)	27

It should be noted that, given the already conservative valuation levels, this sensitivity is higher for a favourable impact on results than for an unfavourable impact. Moreover, the amounts shown above illustrate the uncertainty of the valuation as of the computation date on the basis of a reasonable variation in inputs. Future variations in fair value or consequences of extreme market conditions cannot be deduced or forecast from these estimates.

7. DEFERRED MARGIN RELATED TO MAIN UNOBSERVABLE INPUTS

The remaining amount to be recorded in the income statement, resulting from the difference between the transaction price and the amount determined at this date using valuation techniques, minus the amounts recorded in the income statement after initial recognition, is shown in the table below. This amount is recorded in the income statement over time, or when the inputs become observable.

(In EUR m)	2016	2015
Deferred margin at 1st January	1,029	1,031
Deferred margin on new transactions during the period	779	634
Margin recorded in the income statement during the period	(666)	(636)
o.w. amortisation	*(290)*	*(251)*
o.w. switch to observable inputs	*(90)*	*(79)*
o.w. disposed, expired or terminated	*(285)*	*(307)*
o.w. translation differences	*-*	*1*
Deferred margin at 31st December	**1,142**	**1,029**

NOTE 3.5 - LOANS AND RECEIVABLES

ACCOUNTING PRINCIPLES

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes, not held for sale from the time they are originated or acquired and not designated by the Group upon initial recognition to be measured at fair value through profit or loss in accordance with the fair value option.

Loans and receivables are recognised in the balance sheet under *Due from banks* or *Customer loans* depending on the type of counterparty. After their initial recognition, they are measured at amortised cost using the effective interest rate method and impairment, determined on an individual or a collective basis, may be recorded if appropriate (see Note 3.8).

Loans and receivables may be subject to commercial renegotiations provided that the borrowing customer is not experiencing financial difficulties and is not insolvent. Such transactions involve customers whose debt the Group is willing to renegotiate in the interest of maintaining or developing a commercial relationship, in accordance with the credit approval procedures in force, and without relinquishing any principal or accrued interest. Renegotiated loans and receivables are derecognised at the renegotiation date and replaced with the new loans, taken out under renegotiated conditions, which are recorded on the balance sheet at the same date. These new loans are subsequently measured at amortised cost, based on the effective interest rate arising from the new contractual conditions and taking into account the renegotiation fees billed to the customer.

Customer loans include lease receivables where they are classified as finance leases. Leases granted by the Group are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise, they are classified as operating leases (see Notes 4.2 and 8.4).

These finance lease receivables represent the Group's net investment in the lease, calculated as the present value of the minimum payments to be received from the lessee discounted at the interest rate implicit in the lease, plus any unguaranteed residual value. In the event of a subsequent reduction in the estimated unguaranteed residual value used to calculate the lessor's investment in the finance lease, the present value of this reduction is recognised as a loss under *Expenses from other activities* in the income statement and as a reduction of finance lease receivables on the asset side of the balance sheet.

1. DUE FROM BANKS

(In EUR m)	**31.12.2016**	**31.12.2015**
Current accounts	24,639	26,113
Deposits and loans[1]	21,675	21,291
Subordinated and participating loans	157	458
Securities purchased under resale agreements	12,890	23,699
Related receivables	141	122
Due from banks before impairment	59,502	71,683
Impairment of individually impaired loans	(35)	(37)
Revaluation of hedged items	35	36
Net due from banks	59,502	71,682

(1) At 31st December 2016, the amount of receivables with incurred credit risk was EUR 97 million compared to EUR 82 million at 31st December 2015.

2. CUSTOMER LOANS

(In EUR m)	31.12.2016	31.12.2015
Overdrafts	25,880	22,653
Other customer loans[1]	360,389	348,619
Lease financing agreements[1]	29,562	27,972
Related receivables	1,611	1,661
Securities purchased under resale agreements	23,432	19,131
Customer loans before impairment	440,874	420,036
Impairment of individually impaired loans	(13,281)	(13,978)
Impairment of groups of homogeneous receivables	(1,534)	(1,388)
Revaluation of hedged items	442	582
Net customer loans	426,501	405,252

(1) At 31st December 2016, the amount of receivables with incurred credit risk was EUR 23,639 million compared to EUR 24,411 million at 31st December 2015.

BREAKDOWN OF OTHER CUSTOMER LOANS

(In EUR m)	31.12.2016	31.12.2015
Trade notes	10,289	9,582
Short-term loans	108,575	101,926
Export loans	11,718	11,499
Equipment loans	51,671	51,938
Housing loans	119,547	115,689
Loans secured by notes and securities	139	140
Other loans	58,450	57,845
Other customer loans	360,389	348,619

ADDITIONAL INFORMATION ON LEASE FINANCING AND SIMILAR AGREEMENTS

(In EUR m)	31.12.2016	31.12.2015
Gross investments	32,230	30,645
less than 1 year	*8,294*	*8,200*
1-5 years	*18,042*	*16,414*
more than 5 years	*5,894*	*6,031*
Present value of minimum payments receivable	28,151	26,510
less than 1 year	*7,600*	*7,501*
1-5 years	*16,006*	*14,450*
more than 5 years	*4,545*	*4,559*
Unearned financial income	2,584	2,617
Unguaranteed residual values receivable by the lessor	1,495	1,518

NOTE 3.6 - DEBTS

ACCOUNTING PRINCIPLES

Debts include non-derivative financial liabilities that are not measured at fair value through profit or loss.

They are recognised in the balance sheet under *Due to banks*, *Customer deposits*, *Debt securities issued* and *Subordinated debts*.

Subordinated debts are all dated or undated borrowings, whether or not in the form of debt securities, which in the event of the liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

Debts are initially recognised at cost, measured as the fair value of the amount borrowed net of transaction fees. These liabilities are measured at period-end and at amortised cost using the effective interest rate method. As a result, issue or redemption premiums on bonds are amortised using the actuarial method over the life of the instruments in question.

The Group's obligations arising from mortgage savings accounts and plans are recorded under *Customer deposits – Regulated savings accounts*. A provision may be recorded in respect of CEL mortgage savings accounts and PEL mortgage savings plans (see Note 3.8).

1. DUE TO BANKS

(In EUR m)	31.12.2016	31.12.2015
Demand deposits and current accounts	14,337	14,920
Overnight deposits and borrowings and others	2,157	4,807
Term deposits	60,625	63,418
Related payables	86	101
Revaluation of hedged items	235	158
Securities sold under repurchase agreements	5,144	12,048
Total	82,584	95,452

2. CUSTOMER DEPOSITS

(In EUR m)	31.12.2016	31.12.2015
Regulated savings accounts	87,253	83,745
Demand	*62,091*	*59,923*
Term	*25,162*	*23,822*
Other demand deposits[1]	211,228	184,853
Other term deposits[1]	98,102	90,591
Related payables	451	528
Revaluation of hedged items	321	370
Total customer deposits	397,355	360,087
Borrowings secured by notes and securities	2	91
Securities sold to customers under repurchase agreements	23,645	19,453
Total	421,002	379,631

(1) Including deposits linked to governments and central administrations.

BREAKDOWN BY CUSTOMER TYPE

(In EUR m)	31.12.2016	31.12.2015
Other demand deposits		
Businesses and sole proprietors	87,923	76,774
Individual customers	64,071	56,448
Financial customers	41,942	38,478
Others[1]	17,292	13,153
Total	211,228	184,853

(1) Including deposits linked to governments and central administrations.

3. DEBT SECURITIES ISSUED

(In EUR m)	31.12.2016	31.12.2015
Term savings certificates	577	850
Bond borrowings	20,910	23,350
Interbank certificates and negotiable debt instruments	78,287	79,256
Related payables	808	897
Sub-total	100,582	104,353
Revaluation of hedged items	1,620	2,059
Total	102,202	106,412
o.w. floating-rate securities	*26,146*	*30,235*

NOTE 3.7 - INTEREST INCOME AND EXPENSE

MAKING IT SIMPLE

Interest is compensation for a financial service, consisting in a lender making a certain amount of cash available to a borrower for an agreed period of time. Such compensated financing arrangements can be loans, deposits or securities (bonds, negotiable debt securities, etc.).

This compensation represents consideration for the time value of money, and additionally for credit risk, liquidity risk and administrative costs, all borne by the lender for the duration of the financing agreement. The interest can also include a margin used by the lending bank to remunerate equity instruments (such as ordinary shares) that are required by prudential regulation to be issued in relation to the amount of financing granted, so as to guarantee its own solvency.

Interest is recognised as expenses or income over the life of the financing service granted or received, proportionally to the principal amount outstanding.

ACCOUNTING PRINCIPLES

Interest income and expense are recognised in the income statement under *Interest and similar income* and *Interest and similar expense* for all financial instruments measured at amortised cost using the effective interest rate method (loans and receivables, debts, held-to-maturity financial assets) and for debt securities classified as *Available-for-sale financial assets*.

The effective interest rate is taken to be the rate used to discount future cash inflows and outflows over the expected life of the instrument in order to establish the book value of the financial asset or liability. The calculation of this rate considers the future cash flows estimated on the basis of the contractual provisions of the financial instrument without taking account of possible future credit losses, and also includes commissions paid or received between the parties where these may be assimilated to interest, directly linked transaction costs, and all types of premiums and discounts.

When a financial asset or group of similar financial assets has been impaired following an impairment of value, subsequent interest income is recorded on the basis of the effective interest rate used to discount the future cash flows when measuring the loss of value.

Moreover, except for those related to employee benefits, provisions recognised as balance sheet liabilities generate interest expenses that are calculated using the same interest rate as that used to discount the expected outflow of resources.

	2016			2015		
(In EUR m)	Income	Expense	Net	Income	Expense	Net
Transactions with banks	1,550	(1,161)	389	1,349	(1,678)	(329)
Demand deposits and interbank loans	1,127	(1,107)	20	1,102	(1,600)	(498)
Securities purchased under resale agreements and borrowings secured by notes and securities	423	(54)	369	247	(78)	169
Transactions with customers	11,957	(4,769)	7,188	12,860	(5,721)	7,139
Trade notes	531	-	531	583	-	583
Other customer loans	10,638	(2)	10,636	11,562	(2)	11,560
Demand deposits and current accounts	705	-	705	678	-	678
Regulated savings accounts	-	(875)	(875)	-	(1,061)	(1,061)
Overdrafts	13	(3,861)	(3,848)	-	(4,629)	(4,629)
Securities purchased under resale agreements and borrowings secured by notes and securities	70	(31)	39	37	(29)	8
Transactions in financial instruments	9,976	(9,263)	713	10,020	(8,726)	1,294
Available-for-sale financial assets	2,496	-	2,496	2,811	-	2,811
Held-to-maturity financial assets	260	-	260	188	-	188
Debt securities issued	-	(2,033)	(2,033)	-	(1,992)	(1,992)
Subordinated and convertible debt	-	(557)	(557)	-	(487)	(487)
Securities lending/borrowing	9	(25)	(16)	15	(21)	(6)
Hedging derivatives	7,211	(6,648)	563	7,006	(6,226)	780
Lease financing agreements	1,177	-	1,177	1,202	-	1,202
Real estate lease financing agreements	225	-	225	236	-	236
Non-real estate lease financing agreements	952	-	952	966	-	966
Total Interest income and expense	24,660	(15,193)	9,467	25,431	(16,125)	9,306
Including interest income from impaired financial assets	*373*	-	-	*436*	-	-

These interest expenses include the refinancing cost of financial instruments at fair value through profit or loss, which results are classified in net gains or losses on these instruments (see Note 3.1). Given that income and expenses booked in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole.

BREAKDOWN OF OTHER CUSTOMER LOANS INCOME:

(In EUR m)	2016	2015
Short-term loans	3,928	4,116
Export loans	280	278
Equipment loans	1,843	1,856
Housing loans	3,602	4,018
Other customer loans	985	1,294
Total	10,638	11,562

NOTE 3.8 - IMPAIRMENT AND PROVISIONS

MAKING IT SIMPLE

Some financial assets (loans, debt securities) involve credit risk, which exposes the Group to a potential loss if the borrower, the counterparty or the securities issuer were to be unable to respect their financial commitments.

Fluctuations in credit risk on financial assets measured at fair value through profit and loss (particularly instruments held as part of market activities) are directly integrated in the revaluation of the instruments and are thereby recorded as profit or loss without waiting for the occurrence of a default.

Conversely, the credit risk to which the Group is exposed on other financial assets (loans and receivables, available-for-sale securities, held-to-maturity investments) does not lead to the recording of an expense until a credit loss is incurred following the occurrence of a loss event (past-due payments, bankruptcy, significant deterioration in the borrower's financial situation, etc.).

The evidence of an incurred credit loss shall firstly be assessed individually for each financial asset, and further assessed at the level of homogeneous portfolios of financial instruments.

Impairment of assets reduces their book value in the balance sheet and can be subsequently reversed in case of an improvement in the counterparty's credit risk.

1. IMPAIRMENT OF FINANCIAL ASSETS

ACCOUNTING PRINCIPLES

FINANCIAL ASSETS MEASURED AT AMORTISED COST

At each balance sheet date, the Group assesses whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognised (a "loss event") and whether that loss event (or events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Notwithstanding the existence of a guarantee, the criteria used to assess objective evidence of credit risk include the following conditions:

- a significant decline in the counterparty's financial situation leads to a high probability of said counterparty being unable to fulfil its overall commitments (credit obligations); hence a risk of loss to the bank;
- concessions are granted to the clauses of the loan agreement, in light of the borrower's financial difficulties, that would not have been granted in other circumstances;
- one or more over 90-day past-due payments are recorded (with the exception of restructured loans on probation, which are considered in default at the first missed payment) and/or a collection procedure is initiated; or
- regardless of whether or not any past-due payments are recorded, there is objective evidence of impairment or legal proceedings have been initiated (bankruptcy, legal settlement, compulsory liquidation).

The Group applies the impairment contagion principle to all of the defaulting counterparty's outstanding loans. When a debtor belongs to a group, all of the group's outstanding loans are generally impaired as well.

If there is objective evidence that loans or other receivables, or financial assets classified as *Held-to-maturity financial assets*, are impaired, an impairment is recognised for the difference between the carrying amount and the present value of estimated future recoverable cash flows, taking into account any guarantees; this discount is calculated using the financial assets' original effective interest rate. The impairment is deducted from the carrying value of the impaired financial asset. Allocations to and reversals of impairments are recorded in the income statement under *Cost of risk*. The impaired loans or receivables are remunerated for accounting purposes by the reversal over time of the discounting to present value, which is recorded under *Interest and similar income* in the income statement.

Where there is no objective evidence that an impairment loss has been incurred on a financial asset considered individually, be it significant or not, the Group includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment. In a homogeneous portfolio, as soon as a credit risk is incurred on a group of financial instruments, impairment is recognised without waiting for the risk to individually affect one or more receivables.

Homogeneous portfolios thus impaired can include:

- receivables on counterparties which have encountered financial difficulties since these receivables were initially recognised, without any objective evidence of impairment having yet been identified at the individual level (sensitive receivables); or
- receivables on counterparties linked to economic sectors considered as being in crisis further to the occurrence of loss events; or
- receivables on geographical sectors or countries in which a deterioration of credit risk has been assessed.

The amount of impairment on a group of homogeneous assets is calculated on the basis of assumptions on default rates and loss given default, or, if necessary, on the basis of *ad hoc* studies. These assumptions are calibrated for each homogeneous group based on its specific characteristics, sensitivity to the economic environment and historical data. They are reviewed periodically by the Risk Division and then adjusted to reflect any relevant current economic conditions. Allocations to and reversals of such impairment are recorded under *Cost of risk.*

RESTRUCTURING OF LOANS AND RECEIVABLES

When an asset recorded under *Loans and receivables* is restructured, contractual changes are made to the amount, term or financial conditions of the initial transaction approved by the Group, due to the financial difficulties or insolvency of the borrower (whether insolvency has already occurred or will definitely occur unless the debt is restructured); these changes would not have been considered in other circumstances.

Restructured financial assets are classified as impaired and the borrowers are considered to be in default. These classifications are maintained for at least one year and for as long as any uncertainty remains for the Group as to whether or not the borrowers can meet their commitments.

At the restructuring date, the carrying amount of the restructured financial asset is decreased to the present amount of the estimated new future recoverable cash flows discounted using the initial effective interest rate. This loss is booked to profit or loss under *Cost of risk*.

Restructured financial assets do not include loans and receivables subject to commercial renegotiations and involving customers whose debt the Group has agreed to renegotiate in the interest of maintaining or developing a commercial relationship, in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

An available-for-sale financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of this asset.

For listed equity instruments, a significant or prolonged decline in their price below their acquisition cost constitutes objective evidence of impairment. For this purpose, the Group considers as impaired listed shares showing an unrealised loss greater than 50% of their acquisition price on the balance sheet date, as well as listed shares for which the quoted prices have been below their acquisition price on every trading day for at least the last 24 months before the balance sheet date. Further factors, such as the financial situation of the issuer or its development outlook, can lead the Group to consider that the cost of its investment may not be recovered even if the above-mentioned criteria are not met. An impairment loss is then recorded through profit or loss equal to the difference between the last quoted price of the security on the balance sheet date and its acquisition price.

For unlisted equity instruments, the criteria used to assess the evidence of impairment are identical to those mentioned above. The value of these instruments at the balance sheet date is determined using the valuation methods described in Note 3.

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

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in shareholders' equity under *Unrealised or deferred gains and losses* and subsequent objective evidence of impairment emerges, the Group recognises the total accumulated unrealised loss previously recorded in shareholders' equity in the income statement under *Cost of risk* for debt instruments and under *Net gains and losses on available-for-sale financial assets* for equity securities.

This cumulative loss is measured as the difference between the acquisition cost (net of any repayments of principal and amortisation) and the present fair value, less any impairment of the financial asset that has already been recorded through profit or loss.

Impairment losses recognised through profit or loss on an equity instrument classified as available-for-sale are only reversed through profit or loss when the instrument is sold. Once an equity instrument has been recognised as impaired, any further loss of value is recorded as an additional impairment loss. For debt instruments, however, an impairment loss is reversed through profit or loss if they subsequently recover in value following an improvement in the issuer's credit risk.

BREAKDOWN OF ASSET IMPAIRMENTS

(In EUR m)	Asset impairments at 31.12.2015	Allocations	Write-backs available	Net impairment losses	Reversals used	Currency and scope effects	Asset impairments at 31.12.2016
Banks	37	1	(5)	(4)	-	2	35
Customer loans	13,158	4,592	(3,246)	1,346	(2,087)	118	12,535
Lease financing and similar agreements	820	364	(317)	47	(121)	-	746
Groups of homogeneous assets	1,388	572	(439)	133	-	13	1,534
Available-for-sale assets[(1)(2)]	1,139	292	(148)	144	(8)	68	1,343
Others[(1)]	540	380	(122)	258	(48)	14	764
Total	17,082	6,201	(4,277)	1,924	(2,264)	215	16,957

(1) Including a EUR 51 million net allowance for counterparty risks.
(2) o.w. write-down on equity securities, excluding insurance activities, of EUR 40 million, which can be broken down as follows:
- EUR 14 million: impairment loss on securities not written down at 31st December 2015;
- EUR 26 million: additional impairment loss on securities already written down at 31st December 2015.

2. PROVISIONS

ACCOUNTING PRINCIPLES

Provisions include provisions for credit risk related to off-balance sheet loan and guarantee commitments granted to third parties by the Group, provisions related to PEL/CEL commitments, and provisions representing liabilities whose timing or amount cannot be precisely determined (primarily legal disputes and restructuring).

Provisions may be recorded:

- where, by virtue of a commitment to a third party, the Group will probably or certainly incur an outflow of resources to this third party without receiving at least the equivalent value in exchange.
- and when the amount of probable outflow of resources can be reliably estimated.

The expected outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions are recorded through profit or loss under the items corresponding to the future expense. Probable losses incurred by the Group in identifying objective evidence of credit risk related to off-balance sheet loan and guarantee commitments are recorded in the income statement under *Cost of risk* against a provision booked to liabilities.

Information on the nature and the amount of the associated risks is not disclosed when the Group considers that such disclosure could seriously undermine its position in a dispute with other parties on the object of the provision.

BREAKDOWN OF PROVISIONS

(In EUR m)	Provisions at 31.12.2015	Allocations	Write-backs available	Net allocation	Write-backs used	Currency and scope effects	Provisions at 31.12.2016
Provisions for off-balance sheet commitments to banks	15	-	(8)	(8)	-	(1)	6
Provisions for off-balance sheet commitments to customers	353	423	(359)	64	(1)	26	442
Provision for disputes	1,869	369	(68)	301	(63)	125	2,232
Other provisions[(1)]	911	254	(234)	20	(50)	28	909
Provisions on financial instruments and disputes	3,148	1,046	(669)	377	(114)	178	3,589

(1) Including a EUR -63 million net write-back for PEL/CEL provisions at 31st December 2016 (see Note 3.8.3).

PROVISIONS FOR OFF-BALANCE SHEET COMMITMENTS

Provisions for off-balance sheet commitments represent the Group's probable losses incurred following the identification of a proven credit risk on an off-balance sheet financing or guarantee commitment that is not considered to be a derivative instrument or designated as financial asset through profit or loss.

PROVISIONS FOR DISPUTES

The Group is subject to an extensive legal and regulatory framework in the countries where it operates. In this complex legal context, the Group and some of its former and current representatives may be involved in various legal actions, including civil, administrative and criminal proceedings. The vast majority of these proceedings are part of the Group's current business. In recent years, litigation with investors and the number of disputes involving financial intermediaries such as banks and investment advisors has increased, partly due to a difficult financial environment.

It is by nature difficult to foresee the outcome of disputes, regulatory proceedings and acts involving Group entities, particularly if they are initiated by various categories of complainants, if the amount of claims for damages is not specified or is indeterminate or if the proceedings have no precedent.

In preparing its financial statements, the Group assesses the consequences of the legal, regulatory or arbitration proceedings in which it is involved. A provision is booked when losses from these proceedings become probable and the amount can be estimated reliably.

To assess the probability of losses and the amount of these losses, and thus to determine the amount of provisions to book, estimations are important. Management makes these estimates by exercising its judgement and taking into account all information available when financial statements are prepared. In particular, the Group takes into account the nature of the dispute, the underlying facts, ongoing proceedings and court rulings already handed down, as well as its experience and the experiences of other companies dealing with similar cases (assuming that the Group has knowledge thereof) and, where appropriate, the opinion and reports of experts and independent legal advisers.

Each quarter the Group carries out a detailed examination of pending disputes that present a significant risk. The description of this litigation is presented in the Note 9 "Information on risks and litigation".

To take into account changes in legal risks related to public law litigation for which investigations and proceedings are under way with US authorities (such as the Office of Foreign Assets Control) and European authorities, as well as the dispute on the "*précompte*", the Group has recognised a provision among its liabilities, under Provisions for disputes; this provision was adjusted in 2016 by an additional allowance of EUR 350 million recorded under *Cost of risk*, bringing it to a total of EUR 2,050 million.

OTHER PROVISIONS

Other provisions include provisions for restructuring, provisions for commercial litigation, provisions for future repayment of funds in connection with customer financing transactions and provisions for commitments linked to PEL/CEL accounts (see Note 3.8.3).

3. COMMITMENTS UNDER MORTGAGE SAVINGS AGREEMENTS

ACCOUNTING PRINCIPLES

In France, *Comptes d'épargne-logement* (CEL, or mortgage savings accounts) and *Plans d'épargne-logement* (PEL, or mortgage savings plans) are special savings schemes for individual customers which are governed by French Act 65-554 of 10th July 1965. These products combine an initial deposit phase in the form of an interest-earning savings account, followed by a lending phase where the deposits are used to provide mortgage loans. The lending phase is subject to the prior existence of the savings phase and is therefore inseparable from it. The savings deposits collected and loans granted are measured at amortised cost.

These instruments create two types of commitments for the Group: the obligation to pay interest on customer savings for an indeterminate future period at an interest rate established at the inception of the mortgage savings agreement, and the obligation to subsequently lend to the customer at an interest rate also established at the inception of the savings agreement.

If it is clear that commitments under the PEL/CEL agreements will have negative consequences for the Group, a provision is recorded on the liabilities side of the balance sheet. Any changes in these provisions are recognised as *Net banking income* under net interest income. These provisions only relate to commitments arising from PEL/CEL that exist at the date of calculation.

Provisions are calculated for each generation of mortgage savings plans (PEL), with no netting between different PEL generations, and for all mortgage saving accounts (CEL) making up a single generation.

During the deposit phase, the underlying commitment used to determine the amount to be provisioned is calculated as the difference between the average expected amount of deposits and the minimum expected amount. These two amounts are determined statistically on the basis of the historical observations of past customer behaviour.

During the lending phase, the underlying commitment to be provisioned includes loans already granted but not yet drawn at the date of calculation, and future loans that are considered statistically probable on the basis of deposits that are currently recognised in the balance sheet at the date of calculation and on the basis of historical observations of past customer behaviour.

A provision is recognised if the discounted value of expected future earnings for a given generation of PEL/CEL is negative. Earnings are estimated on the basis of interest rates available to individual customers for equivalent savings and loan products, with a similar estimated life and date of inception.

OUTSTANDING DEPOSITS IN PEL/CEL ACCOUNTS

(In EUR m)	31.12.2016	31.12.2015
PEL accounts	19,318	18,079
less than 4 years old	7,869	7,874
between 4 and 10 years old	6,483	5,292
more than 10 years old	4,966	4,913
CEL accounts	1,396	1,442
Total	20,714	19,521

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO PEL/CEL ACCOUNTS

(In EUR m)	31.12.2016	31.12.2015
less than 4 years old	9	31
between 4 and 10 years old	265	82
more than 10 years old	6	8
Total	280	121

PROVISIONS FOR COMMITMENTS LINKED TO PEL/CEL ACCOUNTS

(In EUR m)	31.12.2015	Allocations	Reversals	31.12.2016
PEL accounts	286	15	(79)	222
less than 4 years old	6	15	(1)	20
between 4 and 10 years old	28		(7)	21
more than 10 years old	252		(71)	181
CEL accounts	2	2	(1)	3
Total	288	17	(80)	225

The level of provisions is sensitive to long-term interest rates. Since long-term rates were low during 2016, the provisions for PEL and CEL mortgage savings accounts were primarily linked to the risks attached to the commitment to pay interest on the deposits. Provisioning for PEL/CEL savings amounted to 1.09% of total outstandings at 31st December 2016.

METHODS USED TO ESTABLISH PROVISION VALUATION INPUTS

The inputs used to estimate future customer behaviour are derived from historical observations of customer behaviour patterns over a long period (more than 10 years). The values of these inputs can be adjusted whenever changes are made to regulations that may undermine the effectiveness of past data as an indicator of future customer behaviour.

The values of the different market inputs used, notably interest rates and margins, are calculated on the basis of observable data and constitute a best estimate, at the date of valuation, of the future value of these items for the period in question, in line with the Retail Banking division's policy of interest rate risk management.

The discount rates used are derived from the zero coupon swaps vs. Euribor yield curve at the valuation date, averaged over a 12-month period.

4. COST OF RISK

ACCOUNTING PRINCIPLES

Cost of risk includes allocations, net of reversals, for provisions and impairments for credit risk, the amount of the loan considered uncollectible and the amount recovered on loans previously written off, as well as allocations to and reversals of provisions for other risks.

(In EUR m)	2016	2015
Counterparty risk		
Net allocation to impairment losses	(1,629)	(2,232)
Losses not covered	(299)	(293)
on bad loans	*(255)*	*(245)*
on other risks	*(44)*	*(48)*
Amounts recovered	164	164
on bad loans	*161*	*161*
on other risks	*3*	*3*
Other risks		
Net allocation to other provisions	(327)	(704)
Total	(2,091)	(3,065)

NOTE 3.9 - FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

ACCOUNTING PRINCIPLES

DEFINITION OF FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In the absence of observable prices for identical assets or liabilities, the fair value of financial instruments is determined using another measurement technique that maximises the use of observable market inputs based on assumptions that market operators would use to set the price of the instrument in question.

For financial instruments that are not recognised at fair value on the balance sheet, the figures disclosed in this note and broken down according to the fair value hierarchy as described in Note 3.4, should not be taken as an estimate of the amount that would be realised if all such financial instruments were to be settled immediately.

The fair values of financial instruments include accrued interest as applicable.

1. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	31.12.2016				
(In EUR m)	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Due from banks	59,502	60,777	-	51,877	8,900
Customer loans	426,501	431,366	-	157,991	273,375
Held-to-maturity financial assets	3,912	4,114	4,033	81	-
Total financial assets measured at amortised cost	489,915	496,257	4,033	209,949	282,275

	31.12.2015				
(In EUR m)	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Due from banks	71,682	72,357	-	60,528	11,829
Customer loans	405,252	406,975	-	142,999	263,976
Held-to-maturity financial assets	4,044	4,268	4,139	95	34
Total financial assets measured at amortised cost	480,978	483,600	4,139	203,622	275,839

2. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	31.12.2016				
(In EUR m)	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Due to banks	82,584	82,907	566	79,322	3,019
Customer deposits	421,002	421,326	-	414,062	7,264
Debt securities issued	102,202	103,630	21,899	80,934	797
Subordinated debt	14,103	14,711	-	14,711	-
Total financial liabilities measured at amortised cost	619,891	622,574	22,465	589,029	11,080

	31.12.2015				
(In EUR m)	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Due to banks	95,452	95,739	139	91,667	3,933
Customer deposits	379,631	380,263	-	370,918	9,345
Debt securities issued	106,412	109,227	22,546	85,649	1,032
Subordinated debt	13,046	14,040	-	14,040	-
Total financial liabilities measured at amortised cost	594,541	599,269	22,685	562,274	14,310

3. VALUATION METHODS OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

LOANS, RECEIVABLES AND LEASE FINANCING AGREEMENTS

The fair value of loans, receivables and lease financing transactions for large corporates and banks is calculated, in the absence of an actively traded market for these loans, by discounting expected cash flows to present value based on the market rates (the benchmark maturity yield published by the Banque de France and the zero-coupon yield) prevailing on the balance sheet date for loans with broadly similar terms and maturities. These discount rates are adjusted for borrower credit risk.

The fair value of loans, receivables and lease financing transactions for retail banking customers, essentially comprised of individuals and small or medium-sized companies, is determined, in the absence of an actively traded market for these loans, by discounting the associated expected cash flows to present value at the market rates prevailing on the balance sheet date for similar types of loans and similar maturities.

For all floating-rate loans, receivables and lease financing transactions and fixed-rate loans with an initial maturity of less than or equal to one year, fair value is taken to be the same as book value net of impairment, assuming there has been no significant change in credit spreads on the counterparties in question since they were recognised in the balance sheet.

DEBTS

The fair value of debts, in the absence of an actively traded market for these liabilities, is taken to be the same as the value of future cash flows discounted to present value at the market rates prevailing on the balance sheet date.

When the debt is a listed instrument, its fair value is its market value.

For floating-rate deposits, demand deposits and borrowings with an initial maturity of less than or equal to one year, fair value is taken to be the same as book value. Similarly, the individual fair value of demand deposit accounts is equal to their book value.

NOTE 3.10 - COMMITMENTS AND ASSETS PLEDGED AND RECEIVED AS SECURITIES

ACCOUNTING PRINCIPLES

LOAN COMMITMENTS

Loan commitments that are not considered as financial derivatives are initially recognised at fair value. Thereafter, provided they are not granted or received for trading purposes and thus measured at fair value through profit or loss, they are provisioned as necessary in accordance with the accounting principles for *Provisions* (see Note 3.8).

GUARANTEE COMMITMENTS

When considered as non-derivative financial instruments, financial guarantees issued by the Group are initially recognised in the balance sheet at fair value. Thereafter, they are measured at either the amount of the obligation or the amount initially recognised (whichever is higher) less, when appropriate, the cumulative amortisation of a guarantee commission. Where there is objective evidence of impairment, a provision for financial guarantees given is recognised on the liabilities side of the balance sheet (see Note 3.8).

SECURITIES COMMITMENTS

Securities bought and sold, which are booked to *Financial assets at fair value through profit or loss, Held-to-maturity financial assets* and *Available-for-sale financial assets*, are recognised on the balance sheet at the settlement-delivery date. Between the trade date and the settlement-delivery date, securities receivable or deliverable are not recognised on the balance sheet. Changes in the fair value of securities measured at fair value through profit or loss and available-for-sale securities between the trade date and the settlement-delivery date are booked to profit or loss or equity, depending on the accounting classification of the securities in question.

1. COMMITMENTS

COMMITMENTS GRANTED

(In EUR m)	31.12.2016	31.12.2015
Loan commitments		
To banks*	23,438	27,998
To customers*	159,382	164,809
Issuance facilities	-	-
*Confirmed credit lines**	*155,859*	*161,404*
Others	*3,523*	*3,405*
Guarantee commitments		
On behalf of banks	9,290	9,349
On behalf of customers(1)	59,614	54,855
Securities commitments		
Securities to be delivered	31,063	30,015

(1) Including capital and performance guarantees given to the holders of UCITS managed by entities of the Group.
* Amounts restated relative to the financial statements published in 2015.

COMMITMENTS RECEIVED

(In EUR m)	31.12.2016	31.12.2015
Loan commitments		
From banks*	73,141	82,818
Guarantee commitments		
From banks	108,647	92,439
Other commitments(1)	112,500	103,133
Securities commitments		
Securities to be received	34,478	30,332

(1) Including guarantees granted by government and official agencies and other guarantees granted by customers for EUR 47,642 million at 31st December 2016 versus 44,878 million at 31st December 2015.
* Amounts restated relative to the financial statements published in 2015.

2. FINANCIAL ASSETS PLEDGED AND RECEIVED AS SECURITY

FINANCIAL ASSET PLEDGED

(In EUR m)	31.12.2016	31.12.2015
Book value of assets pledged as security for liabilities[1]	252,338	235,130
Book value of assets pledged as security for transactions in financial instruments[2]	57,149	38,302
Book value of assets pledged as security for off-balance sheet commitments	783	763
Total	310,270	274,195

(1) Assets pledged as security for liabilities mainly include loans given as guarantees for liabilities (guarantees notably provided to the central banks).
(2) Assets pledged as security for transactions in financial instruments mainly include surety deposits.

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In EUR m)	31.12.2016	31.12.2015
Fair value of securities purchased under resale agreements	189,144	178,937

The Group generally purchases securities under resale agreements under normal market terms and conditions. It may re-use the securities received under resale agreement by selling them outright, selling them under repurchase agreements or pledging them as security, provided that it returns these or equivalent securities to the counterparty to the resale agreement at its term. Securities purchased under resale agreements are not recognised on the balance sheet. Their fair value, as shown above, includes securities sold or pledged as security.

NOTE 3.11 - TRANSFERRED FINANCIAL ASSETS

ACCOUNTING PRINCIPLES

Transferred financial assets that are not derecognised include securities lending transactions and repurchase agreements as well as certain loans transferred to consolidated securitisation vehicles.

The tables below show securities lending and repurchase agreements that only concern securities recognised on the asset side of the balance sheet.

Securities involved in a repurchase agreement or securities lending transaction are held in their original position on the asset side of the Group's balance sheet. For repurchase agreements, the obligation to return the amounts deposited is recorded under *Liabilities* on the liabilities side of the balance sheet, with the exception of transactions initiated under trading activities, which are recorded under *Financial liabilities at fair value through profit or loss*.

Securities involved in a reverse repurchase agreement or securities borrowing transaction are not recorded in the Group's balance sheet. However, in the event the borrowed securities are subsequently sold, a debt representing the return of these securities to their lender is recorded on the liabilities side of the Group's balance sheet, under *Financial liabilities at fair value through profit or loss*. For securities received under a reverse repurchase agreement, the right to recover the amounts delivered by the Group is recorded under *Loans and receivables* on the asset side of the balance sheet, with the exception of transactions initiated under trading activities, which are recorded under *Financial assets at fair value through profit or loss*.

Securities lending and securities borrowing transactions that are fully matched by cash are assimilated to repurchase and reverse repurchase agreements and are recorded and recognised as such in the balance sheet.

With securities lending and repurchase agreements, the Group remains exposed to issuer default (credit risk) and to increases or decreases of securities value (market risk). The underlying securities cannot simultaneously be used as collateral in other transactions.

1. TRANSFERRED FINANCIAL ASSETS NOT DERECOGNISED

REPURCHASE AGREEMENTS

	31.12.2016		31.12.2015	
(In EUR m)	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**
Available-for-sale securities	16,224	13,742	16,106	12,249
Securities at fair value through profit or loss	20,148	17,892	43,009	33,174
Total	36,372	31,634	59,115	45,423

SECURITIES LENDING

	31.12.2016		31.12.2015	
(In EUR m)	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**
Securities at fair value through profit or loss	5,521	3	5,832	180
Total	5,521	3	5,832	180

SECURITISATION ASSETS FOR WHICH THE COUNTERPARTIES TO THE ASSOCIATED LIABILITIES HAVE RECOURSE ONLY TO THE TRANSFERRED ASSETS

Customer loans *(In EUR m)*	**31.12.2016**	**31.12.2015**
Carrying amount of transferred assets	1,558	1,062
Carrying amount of associated liabilities	1,385	946
Fair value of transferred assets (A)	1,562	1,060
Fair value of associated liabilities (B)	1,389	944
Net position (A)-(B)	173	116

In 2016, one securitisation of customer loans was partially refinanced with external investors. The vehicles carrying these loans are consolidated by the Group.

The Group remains exposed to the majority of the risks and rewards associated with these receivables; furthermore, these receivables may not be used as collateral or sold outright as part of another transaction.

2. TRANSFERRED FINANCIAL ASSETS PARTIALLY OR FULLY DERECOGNISED

At 31st December 2016, the Group carried out no material transactions resulting in the partial or full derecognition of financial assets leaving the Group with a continuous involvement in said assets.

NOTE 3.12 - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

ACCOUNTING PRINCIPLES

A financial asset and a financial liability are offset and the net amount presented on the balance sheet when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The legal right to set off the recognised amounts must be enforceable in all circumstances, in both the normal course of business and in the event of default of one of the counterparties. In this respect, the Group recognises in its balance sheet the net amount of derivative financial instruments traded with certain clearing houses where they achieve net settlement through a daily cash margining process, or where their gross settlement system has features that eliminate or result in insignificant credit and liquidity risk, and that process receivables and payables in a single settlement process or cycle.

The following tables present the amounts of financial assets and financial liabilities set off on the Group's consolidated balance sheet. The gross outstanding amounts of these financial assets and financial liabilities are matched with the consolidated outstanding amounts presented in the balance sheet (net balance sheet amounts), after indicating the amounts set off on the balance sheet for these various instruments (amounts offset) and aggregating them with the outstanding amounts of other financial assets and financial liabilities not subject to a Master Netting Agreement or similar agreement (amounts of assets and liabilities not eligible for offsetting).

These tables also indicate the amounts which may be offset, as they are subject to a Master Netting Agreement or similar agreement, but whose characteristics make them ineligible for offsetting in the consolidated financial statements under IFRS. This information is provided in comparison with the accounting treatment applied under US GAAP. This affects in particular financial instruments that may only be offset in the event of the default, insolvency or bankruptcy of one of the counterparties, as well as instruments pledged by cash or securities collateral. These mainly include over-the-counter interest rate options, interest rate swaps and securities purchased/sold under resale/repurchase agreements.

Net positions resulting from these various offsettings are not intended to represent the Group's actual exposure to counterparty risk through these financial instruments, insofar as counterparty risk management uses other risk mitigation strategies in addition to netting and collateral agreements.

1. AT 31ST DECEMBER 2016

ASSETS

		Impact of offsetting on the balance sheet			Impact of Master Netting Agreements (MNA) and similar agreements[(1)]			
(In EUR m)	Amount of assets not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral received	Financial instruments received as collateral	Net amount
Derivative financial instruments (see Note 3.2)	33,378	263,657	(96,431)	200,604	(136,394)	(16,780)	(12)	47,418
Securities lent (see Notes 3.1 and 3.3)	2,913	10,421	-	13,334	(6,298)	(10)	-	7,026
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	39,979	180,216	(31,070)	189,125	(42,884)	(473)	(94,911)	50,857
Guarantee deposits pledged (see Note 4.4)	31,728	17,017	-	48,745	-	(17,017)	-	31,728
Other assets not subject to offsetting	930,433	-	-	930,433	-	-	-	930,433
Total assets	1,038,431	471,311	(127,501)	1,382,241	(185,576)	(34,280)	(94,923)	1,067,462

LIABILITIES

		Impact of offsetting on the balance sheet			Impact of Master Netting Agreements (MNA) and similar agreements[(1)]			
(In EUR m)	Amount of liabilities not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	Net amount
Derivative financial instruments (see Note 3.2)	31,866	262,797	(96,431)	198,232	(136,394)	(16,952)	(446)	44,440
Amount payable on borrowed securities (see Note 3.1)	29,085	15,570	-	44,655	(6,298)	-	(2)	38,355
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	49,850	136,445	(31,070)	155,225	(42,884)	(65)	(42,603)	69,673
Guarantee deposits received (see Note 4.4)	33,115	17,263	-	50,378	-	(17,263)	-	33,115
Other liabilities not subject to offsetting	868,045	-	-	868,045	-	-	-	868,045
Total liabilities	1,011,961	432,075	(127,501)	1,316,535	(185,576)	(34,280)	(43,051)	1,053,628

(1) Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any over-collateralisation effect.

2. AT 31ST DECEMBER 2015

ASSETS

(In EUR m)	Amount of assets not subject to offsetting	Impact of offsetting on the balance sheet: Gross amount	Impact of offsetting on the balance sheet: Amount offset	Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements(1): Financial instruments recognised in the balance sheet	Impact of MNA(1): Cash collateral received	Impact of MNA(1): Financial instruments received as collateral	Net amount
Derivative financial instruments (see Note 3.2)	30,149	271,252	(96,534)	204,867	(142,350)	(16,311)	(158)	46,048
Securities lent (see Notes 3.1 and 3.3)	1,724	13,947	-	15,671	(12,631)	-	(659)	2,381
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	45,413	173,089	(39,515)	178,987	(49,829)	(587)	(78,783)	49,788
Guarantee deposits pledged (see Note 4.4)	22,967	16,132	-	39,099	-	(16,132)	-	22,967
Other assets not subject to offsetting	895,767	-	-	895,767	-	-	-	895,767
Total assets	996,020	474,420	(136,049)	1,334,391	(204,810)	(33,030)	(79,600)	1,016,951

LIABILITIES

(In EUR m)	Amount of liabilities not subject to offsetting	Impact of offsetting on the balance sheet: Gross amount	Impact of offsetting on the balance sheet: Amount offset	Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements(1): Financial instruments recognised in the balance sheet	Impact of MNA(1): Cash collateral pledged	Impact of MNA(1): Financial instruments pledged as collateral	Net amount
Derivative financial instruments (see Note 3.2)	29,946	266,349	(96,534)	199,761	(142,350)	(16,102)	-	41,309
Amount payable on borrowed securities (see Note 3.1)	11,921	25,350	-	37,271	(12,631)	-	(15,947)	8,693
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	61,191	151,090	(39,515)	172,766	(49,829)	(30)	(51,417)	71,490
Guarantee deposits received (see Note 4.4)	27,590	16,898	-	44,488	-	(16,898)	-	27,590
Other liabilities not subject to offsetting	817,430	-	-	817,430	-	-	-	817,430
Total liabilities	948,078	459,687	(136,049)	1,271,716	(204,810)	(33,030)	(67,364)	966,512

(1) Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any over-collateralisation effect.

NOTE 3.13 - CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

The amounts shown are the contractual amounts excluding provisional interest.

(In EUR m)	**Less than 3 months**	**3 months to 1 year**	**1 to 5 Years**	**More than 5 years**	**31.12.2016**
Due to central banks	5,235	2	1	-	5,238
Financial liabilities at fair value through profit or loss	400,291	13,829	13,446	28,055	455,620
Due to banks	50,595	9,697	20,224	2,068	82,584
Customer deposits	336,689	29,867	29,134	25,312	421,002
Debt securities issued	31,005	21,063	35,437	14,697	102,202
Subordinated debt	296	90	2,302	11,415	14,103
Other Liabilities	80,596	6,314	4,785	2,516	94,212
Total Liabilities	904,708	80,863	105,328	84,063	1,174,961
Loan commitment granted	63,041	23,801	85,634	10,344	182,820
Guarantee commitments granted	17,843	10,688	20,780	19,591	68,903
Total commitments granted	80,885	34,490	106,414	29,935	251,723

The flows presented in this note are based on contractual maturities. However, for certain elements of the balance sheet, assumptions could be applied.

In the absence of contractual elements, or in the case of financial instruments relating to the trading book (ex: derivatives), maturities fall in the first tranche (less than 3 months).

The guarantee commitments given are scheduled on the basis of the best possible estimate of disposal with, by default, a maturity in the first instalment (less than 3 months).

NOTE 4 - OTHER ACTIVITIES

NOTE 4.1 - FEE INCOME AND EXPENSE

ACCOUNTING PRINCIPLES

Fee income and *Fee expense* combine fees on services rendered and received, as well as fees on commitments, that cannot be assimilated to interest. Fees that can be assimilated to interest are integrated into the effective interest rate on the associated financial instrument and are recorded under *Interest and similar income* and *Interest and similar expense* (see Note 3.7).

The Group recognises fee income and expense for services provided and received in different ways depending on the type of service.

- Fees for ongoing services, such as some payment services, custody fees, or digital service subscriptions, are recognised as income over the life of the service.
- Fees for one-off services, such as fund activity, finder's fees received, arbitrage fees, or penalties on payment incidents, are recognised as income when the service is provided.

In syndication deals, the effective interest rate for the share of the issuance retained on the Group's balance sheet is comparable to that applied to the other members of the syndicate including, when needed, a share of the underwriting fees and participation fees; the balance of these fees for services rendered is then recorded under *Fee income* at the end of the syndication period. Arrangement fees are recorded as income when the placement is legally complete.

	2016			2015		
(In EUR m)	Income	Expense	Net	Income	Expense	Net
Transactions with banks	128	(120)	8	138	(128)	10
Transactions with customers	2,661	-	2,661	2,611	-	2,611
Financial instruments operations	2,412	(2,139)	273	2,364	(2,148)	216
Securities transactions	601	(814)	(213)	680	(1,006)	(326)
Primary market transactions	227	-	227	280	-	280
Foreign exchange transactions and financial derivatives	1,584	(1,325)	259	1,404	(1,142)	262
Loan and guarantee commitments	745	(79)	666	768	(91)	677
Services	3,886	-	3,886	3,963	-	3,963
Others	284	(1,079)	(795)	300	(1,099)	(799)
Total	10,116	(3,417)	6,699	10,144	(3,466)	6,678

BREAKDOWN OF FEE INCOME AND EXPENSE

(In EUR m)	2016	2015
Fee income excluding the effective interest rate linked to financial instruments which are not booked at fair value through profit or loss	3,752	3,789
Fee income linked to trust or similar activities	2,033	1,976
Fee expense excluding the effective interest rate linked to financial instruments which are not booked at fair value through profit or loss	(79)	(91)
Fee expense linked to trust or similar activities	(1,189)	(1,432)

NOTE 4.2 - INCOME AND EXPENSE FROM OTHER ACTIVITIES

ACCOUNTING PRINCIPLES

LEASING ACTIVITIES

Leases granted by the Group which do not transfer to the lessee virtually all the risks and benefits associated with ownership of the leased asset are classified as operating leases.

Assets held under operating leases, including investment property, are recorded on the balance sheet under *Tangible and intangible fixed assets* at their acquisition cost, less depreciation and impairment (see Note 8.4).

Leased assets are depreciated, excluding residual value, over the life of the lease. Lease payments are recognised as income according to the straight line method over the term of the lease. Meanwhile, the purpose of the accounting treatment of income invoiced in respect of maintenance services related to operating lease activities is to reflect a constant margin between this income and the expenses incurred in providing the service over the term of the service agreement.

Income and expenses, and capital gains or losses on investment properties and leased assets, are recorded under *Income and expenses from other activities* on the Real estate leasing and Equipment leasing lines, as well as income and expense on maintenance services related to operating lease activities.

These lines also include losses incurred in the event of a decline in the unguaranteed residual value of finance-lease transactions, and capital gains or losses on disposal related to unleased assets once the lease finance agreements are terminated.

OTHER ACTIVITIES

The accounting principles applied by the Group to insurance activities are presented in Note 4.3.

	2016			2015		
(In EUR m)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Real estate development	96	(3)	93	76	(4)	72
Real estate leasing	83	(59)	24	47	(66)	(19)
Equipment leasing	8,309	(5,770)	2,539	7,496	(5,130)	2,366
Other activities	12,292	(12,959)	(667)	12,130	(12,800)	(670)
o.w. Insurance activities	*11,685*	*(11,391)*	*294*	*11,556*	*(11,344)*	*212*
Total	20,780	(18,791)	1,989	19,749	(18,000)	1,749

As part of its market-making activity in commodity derivatives, the Group may hold physical commodities, measured at fair value. In order to provide a more relevant picture of these activities and improve the clarity of the consolidated financial statements, these trading portfolio assets, previously reported among *Other assets*, have been reclassified under *Financial assets at fair value through profit or loss* (see Note 3.1).

The income and expenses related to these commodities, previously reported among Income and expense from other activities are now classified in *Net gains and losses on financial instruments at fair value through profit or loss* (see Note 3.1.3).

The impact on 2015 comparative data is as follows:

(In EUR m)	**31.12.2015 Before reclassification**	**31.12.2015 After reclassification**	**Reclassification impacts**
Balance sheet - Assets			
Financial assets at fair value through profit or loss	519,333	519,600	267
Other assets	69,398	69,131	(267)
Income statement			
Net gains and losses on financial transactions			
o.w. Net gains and losses on financial instruments at fair value through profit or loss	*7,275*	*6,957*	*(318)*
Income from other activities	53,324	19,749	(33,575)
Expenses from other activities	(51,893)	(18,000)	33,893

NOTE 4.3 - INSURANCE ACTIVITIES

MAKING IT SIMPLE

Insurance activities (life insurance, personal protection and non-life insurance) add to the range of products included in the banking services offered to Group customers.

These activities are carried out by dedicated subsidiaries, subject to regulations specific to the insurance sector.

The rules for measuring and accounting for risks associated with insurance contracts are specific to that sector of activities as well as the presentation of income and expenses on the Group's insurance activities that are disclosed in this note and which are classified on the basis of their function.

ACCOUNTING PRINCIPLES

FINANCIAL ASSETS AND LIABILITIES

The financial assets and liabilities of the Group's insurance companies are recognised and measured according to the rules governing financial instruments explained in Note 3.

UNDERWRITING RESERVES OF INSURANCE COMPANIES

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

In accordance with IFRS 4 on insurance policies, life and non-life underwriting reserves continue to be measured under the same local regulations.

Risks covered by life insurance policies are principally death, invalidity and incapacity for work. Life insurance underwriting reserves mainly comprise actuarial reserves, which correspond to the difference between the present value of commitments falling to the insurer and those falling to the policyholder, and the reserve for claims incurred but not settled.

Underwriting reserves for unit-linked policies with discretionary profit-sharing or any other significant feature (mortality, invalidity, etc.) are measured at the balance sheet date on the basis of the market value of the assets underlying these policies.

Risks covered by non-life insurance policies are principally linked to home, car and accident protection guarantees. Underwriting reserves comprise reserves for unearned premiums (share of premium income relating to subsequent financial years) and for outstanding claims.

Under the principles defined in IFRS 4, and in compliance with local regulations applicable with respect thereto, life insurance policies with discretionary profit-sharing features are subject to "mirror accounting", whereby any changes in the value of financial assets liable to affect policyholders are recorded in *Deferred profit-sharing.* This reserve is calculated to reflect the potential rights of policyholders to unrealised gains on financial instruments measured at fair value or their potential share of unrealised losses.

To demonstrate the recoverability of the deferred profit-sharing asset in the event of an unrealised net loss, two approaches are verified by the Group in order to show that the liquidity requirements caused by an unfavourable economic environment would not require assets to be sold in the event of unrealised losses:

- the first consists in simulating deterministic ("standardised" or extreme) stress scenarios. This is used to show that in these scenarios no significant losses would be realised on the assets existing at the balance sheet date for the scenarios tested;
- the aim of the second approach is to ensure that in the long or medium term, the sale of assets to meet liquidity needs would not generate any significant losses. The approach is verified for projections based on extreme scenarios;
- a liability adequacy test is also carried out quarterly using a stochastic model based on parameter assumptions consistent with those used for the MCEV (Market Consistent Embedded Value). This test takes into account all of the future cash flows from policies, including management charges, fees and policy options and guarantees.

INCOME AND EXPENSES

Income and expenses related to insurance policies issued by Group insurance companies are recognised in the income statement under *Income and expenses from other activities*. Other income and expenses are recorded under the related headings. Changes in provisions for deferred profit-sharing are booked to the income statement or to *Unrealised or deferred gains or losses* under the headings reserved for the associated underlying assets.

1. UNDERWRITING RESERVES OF INSURANCE COMPANIES

UNDERWRITING RESERVES

(In EUR m)	31.12.2016	31.12.2015
Underwriting reserves for unit-linked policies	22,449	20,043
Life insurance underwriting reserves	79,705	78,316
Non-life insurance underwriting reserves	1,262	1,175
Deferred profit-sharing booked in liabilities	9,361	7,723
Total	112,777	107,257
Attributable to reinsurers	(274)	(293)
Underwriting reserves of insurance companies (including provisions for deferred profit-sharing) net of the share attributable to reinsurers	112,503	106,964

STATEMENT OF CHANGES IN UNDERWRITING RESERVES

(In EUR m)	Underwriting reserves for unit-linked policies	Life insurance underwriting reserves	Non-life insurance underwriting reserves
Reserves at 1st January 2016 (except provisions for deferred profit-sharing)	20,043	78,316	1,175
Allocation to insurance reserves	1,618	572	82
Revaluation of unit-linked policies	431	-	-
Charges deducted from unit-linked policies	(125)	-	-
Transfers and allocation adjustments	382	(384)	-
New customers	1	-	-
Profit-sharing	99	1,188	-
Others	-	13	5
Reserves at 31st December 2016 (except provisions for deferred profit-sharing)	22,449	79,705	1,262

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed at 31st December 2016. This test assesses whether recognised insurance liabilities are adequate, using current estimates of future cash flows under insurance policies. It is carried out on the basis of stochastic models similar to those used for asset/liability management. The result of the test at 31st December 2016 was conclusive.

UNDERWRITING RESERVES BY REMAINING MATURITY

(In EUR m)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2016
Insurance company underwriting reserves	13,158	7,970	30,276	61,373	112,777

2. NET INVESTMENTS OF INSURANCE COMPANIES

(In EUR m before elimination of intercompany transactions)	31.12.2016	31.12.2015
Financial assets at fair value through profit or loss	44,906	41,930
Debt instruments	26,016	23,451
Equity instruments	18,890	18,479
Due from banks	9,738	9,890
Available-for-sale financial assets	77,758	74,873
Debt instruments	65,554	63,130
Equity instruments	12,204	11,743
Investment property	576	591
Total(1)	132,978	127,284

(1) Investments in other Group companies that are made in representation of unit-linked liabilities are kept in the Group's consolidated balance sheet without any significant impact thereon.

3. BREAKDOWN OF UNREALISED GAINS AND LOSSES ON AVAILABLE-FOR-SALE ASSETS

	31.12.2016		
(In EUR m)	**Unrealised gains**	**Unrealised losses**	**Net Revaluation**
Unrealised gains and losses of insurance subsidiaries	698	(198)	500
on available-for-sale equity instruments	*1,177*	*(147)*	*1,030*
on available-for-sale debt instruments and assets reclassified as Loans and receivables	*8,582*	*(405)*	*8,177*
Deferred profit-sharing	*(9,061)*	*354*	*(8,707)*

	31.12.2015		
(In EUR m)	**Unrealised gains**	**Unrealised losses**	**Net Revaluation**
Unrealised gains and losses of insurance subsidiaries	550	(119)	431
on available-for-sale equity instruments	*928*	*(568)*	*360*
on available-for-sale debt instruments and assets reclassified as Loans and receivables	*7,908*	*(521)*	*7,387*
Deferred profit-sharing	*(8,286)*	*970*	*(7,316)*

4. UNDERWRITING INCOME OF INSURANCE COMPANIES

(In EUR m)	2016	2015
Written premiums	11,292	11,271
Cost of benefits (including changes in reserves)	(10,438)	(11,233)
Net income from investments	3,153	4,535
Other net technical income (expense)	(3,179)	(3,853)
Contribution to operating income before elimination of intercompany transactions	828	720
Elimination of intercompany transactions(1)	326	404
Contribution to operating income after elimination of intercompany transactions	1,154	1,124

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

5. NET FEE INCOME

(In EUR m before elimination of intercompany transactions)	2016	2015
Fees Received		
Acquisition fees	603	737
Management fees	785	702
Others	37	38
Fees Paid		
Acquisition fees	(549)	(585)
Management fees	(396)	(394)
Others	(30)	(61)
Total Fees	450	437

6. MANAGEMENT OF INSURANCE RISKS

There are two main types of insurance risks:

- underwriting risks, mainly pricing risks and risks of discrepancies in total fluctuations in claim experience: in non-life insurance and individual personal protection alike, profits are exposed to risks of deterioration in claim rates observed compared to claim rates anticipated at the time the price schedule was established. Discrepancies can be linked to multiple complex factors such as changes in policyholder behaviour (lapses), changes in the macroeconomic environment, pandemics, natural disasters, mortality, morbidity, longevity, etc.;
- risks linked to the financial markets and ALM: in life insurance, insurers are exposed to the instabilities of the financial markets (changes in interest rates and stock market fluctuations) which can be made worse by policyholder behaviour.

Management of these risks is key to the insurance business line's activity. It is carried out by qualified and experienced teams, with major bespoke IT resources. Risks undergo regular monitoring and are reported to the General Management of both the entities concerned and the business lines.

In the area of pricing risks and risks of discrepancies in total loss experience, a number of guidelines are applied:

- heightened security for the risk acceptance process, with the aim of guaranteeing that the price schedule matches the policyholder's risk profile from the very beginning. Proper application of these procedures is verified via Quality Audits and multi-annual Internal Audits. These processes have been ISO-certified;
- regular monitoring of loss ratios, based on statistics developed per year of occurrence. This analysis (expansion of the portfolio, level of provisions for reported claims and for incurred but not reported claims) allows pricing adjustments to be made, where applicable, for subsequent financial years;
- implementation of a reinsurance plan to protect the Group from major/serial claims.

Management of risks linked to the financial markets is just as much an integral part of the investment strategy as the aim of long-term performance. The optimisation of these two factors is highly influenced by the asset/liability balance. Liability commitments (guarantees offered to customers, maturity of policies), as well as the amounts booked under the major items on the balance sheet (shareholders' equity, income, provisions, reserves, etc.) are analysed by the Finance and Risk Department of the insurance business line. Societe Generale's overall asset and liability management policy is validated by the Group's General Management at the ALM Committee meetings held every six months.

Risk management and analysis are based on the following key principles:

- asset/liability risk management:
  - monitoring of long-term cash flows: the term of a liability is matched against the term of an asset, and cash flow peaks are strictly controlled in order to minimise liquidity risks;
  - close monitoring of redemption flows and stress scenario simulations;
  - close monitoring of the equity markets and stress scenario simulations;
  - hedging of exchange rate risks (in the event of a rise or drop in the markets) using financial instruments.
- financial risk management via the establishment of limits:
  - counterparty limits (e.g. limits according to the issuer's country of domiciliation, distinction between sovereign issuers and private issuers);
  - rating limits by issuer;
  - limits by type of asset (e.g. equities, private equity).

All of these strategies are assessed by simulating various scenarios of financial market behaviour and policyholder behaviour using stress tests and stochastic modelling.

NOTE 4.4 - OTHER ASSETS AND LIABILITIES

1. OTHER ASSETS

(In EUR m)	31.12.2016	31.12.2015
Guarantee deposits paid[1]	48,745	39,099
Settlement accounts on securities transactions	8,353	6,557
Prepaid expenses	775	569
Miscellaneous receivables[2]*	27,137	23,140
Gross amount	**85,010**	**69,365**
Impairment	(254)	(234)
Net amount	**84,756**	**69,131**

* Amounts restated relative to the financial statements published at 31st December 2015, following a modification in the presentation of physical commodities (see Note 4.2).

(1) Mainly relates to guarantee deposits paid on financial instruments, their fair value is taken to be the same as their book value net of depreciation for incurred credit risk.

(2) Miscellaneous receivables include premiums to be received on instalment options that are besides measured at fair value in the balance sheet among financial instruments at fair value through profit or loss or hedging derivatives, as well as receivables related to insurance activities.

2. OTHER LIABILITIES

(In EUR m)	31.12.2016	31.12.2015
Guarantee deposits received[1]	50,378	44,488
Settlement accounts on securities transactions	7,357	6,938
Other securities transactions	2	21
Expenses payable on employee benefits	2,560	2,818
Deferred income	1,642	1,605
Miscellaneous payables[2]	32,273	27,213
Total	**94,212**	**83,083**

(1) Mainly relates to guarantee deposits received on financial instruments, their fair value is taken to be the same as their book value.

(2) Miscellaneous payables include premiums to be paid on instalment options that are besides measured at fair value in the balance sheet among financial instruments at fair value through profit or loss or hedging derivatives, as well as payables related to insurance activities.

NOTE 5 - PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

MAKING IT SIMPLE

Employee benefits correspond to the compensation granted by the Group to its employees in exchange for work carried out during the annual reporting period.

All forms of compensation for work rendered are recorded in the expenses:

- whether it be paid to employees or to outside social security agencies;
- whether it be paid during the annual reporting period or is to be paid by the Group in the future as entitlements to employees (pension plans, retirement benefits, etc.);
- whether it be paid in cash or in Societe Generale shares (free share plans, stock options).

ACCOUNTING PRINCIPLES

Employee benefits are divided into four categories:

- Short-term employee benefits, which are employee benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, such as fixed and variable compensation, annual leave, taxes and social security contributions, profit-sharing and incentives;
- Post-employment benefits, including defined contribution plans and defined benefit plans such as pension plans and retirement benefits;
- Long-term employee benefits, which are employee benefits not expected to be settled wholly before twelve months, such as deferred variable compensation paid in cash and not indexed to the Societe Generale share, long-service awards and time saving accounts;
- Termination benefits.

NOTE 5.1 - PERSONNEL EXPENSES AND RELATED-PARTY TRANSACTIONS

ACCOUNTING PRINCIPLES

Personnel expenses include all expenses related to personnel, including employee benefits and expenses related to payments based on Societe Generale shares.

Short-term employee benefits are recorded under *Personnel expenses* during the period according to the services provided by the employee.

The accounting principles relating to post-employment benefits and long-term benefits are described in Note 5.2. Those related to share-based payments are described in Note 5.3.

1. PERSONNEL EXPENSES

(In EUR m)	2016	2015
Employee compensation	(6,812)	(6,817)
Social security charges and payroll taxes	(1,567)	(1,604)
Net pension expenses - defined contribution plans	(705)	(679)
Net pension expenses - defined benefit plans	(97)	(128)
Employee profit-sharing and incentives	(274)	(248)
Total	(9,455)	(9,476)

2. RELATED-PARTY TRANSACTIONS

ACCOUNTING PRINCIPLES

Personnel expenses include related-party transactions, within the meaning of IAS 24.

The Group's related parties include the members of the Board of Directors, corporate officers (the Chairman, the Chief Executive Officer and the two Deputy Chief Executive Officers), their respective spouses and any children residing in the family home, subsidiaries which are controlled either exclusively or jointly by the Group, and companies over which Societe Generale exercises significant influence.

REMUNERATION OF THE GROUP'S MANAGERS

This includes amounts effectively paid by the Group to Directors and corporate officers as remuneration (including employer contributions) and other benefits under IAS 24 - paragraph 17 - as indicated below.

(In EUR m)	2016	2015
Short-term benefits	14.2	15.6
Post-employment benefits	0.6	0.5
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	2.1	1.5
Total	16.9	17.6

RELATED-PARTY TRANSACTIONS

The transactions with members of the Board of Directors, Chief Executive Officers and members of their families included in this note only comprise loans and guarantees outstanding at 31st December 2016 for a total amount of EUR 2.9 million. All other transactions with these individuals are insignificant.

TOTAL AMOUNTS PROVISIONED OR BOOKED BY THE SOCIETE GENERALE GROUP FOR THE PAYMENT OF PENSIONS AND OTHER BENEFITS

The total amount provisioned or booked by the Societe Generale Group at 31st December 2016 under IAS 19, as restated for the payment of pensions and other benefits to Societe Generale's Chief Executive Officers (Mr. Cabannes, Mr. Sanchez Incera and the two staff-elected Directors) is EUR 6.1 million.

NOTE 5.2 - EMPLOYEE BENEFITS

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

- post-employment benefits, such as pension plans or retirement benefits;
- long-term benefits such as deferred variable remuneration, long-service awards or the *Compte Epargne Temps* (CET) flexible working provisions;
- termination benefits.

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

(In EUR m)	Provisions at 31.12.2015	Allocations	Write-backs available	Net allocation	Write-backs used	Actuarial gains and losses	Currency and scope effects	Provisions at 31.12.2016
Provisions for employee benefits	1,784	370	(392)	(22)	-	96	(8)	1,850

1. POST-EMPLOYMENT BENEFITS

ACCOUNTING PRINCIPLES

Post-employment benefits can be broken down into two categories: defined contribution pension plans or defined benefit pension plans.

DEFINED CONTRIBUTION PLANS

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

DEFINED BENEFIT PLANS

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

Provisions are recognised on the liabilities side of the balance sheet under *Provisions*, to cover the whole of these retirement obligations. These provisions are assessed regularly by independent actuaries using the projected unit credit method. This valuation technique incorporates assumptions about demographics, early retirement, salary rises and discount and inflation rates.

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

Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) and differences between actuarial assumptions and real performance are recognised as actuarial gains and losses. Actuarial gains and losses, as well as the return on plan assets excluding amounts expensed as net interest on the net defined benefit liability (or asset) and any change in the effect of the asset ceiling are components used to re-measure the net defined benefit liability (or asset). These components are immediately and fully recognised in shareholder's equity among *Unrealised or deferred gains and losses* and they cannot be subsequently reclassified as income.

In the Group consolidated financial statements, these items that cannot be subsequently reclassified as income are displayed separately in the Statement of net income and unrealised or deferred gains and losses, but are transferred immediately to retained earnings in the Statement of changes in shareholders' equity so that they are presented directly under *Retained earnings* on the liabilities side of the balance sheet.

Where a new or amended plan comes into force, past service cost is immediately recognised in profit or loss.

An annual charge is recorded under *Personnel expenses* for defined benefit plans, consisting of:

- the additional entitlements vested by each employee (current service cost);
- past service cost resulting from a plan amendment or a curtailment;
- the financial expense resulting from the discount rate and the interest income on plan assets (net interest on the net defined benefit liability or asset);
- plan settlements.

DEFINED CONTRIBUTION PLANS

The main defined contribution plans provided to employees of the Group are located in France, in the United Kingdom and in the United States.

In France, they include state pension plans and other national pension plans such as ARRCO and AGIRC, as well as pension schemes put in place by certain Group entities whose only commitment is to pay annual contributions (PERCO).

In the United Kingdom, the employer pays contributions according to the age of the employees (from 2.5 to 10% of the salary) and can make extra contributions up to 4.5% for the voluntary additional employee contributions.

In the United States, employers fully match the first 8% of employee contributions, within the limit of USD 10,000.

POST-EMPLOYMENT DEFINED BENEFIT PLANS

Post-employment pension plans include schemes offering annuities, plans offering retirement bonuses and mixed plans (cash balance). Benefits paid out in annuities supplement the pensions paid by the mandatory basic plans.

The main defined benefit plans are located in France, Switzerland, the United Kingdom and the United States.

In France, the supplementary pension plan for executive managers, set up in 1991, allocates an annual allowance to beneficiaries covered by Societe Generale, as described in the "Corporate Governance" section. This allowance depends in particular on the beneficiary's seniority within Societe Generale and the portion of fixed compensation exceeding "Tranche B" of AGIRC.

In Switzerland, the plan is managed by a personal protection insurance institution (the Foundation), comprised of employer and employee representatives. The employer and its employees pay contributions to the Foundation. Pension benefits are revalued at a guaranteed rate of return and converted to annuities (or lump-sum payment) also at a guaranteed conversion rate (cash balance scheme). Because of this minimum guaranteed return, the plan is considered similar to a defined benefit plan.

In recent years, the Societe Generale Group has actively implemented a policy of converting defined benefit plans to defined contribution plans.

In the United Kingdom the defined benefit plan has been closed to new employees for nearly 20 years, and the benefits of the last beneficiaries were frozen in 2015. The plan is managed by an independent institution (Trustee).

Similarly, in the United States, defined benefit plans were closed to new employees in 2015 and the vesting of new benefits was frozen.

1.1. RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

(In EUR m)	31.12.2016	31.12.2015
A - Present value of funded defined benefit obligations	3,041	2,961
B - Fair value of plan assets and separate assets	(2,695)	(2,385)
C = A + B Deficit (surplus)	**346**	**576**
D - Present value of unfunded defined benefit obligations	427	419
E - Change in asset ceiling	2	47
C + D + E = Net balance recorded in the balance sheet	**775**	**1,042**

1.2. COMPONENTS OF THE COST OF DEFINED BENEFITS

(In EUR m)	2016	2015
Current service cost including social security contributions	110	110
Employee contributions	(6)	(6)
Past service cost/curtailments	(39)	-
Settlements	(4)	(1)
Net interest	19	19
Transfer of unrecognised assets	3	3
A - Components recognised in income statement	83	125
Expected return on plan assets[(1)]	(180)	18
Actuarial gains and losses due to changes in demographic assumptions	7	36
Actuarial gains and losses due to changes in economic and financial assumptions	301	(192)
Actuarial gains and losses due to experience	(31)	(33)
Change in asset ceiling	1	46
B - Components recognised in unrealised or deferred gains and losses	98	(125)
C = A + B Total components of the cost of defined benefits	181	-

(1) Return on plan assets from which the expected return on plan assets included in the net interest cost is deducted.

1.3 CHANGES IN NET LIABILITIES OF POST-EMPLOYMENT BENEFIT PLANS RECORDED IN THE BALANCE SHEET

1.3.1 Changes in the present value of defined benefit obligations

(In EUR m)	2016	2015
Balance at 1st January	3,380	3,447
Current service cost including social security contributions	110	110
Past service cost/curtailments	(39)	-
Settlements	(29)	(15)
Net interest	81	81
Actuarial gains and losses due to changes in demographic assumptions	7	36
Actuarial gains and losses due to changes in economic and financial assumptions	301	(192)
Actuarial gains and losses due to experience	(31)	(33)
Foreign exchange adjustment	(120)	116
Benefit payments	(177)	(175)
Change in consolidation scope	4	3
Transfers and others	(19)	2
Balance at 31st December	3,468	3,380

1.3.2 Changes in the fair value of plan assets and separate assets

(In EUR m)	2016	2015
Balance at 1st January	2,385	2,357
Expected return on plan assets	59	60
Expected return on separate assets	3	3
Actuarial gains and losses due to assets	180	(18)
Foreign exchange adjustment	(129)	101
Employee contributions	6	6
Employer contributions to plan assets	350	27
Benefit payments	(134)	(140)
Change in consolidation scope	(1)	3
Transfers and others	(24)	(14)
Balance at 31st December(1)	2,695	2,385

(1) Including EUR 399 million in separate assets at 31st December 2016 (EUR 142 million at 31st December 2015).

1.4 INFORMATION REGARDING FUNDING ASSETS

1.4.1 General information regarding funding assets (for all benefits and future contributions)

Funding assets represent around 75% of Group obligations, with different rates depending on the country.

Accordingly, defined benefit plan obligations in the United Kingdom are fully hedged, and those in the United States hedged 85%, while they are only 76% hedged in France and are not funded in Germany.

The breakdown of the fair value of plan assets is as follows: 53% bonds, 32% equities, 1% cash instruments and 13% others. Directly held Societe Generale shares are not significant.

For pension plans with a fair value of plan assets in excess of defined benefit obligations, the aggregate of plan assets is EUR 61 million.

Employer contributions to be paid to post-employment defined benefit plans for 2017 are estimated at EUR 18 million.

Plan hedging strategies are defined locally in connection with the Finance and Human Resources departments of the entities, by *ad hoc* structures (Trustees, Foundations, Joint structures etc.) if necessary. In addition, liability investment or financing strategies are monitored at Group level through a global governance system. Committee meetings, with the participation of representatives of the Human Resources Department, the Finance Department and the Risk Division, are organised in order to define Group guidelines for employee benefits investment and management, to validate decisions and to follow up the associated risks for the Group.

Depending on the duration of each plan and local regulations, funding assets are invested in equities and/or in fixed income products, whether guaranteed or not.

1.4.2 Actual returns on funding assets

The actual returns on plan and separate assets can be broken down as follows:

(In EUR m)	31.12.2016	31.12.2015
Plan assets	232	40
Separate assets	9	4

1.5 MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

	31.12.2016	31.12.2015
Discount rate		
Europe	1.73%	2.46%
Americas	4.04%	4.26%
Asia-Oceania-Africa	1.81%	2.12%
Long-term inflation		
Europe	2.05%	2.19%
Americas	N/A	2.00%
Asia-Oceania-Africa	1.48%	1.77%
Future salary increase		
Europe	0.75%	0.58%
Americas	N/A	N/A
Asia-Oceania-Africa	2.37%	2.07%
Average remaining working lifetime of employees (in years)		
Europe	9.59	9.43
Americas	8.38	8.53
Asia-Oceania-Africa	14.43	13.40
Duration (in years)		
Europe	15.94	15.19
Americas	17.75	18.45
Asia-Oceania-Africa	11.11	9.94

Assumptions by geographical area are weighted average by the defined benefit obligations (DBO).

The discount yield curves used are AA corporate bonds yield curves (source: Merrill Lynch) observed at the end of October for USD, GBP and EUR, and corrected at the end of December if the change in discount rates had a significant impact.

Inflation rates used are the long-term targets of the central banks of the USD and GBP monetary areas. Inflation swaps rates curve is the Group reference of the EUR monetary area.

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

The assumptions described above have been applied to post-employment benefit plans.

1.6 SENSITIVITIES OF DEFINED BENEFIT OBLIGATIONS TO MAIN ASSUMPTION RANGES

(Percentage of item measured)	31.12.2016	31.12.2015
Variation of +1% in discount rate		
Impact on the present value of defined benefit obligations at 31st December N	-14%	-14%
Variation of +1% in long-term inflation		
Impact on the present value of defined benefit obligations at 31st December N	11%	9%
Variation of +1% in future salary increases		
Impact on the present value of defined benefit obligations at 31st December N	5%	5%

Disclosed sensitivities are averages of the variations weighted by the present value of the defined benefit obligations.

2. LONG-TERM BENEFITS

ACCOUNTING PRINCIPLES

Long-term employee benefits are benefits, other than post-employment and termination benefits, that are paid to employees more than twelve months after the end of the annual period in which they provided the related services.

Long-term benefits are measured and recognised in the same way as post-employment benefits, with the exception of actuarial gains and losses, which are immediately recognised as profit or loss.

These benefits include deferred compensation programmes settled in cash and not indexed to the Societe Generale share, such as long-term deferred variable remuneration, CET (*Comptes Épargne Temps*) flexible working provisions, or long-service awards.

At 31st December 2016, the net balance of long-term benefits was EUR 502 million.

The total cost of long-term benefits was EUR 143 million for 2016.

NOTE 5.3 - SHARE-BASED PAYMENT PLANS

ACCOUNTING PRINCIPLES

Share-based payments include:

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

Share-based payments systematically give rise to an operating expense recognised as *Personnel expenses* in the amount of the fair value of the share-based payments granted to employees and according to their terms of settlement.

For equity-settled share-based payments (free shares, stock purchase or subscription options), the fair value of these instruments, measured at the vesting date, is spread over the vesting period and recorded in shareholders' equity under *Issuing premium and capital reserves*. At each accounting date, the number of these instruments is revised in order to take into account performance and service conditions and adjust the overall cost of the plan as originally determined. Expenses recognised under *Personnel expenses* from the start of the plan are then adjusted accordingly.

For cash-settled share-based payments (stock-options granted by unlisted companies or compensation indexed on Societe Generale shares), the fair value of the amounts payable is recorded under *Personnel expenses* as an expense over the vesting period against a corresponding liabilities entry recognised in the balance sheet under *Other liabilities – Expenses payable on employee benefits.* This payables item is then remeasured to take into account performance and presence conditions as well as changes in the value of the underlying shares. When the expense is hedged by an equity derivative instrument, the effective portion of the change in the fair value of the hedging derivative is recorded in profit or loss under *Personnel expense* as well.

The Group may award some of its employees stock purchase or subscription options, free shares or rights to a future cash payment indexed to the Societe Generale share price.

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, or 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 behaviour of the option beneficiaries. When such data are not available, the Black & Scholes model or Monte Carlo model is used. Valuations are performed by independent actuaries.

EXPENSES RECORDED IN THE INCOME STATEMENT

	2016			2015		
(In EUR m)	**Cash settled plans**	**Equity settled plans**	**Total plans**	**Cash settled plans**	**Equity settled plans**	**Total plans**
Net expenses from purchase plans, stock option and free share plans	124	65	189	174	60	234

The description of Societe Generale stock-option plans and free share plans, which supplements this note, is presented in Chapter 3 of the present Registration Document on page 116 (Table 8) and 117 (Table 10).

This information belongs to the note to the consolidated financial statements and has been audited by statutory auditors; it is identified as such in Chapter 3 of the present Registration Document.

NOTE 6 - INCOME TAX

MAKING IT SIMPLE

Income tax expenses are presented separately from other taxes, which are classified among *Other operating expenses*. They are calculated according to the rates and tax regulations applicable in the countries where each consolidated entity is located.

Income tax presented in the income statement includes current taxes and deferred taxes:

- current taxes correspond to the amount of taxes due (or refundable) as calculated according to the taxable profit base for the reporting period;
- deferred taxes correspond to the amount of taxes resulting from past transactions and that will be payable (or refundable) in a future reporting period.

ACCOUNTING PRINCIPLES

CURRENT TAXES

Current tax is based on the taxable profits of each consolidated taxable entity and determined in accordance with the rules established by the local taxation authorities, upon which income taxes are payable. This tax expense also includes net allowances for tax adjustments pertaining to income tax.

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

DEFERRED TAXES

Deferred taxes are recognised whenever the Group identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities that will affect future tax payments. Deferred tax assets and liabilities are measured in each consolidated taxable entity and in accordance with the rules established by the local taxation authorities, upon which their income taxes are payable. This amount is based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realised or the liability settled. These deferred taxes are adjusted in the event of changes to tax rates. This amount is not discounted to present value. Deferred tax assets can result from deductible temporary differences or from tax loss carry forwards. These deferred tax assets are recorded only if the entity concerned is likely to recover these assets within a set time. These temporary differences or tax loss carry forwards can also be used against future taxable profit. Tax loss carry forwards are subject to an annual review taking into account the tax system applicable to each relevant tax entity and a realistic projection of their tax income or expense, based on their business development outlook: any previously unrecognised deferred tax assets are recorded in the balance sheet to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered; however, the carrying value of deferred tax assets already recognised in the balance sheet is reduced where a risk of total or partial non-recovery occurs.

Current and deferred taxes are recognised in the consolidated income statement under *Income tax.* However, deferred taxes related to gains and losses recorded under *Unrealised or deferred gains and losses* are also recognised under the same heading in shareholders' equity.

1. INCOME TAX

(In EUR m)	2016	2015
Current taxes	(1,313)	(1,064)
Deferred taxes	(656)	(650)
Total	(1,969)	(1,714)

RECONCILIATION OF THE DIFFERENCE BETWEEN THE GROUP'S STANDARD TAX RATE AND ITS EFFECTIVE TAX RATE

(In EUR m)	2016	2015
Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill	6,178	5,878
Normal tax rate applicable to French companies (including 3.3% national contribution)	34.43%	34.43%
Permanent differences[(1)]	7.15%	5.15%
Differential on securities with tax exemption or taxed at reduced rate	(1.93%)	(1.05%)
Tax rate differential on profits taxed outside France	(6.83%)	(6.65%)
Impact of non-deductible losses and use of tax losses carried forward	(0.96%)	(2.71%)
Group effective tax rate	31.86%	29.17%

(1) At 31st December 2016, the main impact is related to the change in the French tax rate for +9.81% and the effect of the activation of previous losses in the US for -5.18%.

In France, the standard corporate income tax rate is 33.33%. A national contribution payment based on pre-tax earnings *(contribution sociale)* was introduced in 2000 equal to 3.3% (after a deduction of EUR 0.76 million from basic taxable income). The Group was also subject to an additional contribution of 10.7% in 2015. This contribution is no longer applicable to companies closing their financial years as from 31st December 2016.

Long-term capital gains on equity investments are exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate. In accordance with the 2013 French Finance Act, this portion of fees and expenses is 12% of gross capital gains.

Furthermore, under the parent-subsidiary regime, dividends from companies in which Societe Generale's equity interest is at least 5% are tax exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate.

The 2017 French Finance Act, adopted on 20th December 2016, includes a gradual reduction in French tax rate. Between now and 2020, the standard Corporate Income Tax of 33.33% will be brought down to 28%, plus the existing national contribution of 3.3%.

Deferred taxes on French companies are determined by applying the tax rate in effect at the reversal of the temporary difference, i.e.:

- for income taxed at the ordinary tax rate, the rate is 34.43% or 28.92%,
- for income taxed at reduced rate, the rate is 4.13% or 3.47%.

2. PROVISIONS FOR TAX ADJUSTMENTS

ACCOUNTING PRINCIPLES

Provisions represent liabilities whose timing or amount cannot be precisely determined.

Provisions may be recorded:

- where, by virtue of a commitment to a third party, the Group will probably or certainly incur an outflow of resources to this third party without receiving at least the equivalent value in exchange;
- and when the amount of probable outflow of resources can be reliably estimated.

The expected outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions for tax adjustments are booked to *Current taxes* in the income statement under *Income tax*.

Information on the nature and the amount of the associated risks is not disclosed if the Group considers that such disclosure could seriously undermine its position in a dispute with other parties on the object of the provision.

(In EUR m)	Provisions at 31.12.2015	Depreciation	Available Write-backs	Net	Used Write-backs	Changes in translation and consolidation scope	Provisions at 31.12.2016
Tax adjustments	286	112	(88)	24	(75)	13	248

3. TAX ASSETS AND LIABILITIES

TAX ASSETS

(In EUR m)	31.12.2016	31.12.2015
Current tax assets	1,091	1,439
Deferred tax assets	5,330	5,928
o.w. deferred tax assets on tax loss carryforwards	*3,083*	*3,413*
o.w. deferred tax assets on temporary differences	*2,247*	*2,515*
Total	6,421	7,367

TAX LIABILITIES

(In EUR m)	31.12.2016	31.12.2015
Current tax liabilities	984	1,108
Deferred tax liabilities	460	463
Total	1,444	1,571

4. DEFERRED TAX ON UNREALISED OR DEFERRED GAINS AND LOSSES

(In EUR m)	31.12.2016	31.12.2015
Tax impact on items that will be subsequently reclassified into income	(292)	(279)
Available-for-sale financial assets	(265)	(261)
Hedging derivatives	(19)	(11)
Unrealised or deferred gains and losses accounted for using the equity method and that will be subsequently reclassified into income	(8)	(7)
Tax impact on items that will not be subsequently reclassified into income	215	225
Actuarial gain / (loss) on post-employment benefits	215	225
Total	(77)	(54)

5. DEFERRED TAX ASSETS RECOGNISED ON TAX LOSS CARRYFORWARDS

At 31st December 2016, based on the tax system of each entity and a realistic projection of their taxable income, the projected period for deferred tax asset recovery is indicated in the table below:

(In EUR m)	31.12.2016	Statutory time limit on carryforwards	Expected recovery period
Total deferred tax assets relating to tax loss carryforwards	3,083	-	-
French tax group	*2,320*	*Unlimited*(1)	*10 years*
US tax group	*626*	*20 years*	*7 years*
others	*137*	-	-

(1) In accordance with the 2013 French Finance Act, the deduction of previous losses is limited to EUR 1 million plus 50% of the fraction of the taxable income for the fiscal year exceeding this limit. The non-deductible portion of losses may be carried forward to the following fiscal years with no time limit and under the same conditions.

At 31st December 2016, the main unrecognised deferred tax assets represent a total of EUR 739 million (compared to EUR 988 million at 31st December 2015). They are mostly related to the US tax group, with EUR 702 million (compared to EUR 988 million at 31st December 2015).

The Societe Generale Group considers that the decision handed down on 23rd September 2016 by the Versailles Court of Appeal in the legal proceedings against Jérôme Kerviel has no impact on its tax situation. However, as indicated by the Ministry for the Economy and Finance, the French tax administration is assessing the tax consequences of the net losses suffered by the Bank for an amount of EUR 4.9 billion as a result of Jérôme Kerviel's fraudulent acts, and a dispute on this subject before the competent courts is still possible.

NOTE 7 - SHAREHOLDERS' EQUITY

MAKING IT SIMPLE

Equity is the resources contributed to the Group by external shareholders as capital, as well as the cumulative and undistributed results (retained earnings). It also includes resources received when financial instruments are issued and for which the issuer has no contractual obligation to deliver cash to the holders of these instruments (such as certain perpetual subordinated notes).

Equity has no contractual maturity, and when compensation is awarded to shareholders or holders of other equity instruments, it does not affect the income statement but directly reduces the retained earnings in the equity.

The statement "Changes in Shareholders' Equity" presents the various changes that affect the components of equity over the reporting period.

NOTE 7.1 - TREASURY SHARES AND SHAREHOLDERS' EQUITY ISSUED BY THE GROUP

ACCOUNTING PRINCIPLES

TREASURY SHARES

Societe Generale shares held by the Group are deducted from consolidated equity irrespective of the purpose for which they are held. Income on these shares is eliminated from the consolidated income statement.

Recognition of shares issued by Group subsidiaries, which are bought and sold by the Group, is described in Note 2.

SHAREHOLDERS' EQUITY ISSUED BY THE GROUP

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

When they are classified as equity, securities issued by Societe Generale are recorded under *Other equity instruments*. If they are issued by Group subsidiaries, these securities are recognised under *Non-controlling interests*. External costs associated with issuing equity instruments are deducted directly from equity at their after-tax amount.

When they are classified as debt instruments, securities issued by the Group are recorded under *Debt securities issued* or *Subordinated debt* depending on their characteristics. They are accounted for in the same way as other financial liabilities measured at amortised cost (see Note 3.6).

1. ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.

(Number of shares)	2016	2015
Ordinary shares	807,713,534	806,239,713
Including treasury stock with voting rights[(1)]	*8,251,751*	*9,513,568*
Including shares held by employees	*55,769,100*	*57,400,407*

(1) Excluding Societe Generale shares held for trading purposes or in respect of the liquidity contract.

At 31st December 2016, Societe Generale S.A.'s capital amounted to EUR 1,009,641,917.5 and was made up of 807,713,534 shares with a nominal value of EUR 1.25.

During the first half of 2016 and in accordance with the conditional free share allocation plan, Societe Generale S.A. carried out a capital increase of EUR 1 million through the incorporation of reserves.

During the second half of 2016, Societe Generale S.A. carried out a capital increase totalling EUR 0.3 million with additional paid-in capital of EUR 6 million, resulting from the exercise of stock-options granted in 2009 and 2010.

2. TREASURY STOCK

At 31st December 2016, the Group held 11,296,403 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 1.4% of the capital of Societe Generale S.A.

The amount deducted by the Group from its equity for treasury shares (and related derivatives) came to EUR 371 million, including EUR 75 million in shares held for trading purposes.

At 31st December 2016, no Societe Generale shares were held under the liquidity contract, which contained EUR 51 million for the purpose of carrying out transactions in Societe Generale shares.

THE CHANGE IN TREASURY STOCK OVER 2016 BREAKS DOWN AS FOLLOWS:

(In EUR m)	Liquidity contract	Trading activities	Treasury stock and active management of shareholders' equity	Total
Disposals net of purchases	-	50	28	78
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	-	(3)	(17)	(20)

3. EQUITY INSTRUMENTS ISSUED

PERPETUAL SUBORDINATED NOTES

Perpetual subordinated notes issued by the Group, with some discretionary features governing the payment of interest, are classified as equity.

At 31st December 2016, perpetual subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 244 million.

This amount changed to the redemption at par for JPY 10,000 million of subordinated notes issued in December 1996.

Issuance Date	Amount in local currency at 31.12. 2015	Repurchases and redemptions in 2016	Amount in local currency at 31.12. 2016	Amount in millions of euros at historical rate	Remuneration
1st July 1985	EUR 62 M		EUR 62 M	62	BAR (Bond Average Rate) of -0.25% for the period from 1st June to 31st May before each due date
24th November 1986	USD 248 M		USD 248 M	182	Average 6-month Euro/Dollar deposit rates communicated by reference banks +0.075%
30th December 1996	JPY 10,000 M	JPY 10,000 M	-	71	3.936% until September 2016 and for subsequent due dates: the more favourable rate between the fixed rate and a variable rate + spread defined as follows: JPY 5-year Mid Swap Rate +2.0%

PERPETUAL DEEPLY SUBORDINATED NOTES

Given the discretionary nature of the decision to pay dividends to shareholders, perpetual deeply subordinated notes have been classified as equity and recognised under *Other equity instruments*.

At 31st December 2016, perpetual deeply subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 9,435 million.

The variation of the amount of perpetual deeply subordinated notes reflects the issuing of one note and redemption of one note during the year.

Issuance Date	Amount in local currency at 31.12.2015	Repurchases and redemptions in 2016	Amount in local currency at 31.12. 2016	Amount in millions of euros at historical rate	Remuneration
5th April 2007	USD 63 M	-	USD 63 M	47	3-month USD Libor +0.75% annually, from 2017 3-month USD Libor +1.75% annually
5th April 2007	USD 808 M	-	USD 808 M	604	5.922%, from 2017 3-month USD Libor +1.75% annually
19th December 2007	EUR 463 M	-	EUR 463 M	463	6.999%, from 2018 3-month Euribor +3.35% annually
16th June 2008	GBP 506 M	-	GBP 506 M	642	8.875%, from 2018 3-month GBP Libor +3.4% annually
27th February 2009	USD 450 M	USD 450 M	-	356	9.5045%, from 2016 3-month USD Libor +6.77% annually
4th September 2009	EUR 905 M	-	EUR 905 M	905	9.375%, from 2019 3-month Euribor +8.901% annually
6th September 2013	USD 1,250 M	-	USD 1,250 M	953	8.25%, from 29th November 2018 USD 5-year Mid Swap Rate +6.394%
18th December 2013	USD 1,750 M	-	USD 1,750 M	1,273	7.875%, from 18th December 2023, USD 5-year Mid Swap Rate + 4.979 %
25th June 2014	USD 1,500 M	-	USD 1,500 M	1,102	6%, from 27th January 2020, USD 5-year Mid Swap Rate + 4.067 %
7th April 2014	EUR 1,000 M	-	EUR 1,000 M	1,000	6.75%, from 7th April 2021, EUR 5-year Mid Swap Rate + 5.538 %
29th September 2015	USD 1,250 M	-	USD 1,250 M	1,111	8.00% from 29th September 2025, USD 5-year Mi Swap rate + 5.873 %
13th September 2016	-	-	USD 1,500 M	1,335	7.375% from 13th September 2021, USD 5-year Mi Swap rate + 6.238 %

OTHER EQUITY INSTRUMENTS ISSUED BY SUBSIDIARIES

Given the discretionary nature of the decision to pay dividends to shareholders, perpetual subordinated notes issued by the Group's subsidiaries are classified as equity.

At 31st December 2016, other equity instruments issued by the Group's subsidiaries and recognised under *Non-controlling interests* totalled EUR 800 million.

Issuance Date	Amount	Remuneration
18th December 2014 (step-up clause after 12 years)	EUR 800 M	4.125%, from 2026 5-year Mid-Swap rate + 4.150% annually

SUMMARY OF CHANGES IN EQUITY INSTRUMENTS ISSUED

Changes related to the perpetual subordinated notes and deeply subordinated notes included in *Retained earnings, Group share* are detailed below:

	31.12.2016		
(In EUR m)	Deeply subordinated notes	Perpetual subordinated notes	Total
Remuneration paid booked under dividends (*2016 dividends paid* line)	(686)	(7)	(693)
Changes in nominal values in 2016	979	(71)	908
Tax savings on remuneration payable to shareholders and recorded under reserves	245	13	258
Issuance costs, net of tax, related to subordinated notes issued in 2016	(7)	-	(7)

NOTE 7.2 - EARNINGS PER SHARE AND DIVIDENDS

ACCOUNTING PRINCIPLES

Earnings per share are measured by dividing net income attributable to ordinary shareholders by the weighted average number of shares outstanding over the period, excluding treasury shares. Net income attributable to ordinary shareholders takes account of dividend rights of preferred shareholders, such as holders of preferred shares, subordinated securities or deeply subordinated notes classified in equity. Diluted earnings per share take into account the potential dilution of shareholders' interests in the event dilutive instruments (stock options or free share plans) are converted into ordinary shares. This dilutive effect is determined using the share buyback method.

1. EARNINGS PER SHARE

(In EUR m)	2016	2015
Net income, Group share	3,874	4,001
Net income attributable to subordinated notes and deeply subordinated notes	(465)	(435)
Issuance fees relating to subordinated notes and deeply subordinated notes	(7)	(7)
Net income attributable to ordinary shareholders	3,402	3,559
Weighted average number of ordinary shares outstanding(1)	798,767,869	792,503,322
Earnings per ordinary share *(in euros)*	4.26	4.49
Average number of ordinary shares used in the dilution calculation(2)	19,154	100,457
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	798,787,023	792,603,779
Diluted earnings per ordinary share *(in euros)*	4.26	4.49

(1) Excluding treasury shares.

(2) The number of shares used in the dilution calculation is computed using the "share buy-back" method and takes into account free shares and stock-option plans.

The dilutive effect of stock-option plans depends on the average Societe Generale share price, which at 31st December 2016 was EUR 34.50. Accordingly, at 31st December 2016, only free shares without performance conditions under the 2009 stock option plans were considered as dilutive.

2. DIVIDENDS PAID

Dividends paid by the Group in 2016 amounted to EUR 2,580 million and are detailed in the following table:

	2016			2015		
(In EUR m)	Group Share	Non-controlling interests	Total	Group Share	Non-controlling interests	Total
Ordinary shares	(1,596)	(258)	(1,854)	(943)	(227)	(1,170)
o.w. paid in shares	-	-	-	-	-	-
o.w. paid in cash	*(1,596)*	*(258)*	*(1,854)*	*(943)*	*(227)*	*(1,170)*
Other equity instruments	(693)	(33)	(726)	(715)	(6)	(721)
Total	(2,289)	(291)	(2,580)	(1,658)	(233)	(1,891)

NOTE 8 - ADDITIONAL DISCLOSURES

NOTE 8.1 - SEGMENT REPORTING

1. DEFINITION OF SEGMENT REPORTING

The Group is managed on a matrix basis that takes into account its different business lines and the geographical breakdown of its activities. Segment reporting information is therefore presented under both criteria.

The Group includes in the results of each sub-division all operating income and expenses directly related to its activity. Income for each sub-division, except for the Corporate Centre, also includes the return on equity allocated to it, based on the estimated rate of return on Group equity. The return on the sub-division's book equity is then reallocated to the Corporate Centre. Transactions between sub-divisions are carried out under the same terms and conditions as those applying to non-Group customers.

The Group's core businesses are managed through three strategic pillars:

- French Retail Banking, which includes the domestic networks Societe Generale, Credit du Nord and Boursorama;
- International Retail Banking & Financial Services, which consists of:
  - International Retail Banking, including consumer finance activities,
  - Financial Services to Corporates (operational vehicle leasing and fleet management, equipment and vendor finance),
  - Insurance activities;
- Global Banking and Investor Solutions which comprises:
  - Global Markets and Investor Services,
  - Financing and Advisory,
  - Asset and Wealth Management.

In addition to the strategic pillars, the Corporate Centre acts as the Group's central funding department. As such, it recognises the carrying cost of equity investments in subsidiaries and related dividend payments, as well as income and expenses stemming from the Group's Asset and Liability Management (ALM) and income from the Group's management of its assets (management of its industrial and bank equity portfolio and of its real estate assets). Income or expenses that do not relate directly to the activity of the core businesses are also allocated to the Corporate Centre.

Segment income takes intra-Group transactions into account, while these transactions are eliminated from segment assets and liabilities. The tax rate levied on each business line is based on the standard tax rate applicable in each country where the division makes profits. Any difference with respect to the Group's tax rate is allocated to the Corporate Centre.

For the purpose of segment reporting by geographical region, segment profit or loss and assets and liabilities are presented based on the location of the booking entities.

2. SEGMENT REPORTING BY DIVISION AND SUB-DIVISION

Amounts by division and sub-division incorporate the new organisational structure of Group activities.

	Societe Generale Group		French Retail Banking		Corporate Centre[2]	
(In EUR m)	2016	2015	2016	2015*	2016	2015*
Net banking income	25,298	25,639	8,403	8,588	14	167
Operating expenses[1]	(16,817)	(16,893)	(5,522)	(5,486)	(135)	(160)
Gross operating income	**8,481**	**8,746**	**2,881**	**3,102**	**(121)**	**7**
Cost of risk	(2,091)	(3,065)	(704)	(824)	(340)	(591)
Operating income	**6,390**	**5,681**	**2,177**	**2,278**	**(461)**	**(584)**
Net income from companies accounted for by the equity method	129	231	51	42	11	23
Net income / expense from other assets	(212)	197	(12)	(26)	(282)	163
Earnings before tax	**6,307**	**6,109**	**2,216**	**2,294**	**(732)**	**(398)**
Income tax	(1,969)	(1,714)	(730)	(853)	(156)	123
Net income before non-controlling interests	**4,338**	**4,395**	**1,486**	**1,441**	**(888)**	**(275)**
Non-controlling interests	464	394	-	-	158	126
Net income, Group share	**3,874**	**4,001**	**1,486**	**1,441**	**(1,046)**	**(401)**

	International Retail Banking & Financial Services							
	International Retail Banking		Financial Services to Corporates		Insurance		Total	
(In EUR m)	2016	2015*	2016	2015*	2016	2015*	2016	2015*
Net banking income	5,012	5,042	1,677	1,515	883	825	7,572	7,382
Operating expenses(1)	(3,109)	(3,206)	(825)	(774)	(339)	(327)	(4,273)	(4,307)
Gross operating income	1,903	1,836	852	741	544	498	3,299	3,075
Cost of risk	(721)	(1,127)	(58)	(119)	-	-	(779)	(1,246)
Operating income	1,182	709	794	622	544	498	2,520	1,829
Net income from companies accounted for by the equity method	18	16	19	55	-	-	37	71
Net income / expense from other assets	58	(36)	-	-	-	(1)	58	(37)
Earnings before tax	1,258	689	813	677	544	497	2,615	1,863
Income tax	(293)	(148)	(230)	(195)	(174)	(159)	(697)	(502)
Net income before non-controlling interests	965	541	583	482	370	338	1,918	1,361
Non-controlling interests	280	247	5	2	2	1	287	250
Net income, Group share	685	294	578	480	368	337	1,631	1,111

	Global Banking and Investor Solutions							
	Global Markets and Investor Services		Financing and Advisory		Asset and Wealth Management		Total	
(In EUR m)	2016	2015*	2016	2015*	2016	2015*	2016	2015*
Net banking income	5,936	6,003	2,372	2,415	1,001	1,084	9,309	9,502
Operating expenses(1)	(4,390)	(4,566)	(1,539)	(1,533)	(958)	(841)	(6,887)	(6,940)
Gross operating income	1,546	1,437	833	882	43	243	2,422	2,562
Cost of risk	(4)	(66)	(247)	(312)	(17)	(26)	(268)	(404)
Operating income	1,542	1,371	586	570	26	217	2,154	2,158
Net income from companies accounted for by the equity method	4	6	(2)	(6)	28	95	30	95
Net income / expense from other assets	-	-	28	98	(4)	(1)	24	97
Earnings before tax	1,546	1,377	612	662	50	311	2,208	2,350
Income tax	(327)	(361)	(53)	(58)	(6)	(63)	(386)	(482)
Net income before non-controlling interests	1,219	1,016	559	604	44	248	1,822	1,868
Non-controlling interests	14	14	3	3	2	1	19	18
Net income, Group share	1,205	1,002	556	601	42	247	1,803	1,850

* Amounts restated relative to the financial statements published at 31st December 2015 due to adjustments of normative capital calculation method within business lines.

(1) These amounts include *Personnel expenses*, *Other operating expenses* and *Amortisation, depreciation and impairment of tangible and intangible fixed assets.*

(2) Income and expenses not directly related to the business line activities are recorded in the Corporate Centre's income. Thus the debt revaluation differences linked to own credit risk (EUR -354 million at 31st December 2016), are allocated to the Corporate Centre. The *Net Banking Income* of the Corporate Centre of 2016 includes the capital gain on sale of Visa Europe shares for EUR 725 million. Besides, in order to materialise the unrealised losses on assets held for sale of the retail bank in Croatia, the Corporate Centre has booked an impairment loss of EUR -235 million through *Net income/expense from other assets.*

(In EUR m)	Societe Generale Group		French Retail Banking		Corporate Centre (2)	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Segment assets	1,382,241	1,334,391	217,971	219,420	129,635	120,221
Segment liabilities(1)	1,316,535	1,271,716	224,222	210,926	97,495	93,692

	International Retail Banking & Financial Services							
	International Retail Banking		Financial Services to Corporates		Insurance		Total	
(In EUR m)	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Segment assets	115,844	109,039	35,455	31,481	126,271	120,371	277,570	260,891
Segment liabilities(3)	88,616	83,912	11,057	10,125	119,311	113,483	218,984	207,520

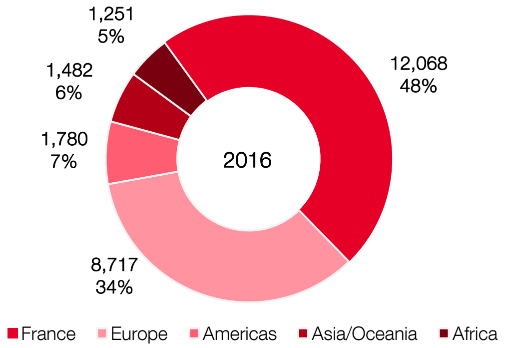
	Global Banking and Investor Solutions							
	Global Markets and Investor Services		Financing and Advisory		Asset and Wealth Management		Total	
(In EUR m)	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Segment assets	614,228	603,471	102,613	96,157	40,224	34,231	757,065	733,859
Segment liabilities(3)	714,244	702,901	30,468	28,393	31,122	28,284	775,834	759,578

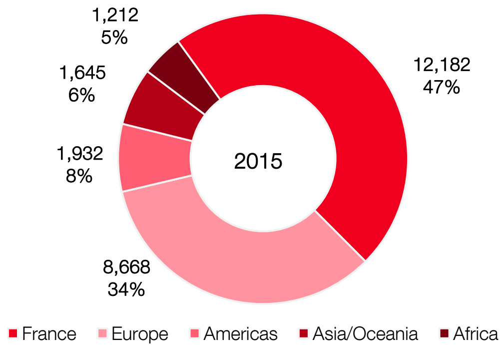
(1) Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

(2) Assets and liabilities not directly related to the business line activities are recorded on the Corporate Centre's balance sheet. Thus the debt revaluation differences linked to own credit risk and the revaluation differences of the credit derivative instruments hedging the loans and receivables portfolios are allocated to the Corporate Centre.

3. SEGMENT REPORTING BY GEOGRAPHICAL REGION

GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME

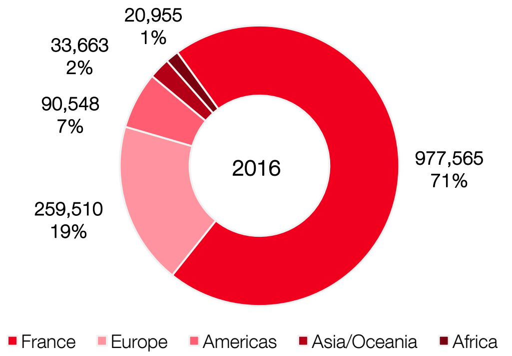


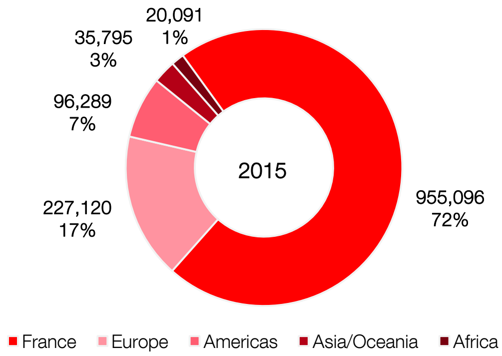


At 31st December 2016, the amount of Net Banking Income was EUR 25,298 million compared to EUR 25,639 million at 31st December 2015.

GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS

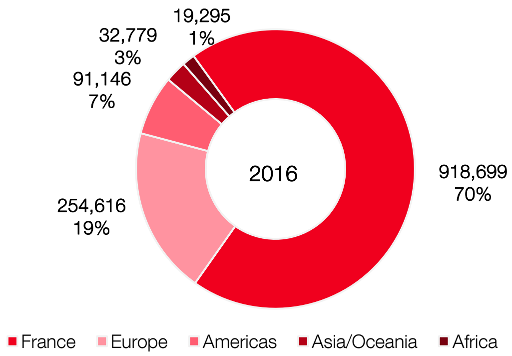
ASSETS

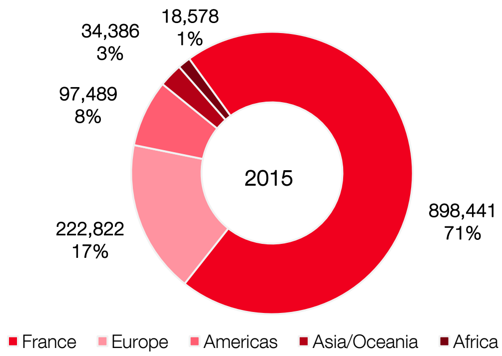




At 31st December 2016, the amount of asset was EUR 1,382,241 million compared to EUR 1,334,391 million at 31st December 2015.

LIABILITIES





At 31st December 2016, the amount of liabilities (except shareholder equity) was EUR 1,316,535 million compared to EUR 1,271,716 million at 31st December 2015.

Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

NOTE 8.2 - OTHER OPERATING EXPENSES

ACCOUNTING PRINCIPLES

The Group records operating expenses under expenses, according to the type of services to which they refer and the rate of use of said services.

Lease payments include real estate and equipment leasing expenses (mainly computer-related), which are booked over the lease period using the straight-line method.

Taxes and levies are only booked when the triggering event provided for by law occurs. If the obligation to pay the tax arises from the gradual operation of an activity, the expense must be spread out over the same period. Finally, if the obligation to pay is generated when a threshold is reached, the expense is only recorded once the threshold is reached.

Taxes and levies cover all contributions levied by a public authority and include the contributions paid to the Single Resolution Fund and the Deposit Insurance and Resolution Fund, the systemic risk tax, and contributions for ACPR control costs, which are recognised on the income statement at the start of the financial year. The company social solidarity contribution (C3S), based on income generated in previous financial year, is fully recognised on the income statement at 1st January of the current financial year.

Other mainly includes building maintenance and other costs, travel and business expenses, and advertising expenses.

(In EUR m)	**2016**	**2015**
Lease payments	(1,102)	(1,106)
Taxes and levies	(802)	(724)
IT & telecom (excluding lease payments)	(2,126)	(2,069)
Consulting fees (excluding IT & telecom)	(1,294)	(1,283)
Other[(1)]	(1,099)	(1,295)
Total	**(6,423)**	**(6,477)**

(1) In 2016, the European Commission reduced the fine imposed on Societe Generale in 2013 in connection with Euribor. It was recorded as a decrease in "Other operating expenses" (under "Other") for EUR 218 million.

CONTRIBUTION TO BANK RESOLUTION MECHANISMS

The European regulatory framework intended to enhance the financial stability was updated by Directive 2014/49/EU of 16th April 2014 on deposit guarantee schemes and Directive 2014/59/EU of 15th May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive).

The European Regulation EU n°806/2014 of 15th July 2014 then determined the financing means of resolution mechanisms within the European Banking Union through the establishment of a Single Resolution Fund (SRF).

This Fund, established in January 2016, will receive annual contributions from the participating European financial institutions. By the end of 2023, the available financial means of the Fund will reach at least 1% of the amount of covered deposits of all these participating financial institutions. A share of the annual contributions can be provided through irrevocable payment commitments.

For 2016, the Group's contributions to the SRF were made of:

- Cash contributions (85%) for an amount of EUR 245 million (EUR 137 million in 2015) which is non tax-deductible in France and has been recorded in the income statement among *Taxes and Levies*;
- Irrevocable payment commitments (15%) backed by a cash collateral for an amount of EUR 35 million (EUR 46 million in 2015) recorded as an asset in the balance sheet among *Other assets*.

NOTE 8.3 – PROVISIONS

ACCOUNTING PRINCIPLES

Under balance sheet liabilities, *Provisions* are comprised of provisions for financial instruments, disputes, employee benefits and tax adjustments.

BREAKDOWN OF PROVISIONS

(In EUR m)	31.12.2016	31.12.2015
Provisions for financial instruments and disputes (see Note 3.8)	3,589	3,148
Provisions for employee benefits (see Note 5.2)	1,850	1,784
Provisions for tax adjustments (see Note 6)	248	286
Total	5,687	5,218

NOTE 8.4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

ACCOUNTING PRINCIPLES

Tangible and intangible fixed assets include operating and investment fixed assets. Equipment assets held for operating lease purposes are included in operating tangible assets, while buildings held for leasing purposes are included in investment property.

Tangible and intangible fixed assets are carried at their purchase price on the assets side of the balance sheet, less depreciation, amortisation and impairment.

The purchase price of fixed assets includes borrowing costs incurred to fund a lengthy construction period for the fixed assets, along with all other directly attributable expenses. Investment subsidies received are deducted from the cost of the relevant assets. Software developed internally is recorded on the asset side of the balance sheet in the amount of the direct cost of development.

As soon as they are fit for use, fixed assets are depreciated or amortised using the component-based approach. Each component is depreciated or amortised over its own useful life. The Group has applied this approach to its operating properties, breaking down its assets into components with depreciation periods of 10 to 50 years. Depreciation periods for fixed assets other than buildings depend on their useful life, which is usually estimated at 3 to 20 years.

Any residual value of the asset is deducted from its depreciable amount. If there is a subsequent decrease or increase in this initial residual value, the depreciable amount of the asset is adjusted, leading to a prospective modification of the depreciation schedule.

Depreciation and amortisation are recorded in the income statement under *Amortisation, depreciation and impairment of tangible and intangible fixed assets*.

Fixed assets grouped into cash-generating units are tested for impairment whenever there is any indication that their value may have diminished. Allocations and reversals of provisions for impairment are recorded in the income statement under *Amortisation, depreciation and impairment of tangible and intangible fixed assets*.

Realised capital gains and losses on operating fixed assets are recognised under *Net income from other assets*.

Investment properties are depreciated using the component based-method. Each component is depreciated over its own useful life, ranging from 10 to 50 years.

Profits or losses on operating lease assets and on investment property are recognised under *Income from other activities* and *Expenses from other activities* (see Note 4.2).

CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(In EUR m)	Gross book value at 31.12.2015	Acquisitions	Disposals	Changes in translation, consolidation scope and reclassifications	Gross value at 31.12.2016	Depreciation and amortisation of assets at 31.12.2015	Allocations to amortisation and depreciation in 2016	Impairment of assets in 2016	Write-backs from amortisation and depreciation in 2016	Changes in translation, consolidation scope and reclassifications	Net book value at 31.12.2016	Net book value at 31.12.2015
Intangible assets	5,306	553	(45)	(140)	5,674	(3,684)	(417)	(8)	36	116	1,717	1,622
Operating tangible assets	10,693	588	(412)	(165)	10,704	(5,608)	(511)	(13)	260	187	5,019	5,085
Lease assets of specialised financing companies	17,305	7,971	(6,042)	996	20,230	(5,247)	(2,930)	(14)	2,617	(239)	14,417	12,058
Investment property	782	18	(2)	(27)	771	(126)	(18)	(3)	7	(1)	630	656
Total tangible and intangible fixed assets	**34,086**	**9,130**	**(6,501)**	**664**	**37,379**	**(14,665)**	**(3,876)**	**(38)**	**2,920**	**63**	**21,783**	**19,421**

BREAKDOWN OF MINIMUM PAYMENTS RECEIVABLE ON OPERATING LEASE ASSETS

(In EUR m)	31.12.2016	31.12.2015
Breakdown of minimum payments receivable		
due in less than 1 year	*3,374*	*3,356*
due in 1-5 years	*7,557*	*5,118*
due in more than 5 years	*40*	*22*
Total minimum future payments receivable	10,971	8,496

NOTE 8.5 - FOREIGN EXCHANGE TRANSACTIONS

ACCOUNTING PRINCIPLES

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into the entity's functional currency at the prevailing spot exchange rate. Realised or unrealised foreign exchange losses or gains are recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss* (see Note 3.1).

Forward foreign exchange transactions are recognised at fair value based on the forward exchange rate for the remaining maturity. Spot foreign exchange positions are valued using the official spot rates prevailing at the end of the period. Unrealised gains and losses are recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss* (see Note 3.1), except when hedge accounting is applied to a cash-flow hedge transaction or to a hedge of a net investment in a foreign operation (see Note 3.2).

Non-monetary financial assets denominated in foreign currencies, including shares and other equity instruments that are not measured at fair value through profit or loss, are translated into the entity's functional currency at the exchange rate prevailing at the end of the period. Foreign exchange differences arising on these financial assets are booked in equity among *Unrealised or deferred gains and losses* and are only recorded in the income statement when sold or impaired or where the currency risk is fair value hedged. In particular, if a non-monetary asset is funded by a liability denominated in the same currency and if a fair value hedge relationship has been documented between these two financial instruments to hedge the foreign currency risk, the asset is translated at the spot rate prevailing at the end of the period while booking the impact of exchange rate fluctuations to income.

	31.12.2016				31.12.2015			
(In EUR m)	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	807,284	797,058	28,389	24,501	760,374	746,574	20,811	19,937
USD	340,616	317,153	40,313	48,248	324,591	324,715	43,752	49,152
GBP	54,739	36,134	10,664	7,388	69,513	58,518	7,836	12,791
JPY	34,354	79,722	21,104	17,180	41,084	64,231	21,168	17,611
AUD	8,122	8,043	3,700	5,730	6,122	5,712	3,640	4,923
CZK	29,456	31,296	502	575	29,046	30,656	270	130
RUB	11,780	9,126	91	111	9,843	6,789	21	43
RON	7,453	7,690	124	235	6,595	7,256	47	189
Other currencies	88,437	96,019	24,162	17,287	87,223	89,941	18,256	15,131
Total	**1,382,241**	**1,382,241**	**129,049**	**121,256**	**1,334,391**	**1,334,391**	**115,802**	**119,906**

NOTE 8.6 - COMPANIES INCLUDED IN THE CONSOLIDATION SCOPE

Country		Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
South Africa							
	(1) SG JOHANNESBURG	Bank	FULL	100	100	100	100
Albania							
	BANKA SOCIETE GENERALE ALBANIA SH.A.	Bank	FULL	88.64	88.64	88.64	88.64
Algeria							
	ALD AUTOMOTIVE ALGERIE SPA	Specialist Financing	FULL	99.99	99.99	99.99	99.99
	SOCIETE GENERALE ALGERIE	Bank	FULL	100	100	100	100
Germany							
	(6) AKRUN EINS GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH & CO. OBJEKT SEREN 1 KG	Real Estate and Real Estate Financing	FULL	-		100	
	ALD AUTOLEASING D GMBH	Specialist Financing	FULL	100	100	100	100
	ALD INTERNATIONAL GROUP HOLDINGS GMBH	Specialist Financing	FULL	100	100	100	100
	ALD INTERNATIONAL SAS & CO. KG	Specialist Financing	FULL	100	100	100	100
	ALD LEASE FINANZ GMBH	Specialist Financing	FULL	100	100	100	100
	BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH	Specialist Financing	FULL	99.9	99.86	51	51
	BDK LEASING UND SERVICE GMBH	Specialist Financing	FULL	100	100	100	100
	CAR PROFESSIONAL FUHRPARKMANAGEMENT UND BERATUNGSGESELLSCHAFT MBH & CO. KG	Specialist Financing	FULL	100	100	100	100
	CARPOOL GMBH	Broker	FULL	100	100	100	100
	EUROPARC DREILINDEN GMBH	Group Real Estate Management Company	FULL	100	100	100	100
	EUROPARC GMBH	Group Real Estate Management Company	FULL	100	100	100	100
	EUROPARC KERPEN GMBH	Group Real Estate Management Company	FULL	100	100	100	100
	GEFA BANK GMBH	Specialist Financing	FULL	100	100	100	100
	(5) GEFA LEASING GMBH	Specialist Financing	FULL		100		100
	GEFA VERSICHERUNGSDIENST GMBH	Insurance	EFS	100	100	100	100
	HANSEATIC BANK GMBH & CO KG	Specialist Financing	FULL	75	75	75	75
	HANSEATIC GESELLSCHAFT FUR BANKBETEILIGUNGEN MBH	Portfolio Management	FULL	75	75	100	100
	HSCE HANSEATIC SERVICE CENTER GMBH	Services	FULL	75	75	100	100
	INTERLEASING DELLO HAMBURG GMBH	Specialist Financing	FULL	100	100	100	100
	ONVISTA	Financial Company	FULL	100	100	100	100
	ONVISTA BANK	Broker	FULL	100	100	100	100
	ONVISTA MEDIA GMBH	Services	FULL	100	100	100	100
	PEMA GMBH	Specialist Financing	FULL	100	100	100	100
	PODES DREI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH &CO OBJEKTE WEL 4 KG	Real Estate and Real Estate Financing	FULL	-	-	100	100
	PODES GRUNDSTUCKS - VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	-	-	100	100
	PODES ZWEI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH &CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	-	-	100	100
	RED & BLACK AUTO GERMANY 2 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	-	-	100	100
	RED & BLACK AUTO GERMANY 3 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	-	-	100	100
	(6) RED & BLACK AUTO GERMANY 4 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	-		100	
	(6) RED & BLACK AUTO LEASE GERMANY 2 SA	Financial Company	FULL	-		100	
	RED & BLACK CAR SALES 1UG	Financial Company	FULL	-	-	100	100
	(9) RED & BLACK TME GERMANY 1 UG	Financial Company	FULL	-	-	100	100
	SG EQUIPMENT FINANCE INTERNATIONAL GMBH	Specialist Financing	FULL	100	100	100	100
	SG EQUIPMENT FINANCE SA & CO KG	Specialist Financing	FULL	100	100	100	100
	(1) SG FRANCFORT	Bank	FULL	100	100	100	100
	SOCIETE GENERALE EFFEKTEN GMBH	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES GMBH	Specialist Financing	FULL	100	100	100	100
	(1) SOGECAP DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100	100
	(1) SOGECAP RISQUES DIVERS DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100	100
Australia							
	SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD	Broker	FULL	100	100	100	100
Austria							
	ALD AUTOMOTIVE FUHRPARKMANAGEMENT UND LEASING GMBH	Specialist Financing	FULL	100	100	100	100
	SG EQUIPMENT LEASING AUSTRIA GMBH	Specialist Financing	EFS	100	100	100	100
	(1) SG VIENNE	Bank	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12. 2016	at 31.12.2015	at 31.12.2016	at 31.12.2015
Bahamas								
	(4)	SG PRIVATE BANKING (BAHAMAS) LTD.	Bank	FULL		100		100
Belgium								
		AXUS FINANCE SPRL	Specialist Financing	FULL	100	100	100	100
		AXUS SA/NV	Specialist Financing	FULL	100	100	100	100
		BASTION EUROPEAN INVESTMENTS S.A.	Financial Company	FULL	60.74	60.74	100	100
		MILFORD	Specialist Financing	FULL	100	100	100	100
	(6)	PARCOURS BELGIUM	Specialist Financing	FULL	100		100	
		PEMA TRUCK TRAILER VERHUUR	Specialist Financing	FULL	100	100	100	100
	(1)	SG BRUXELLES	Bank	FULL	100	100	100	100
	(1)	SG EQUIPMENT FINANCE BENELUX B.V. BELGIAN BRANCH	Specialist Financing	FULL	100	100	100	100
		SOCIETE GENERALE IMMOBEL	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE BANKING NV/SA	Bank	FULL	100	100	100	100
Benin								
		SOCIETE GENERALE BENIN	Bank	FULL	88.34	83.19	89.01	83.85
Bermuda								
		CATALYST RE INTERNATIONAL LTD.	Insurance	FULL	100	100	100	100
	(2)	CATALYST RE LTD.	Insurance	FULL		100		100
Brazil								
		ALD AUTOMOTIVE S.A.	Specialist Financing	FULL	100	100	100	100
		BANCO CACIQUE S.A.	Bank	FULL	100	100	100	100
		BANCO PECUNIA S.A.	Bank	FULL	100	100	100	100
		BANCO SOCIETE GENERALE BRASIL S.A.	Bank	FULL	100	100	100	100
		CACIQUE PROMOTORA DE VENDAS LTDA	Specialist Financing	FULL	100	100	100	100
		COBRACRED COBRANCA ESPECIALIZADA LTDA	Financial Company	FULL	100	100	100	100
		CREDIAL EMPREENDIMENTOS E SERVICOS LTDA	Specialist Financing	FULL	100	100	100	100
		MORDENO SOCIEDADES ANONIMAS	Financial Company	FULL	100	100	100	100
		NEWEDGE REPRESENTACOES LTDA (NEWEDGE BRAZIL)	Broker	FULL	100	100	100	100
		SG EQUIPMENT FINANCE S.A. ARRENDAMENTO MERCANTIL	Specialist Financing	FULL	100	100	100	100
	(2)	SG SD FUNDO DE INVESTIMENTO MULTIMERCADO - INVESTIMENTO NO EXTERIOR	Financial Company	FULL		100		100
		SOCIETE GENERALE S.A. CORRETORA DE CAMBIO, TITULOS E VALORES MOBILIARIOS	Broker	FULL	100	100	100	100
Bulgaria								
		REGIONAL URBAN DEVELOPMENT FUND	Specialist Financing	FULL	51.86	51.86	52	52
		SG EXPRESS BANK	Bank	FULL	99.74	99.74	99.74	99.74
		SOCIETE GENERALE FACTORING	Specialist Financing	FULL	99.74	99.74	100	100
		SOGELEASE BULGARIA	Specialist Financing	FULL	99.74	99.74	100	100
Burkina Faso								
		SOCIETE GENERALE BURKINA FASO	Bank	FULL	51.27	51.27	52.61	52.61
Cameroon								
		SOCIETE GENERALE CAMEROUN	Bank	FULL	58.08	58.08	58.08	58.08
Canada								
	(6)	KLEINWORT BENSON INTERNATIONAL TRUSTEES LIMITED	Bank	FULL	100		100	
		SG CONSTELLATION CANADA LTD.	Specialist Financing	FULL	100	100	100	100
	(9)	SG HAMBROS TRUST COMPANY (CANADA) INC	Financial Company	FULL	100	100	100	100
	(1)	SOCIETE GENERALE (CANADA BRANCH)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE (CANADA)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE CAPITAL CANADA INC	Broker	FULL	100	100	100	100
China								
		ALD FORTUNE AUTO LEASING & RENTING SHANGHAI CO. LTD	Specialist Financing	EFS	50	50	50	50
		FORTUNE SG FUND MANAGEMENT CO. , LTD.	Financial Company	EJV	49	49	49	49
		SOCIETE GENERALE (CHINA) LIMITED	Bank	FULL	100	100	100	100
		SOCIETE GENERALE LEASING AND RENTING CO. LTD	Specialist Financing	FULL	100	100	100	100
Cyprus								
	(3)	VPRG LIMITED	Group Real Estate Management Company	FULL		99.49		100
South Korea								
		SG SECURITIES KOREA, LTD	Broker	FULL	100	100	100	100
	(1)	SG SEOUL	Bank	FULL	100	100	100	100
Côte d'Ivoire								
		SG DE BANQUES EN COTE D'IVOIRE	Bank	FULL	73.25	73.25	73.25	73.25
		SOGEBOURSE EN COTE D'IVOIRE	Portfolio Management	FULL	71.27	71.27	100	100
Croatia								
		ALD AUTOMOTIVE D.O.O. ZA. OPERATIVNI I FINANCIJSKI LEASING	Specialist Financing	EFS	100	100	100	100
	(6)	S.B.ZGRADA	Group Real Estate Management Company	FULL	100		100	
		SG LEASING D.O.O.	Specialist Financing	FULL	100	100	100	100
		SOCIETE GENERALE-SPLITSKA BANKA D.D.	Bank	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
Curaçao							
	SGA SOCIETE GENERALE ACCEPTANCE N.V	Financial Company	FULL	100	100	100	100
Denmark							
	ALD AUTOMOTIVE A/S	Specialist Financing	FULL	100	100	100	100
	NF FLEET A/S	Specialist Financing	FULL	80	80	80	80
	PEMA LAST OG- TRAILERUDLEJNING A/S	Specialist Financing	FULL	100	100	100	100
	(1) SG FINANS AS DANISH BRANCH	Specialist Financing	FULL	100	100	100	100
United Arab Emirates							
	(1) SOCIETE GENERALE DUBAI	Bank	FULL	100	100	100	100
Spain							
	ALD AUTOMOTIVE S.A.U	Specialist Financing	FULL	100	100	100	100
	ALTURA MARKETS, SOCIEDAD DE VALORES, SA	Broker	EJV	50	50	50	50
	(1) GENEFIM SUCURSAL EN ESPANA	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(6) PARCOURS IBERIA SA	Specialist Financing	FULL	100		100	
	SELF TRADE BANK SA	Broker	FULL	100	100	100	100
	SG EQUIPMENT FINANCE IBERIA, E.F.C, S.A.	Specialist Financing	FULL	100	100	100	100
	SOCGEN INVERSIONES FINANCIERAS SA	Financial Company	FULL	100	100	100	100
	(1) SOCIETE GENERALE SUCCURSAL EN ESPANA	Bank	FULL	100	100	100	100
	SODEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
Estonia							
	ALD AUTOMOTIVE EESTI AS	Specialist Financing	EFS	75.01	75.01	75.01	75.01
United States							
	AEGIS HOLDINGS (ONSHORE) INC.	Financial Company	FULL	100	100	100	100
	(9) CGI FINANCE INC	Financial Company	FULL	99.89	99.89	100	100
	CGI NORTH AMERICA INC.	Specialist Financing	FULL	99.89	99.89	100	100
	(9) CLASSIC YACHT DOCUMENTATION, INC.	Services	FULL	99.89	99.89	100	100
	LYXOR ASSET MANAGEMENT HOLDING CORP.	Portfolio Management	FULL	100	100	100	100
	LYXOR ASSET MANAGEMENT INC.	Financial Company	FULL	100	100	100	100
	(5) NEWEDGE FACILITIES MANAGEMENT INC	Services	FULL		100		100
	SG AMERICAS EQUITIES CORP.	Financial Company	FULL	100	100	100	100
	SG AMERICAS OPERATIONAL SERVICES, INC.	Services	FULL	100	100	100	100
	SG AMERICAS SECURITIES HOLDINGS, LLC	Bank	FULL	100	100	100	100
	SG AMERICAS SECURITIES, LLC	Broker	FULL	100	100	100	100
	SG AMERICAS, INC.	Financial Company	FULL	100	100	100	100
	SG CONSTELLATION, INC.	Financial Company	FULL	100	100	100	100
	SG EQUIPMENT FINANCE USA CORP.	Specialist Financing	FULL	100	100	100	100
	SG MORTGAGE FINANCE CORP.	Financial Company	FULL	100	100	100	100
	(6) SG MORTGAGE SECURITIES, LLC	Portfolio Management	FULL	-		100	
	SG REINSURANCE INTERMEDIARY BROKERAGE, LLC	Insurance	FULL	100	100	100	100
	SG STRUCTURED PRODUCTS, INC.	Specialist Financing	FULL	100	100	100	100
	SGAIF, LLC	Financial Company	FULL	100	100	100	100
	SGAIH, INC.	Financial Company	FULL	100	100	100	100
	(9) SGB FINANCE NORTH AMERICA INC.	Financial Company	FULL	50.94	50.94	100	100
	(1) SOCIETE GENERALE (NEW YORK)	Bank	FULL	100	100	100	100
	SOCIETE GENERALE ENERGY LLC	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE FINANCIAL CORPORATION	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE INVESTMENT CORPORATION	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE LIQUIDITY FUNDING, LLC	Financial Company	FULL	100	100	100	100
	TENDER OPTION BOND PROGRAM	Financial Company	FULL	100	100	100	100
Finland							
	AXUS FINLAND OY	Specialist Financing	FULL	100	100	100	100
	EASY KM OY	Specialist Financing	FULL	100	100	100	100
	NF FLEET OY	Specialist Financing	FULL	80	80	80	80
France							
	9 RUE DES BIENVENUS	Real Estate and Real Estate Financing	FULL	95.5	86.5	100	100
	AIR BAIL	Specialist Financing	FULL	100	100	100	100
	AIX - BORD DU LAC - 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(6) AIX - BORD DU LAC - 4	Real Estate and Real Estate Financing	EJV	50		50	
	ALBIGNY AVORAUX	Real Estate and Real Estate Financing	FULL	95.5	86.5	100	100
	ALD AUTOMOTIVE RUSSIE SAS	Specialist Financing	FULL	100	100	100	100
	ALD INTERNATIONAL	Specialist Financing	FULL	100	100	100	100
	ALPRIM	Real Estate and Real Estate Financing	FULL	100	60	100	60
	ANTALIS SA	Financial Company	FULL	-	-	100	100
	ANTARIUS	Insurance	EJV	50	50	50	50
	ANTARIUS FONDS ACTIONS PLUS	Financial Company	EJV	-	-	100	99.89

Country		Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
	ANTARIUS FONDS OBLIGATAIRE	Financial Company	EJV	-	-	99.5	99.95
	ANTARIUS OBLI 1-3 ANS	Financial Company	EJV	-	-	100	100
	ANTARIUS ROTATION SECTORIELLE	Financial Company	EJV	-	-	97.27	97.29
	AQPRIM	Real Estate and Real Estate Financing	FULL	55	55	55	55
	AVIVA INVESTORS RESERVE EUROPE	Financial Company	EJV	-	-	62.89	58.58
	BANQUE COURTOIS	Bank	FULL	100	100	100	100
	BANQUE FRANCAISE COMMERCIALE OCEAN INDIEN	Bank	FULL	50	50	50	50
	BANQUE KOLB	Bank	FULL	99.87	99.87	99.87	99.87
	BANQUE LAYDERNIER	Bank	FULL	100	100	100	100
	BANQUE NUGER	Bank	FULL	100	100	100	100
	BANQUE POUYANNE	Bank	ESI	35	35	35	35
	BANQUE RHONE ALPES	Bank	FULL	99.99	99.99	99.99	99.99
	BANQUE TARNEAUD	Bank	FULL	100	100	100	100
	BOURSORAMA INVESTISSEMENT	Services	FULL	100	100	100	100
	BOURSORAMA SA	Broker	FULL	100	100	100	100
	BREMANY LEASE SAS	Specialist Financing	FULL	100	100	100	100
	CAEN - RUE BASSE	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	CAEN - RUE DU GENERAL MOULIN	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	CARBURAUTO	Group Real Estate Management Company	EJV	50	50	50	50
	CARRERA	Group Real Estate Management Company	EJV	50	50	50	50
	CENTRE IMMO PROMOTION	Real Estate and Real Estate Financing	FULL	60	60	60	60
	CHARTREUX LOT A1	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	CHEMIN DES COMBES	Real Estate and Real Estate Financing	FULL	95.5	86.5	100	100
	COEUR EUROPE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	COMPAGNIE FINANCIERE DE BOURBON	Specialist Financing	FULL	99.99	99.99	100	100
	COMPAGNIE FONCIERE DE LA MEDITERRANEE (CFM)	Group Real Estate Management Company	FULL	100	100	100	100
	COMPAGNIE GENERALE D'AFFACTURAGE	Services	FULL	100	100	100	100
	COMPAGNIE GENERALE DE LOCATION D'EQUIPEMENTS	Specialist Financing	FULL	99.89	99.89	99.89	99.89
	CONTE	Group Real Estate Management Company	EJV	50	50	50	50
	CREDINORD CIDIZE	Financial Company	FULL	100	100	100	100
	CREDIT DU NORD	Bank	FULL	100	100	100	100
	DARWIN DIVERSIFIE 0-20	Portfolio Management	FULL	-	-	88.67	88.67
	DARWIN DIVERSIFIE 40-60	Portfolio Management	FULL	-	-	79.98	79.98
	DARWIN DIVERSIFIE 80-100	Portfolio Management	FULL	-	-	78.1	78.1
	DESCARTES TRADING	Financial Company	FULL	100	100	100	100
	DEVILLE AV LECLERC	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	DISPONIS	Specialist Financing	FULL	99.99	99.99	100	100
	ESNI - COMPARTIMENT SG-CREDIT CLAIMS -1	Financial Company	FULL	-	-	100	100
	ETOILE CLIQUET 90	Financial Company	EJV	-	-	70.05	66.29
	(6) ETOILE GARANTI AVRIL 2018	Financial Company	EJV	-		50.85	
	ETOILE GARANTI FEVRIER 2020	Financial Company	EJV	-	-	86.74	86.15
	ETOILE GARANTI JUILLET 2018	Financial Company	EJV	-	-	56.64	53.61
	ETOILE ID	Financial Company	FULL	100	100	100	100
	(6) ETOILE MULTI GESTION ACTIFS	Financial Company	EJV	-		51.83	
	(6) ETOILE MULTI GESTION ACTIFS PLUS	Financial Company	EJV	-		55.5	
	(6) ETOILE MULTI GESTION CROISSANCE	Financial Company	EJV	-		52.04	
	(6) ETOILE MULTI GESTION FRANCE	Financial Company	EJV	-		56.47	
	ETOILE PATRIMOINE 50	Financial Company	EJV	-	-	62.55	58.64
	(6) ETOILE USA 500	Financial Company	EJV	-		55.76	
	(6) F.E.P. INVESTISSEMENTS	Real Estate and Real Estate Financing	FULL	80		100	
	FCC ALBATROS	Portfolio Management	FULL	-	-	51	51
	FCT CODA	Financial Company	FULL	-	-	100	100
	FCT COMPARTMENT SOGECAP SG 1	Financial Company	FULL	-	-	100	100
	(2) FCT MALZIEU	Financial Company	FULL		-		100
	FCT R&B BDDF PPI	Portfolio Management	FULL	100	100	100	100
	(2) FCT WATER DRAGON	Financial Company	FULL		-		100
	FEEDER LYXOR CAC 40	Financial Company	FULL	-	-	99.77	99.77
	FEEDER LYXOR STOXX 50	Financial Company	FULL	-	-	99.56	99.56
	FENWICK LEASE	Specialist Financing	FULL	99.99	99.99	100	100
	FIDUCEO	Services	FULL	100	100	100	100
	(6) FINANCIERE PARCOURS	Specialist Financing	FULL	100		100	
	FINANCIERE UC	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interest		Group voting interest	
				at 31.12. 2016	at 31.12.2015	at 31.12.2016	at 31.12.2015
	FINASSURANCE SNC	Broker	FULL	98.89	98.89	99	99
	FRANFINANCE	Specialist Financing	FULL	99.99	99.99	99.99	99.99
	FRANFINANCE LOCATION	Specialist Financing	FULL	99.99	99.99	100	100
	GALYBET	Real Estate and Real Estate Financing	FULL	100	100	100	100
	GENEBANQUE	Bank	FULL	100	100	100	100
	GENECAL FRANCE	Specialist Financing	FULL	100	100	100	100
	GENECAR - SOCIETE GENERALE DE COURTAGE D'ASSURANCE ET DE REASSURANCE	Insurance	FULL	100	100	100	100
	GENECOMI	Specialist Financing	FULL	99.64	99.64	99.64	99.64
	GENEFIM	Real Estate and Real Estate Financing	FULL	100	100	100	100
	GENEFIMMO HOLDING	Real Estate and Real Estate Financing	FULL	100	100	100	100
	GENEFINANCE	Portfolio Management	FULL	100	100	100	100
	GENEGIS I	Group Real Estate Management Company	FULL	100	100	100	100
	GENEGIS II	Group Real Estate Management Company	FULL	100	100	100	100
	(5) GENEVAL	Portfolio Management	FULL		100		100
	GENEVALMY	Group Real Estate Management Company	FULL	100	100	100	100
	(5) GENINFO	Portfolio Management	FULL		100		100
	IMAPRIM AMENAGEMENT	Real Estate and Real Estate Financing	FULL	70	70	70	70
	(6) IMMOBILIER BORDEAUX	Specialist Financing	FULL	100		100	
	(1) INORA LIFE FRANCE	Insurance	FULL	100	100	100	100
	INTER EUROPE CONSEIL	Financial Company	FULL	100	100	100	100
	INVESTIR IMMOBILIER - MAROMME	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	INVESTIR IMMOBILIER NORMANDIE	Real Estate and Real Estate Financing	FULL	80	80	80	80
	(6) INVESTISSEMENT 81	Financial Company	FULL	-		100	
	(3) ISSY 11-3 GALLIENI	Real Estate and Real Estate Financing	EJV		50		50
	KOLB INVESTISSEMENT	Financial Company	FULL	100	100	100	100
	LA BANQUE POSTALE FINANCEMENT	Specialist Financing	ESI	35	35	35	35
	LA CROIX BOISEE	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	LA FONCIERE DE LA DEFENSE	Portfolio Management	FULL	99.99	99.99	100	100
	(6) LES HAUTS DE LA HAIE VIGNE	Real Estate and Real Estate Financing	EJV	49		50	
	LES MESANGES	Real Estate and Real Estate Financing	FULL	44	40	55	50
	LYXOR ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
	LYXOR INTERNATIONAL ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
	(6) MEDITERRANEE GRAND ARC	Real Estate and Real Estate Financing	EJV	43		50	
	(5) NICE BROC	Real Estate and Real Estate Financing	FULL		100		100
	(5) NICE CARROS	Real Estate and Real Estate Financing	FULL		100		100
	NOAHO	Real Estate and Real Estate Financing	FULL	85	55	85	55
	NORBAIL IMMOBILIER	Real Estate and Real Estate Financing	FULL	100	100	100	100
	NORBAIL SOFERGIE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	NORIMMO	Real Estate and Real Estate Financing	FULL	100	100	100	100
	ONYX	Group Real Estate Management Company	EJV	50	50	50	50
	OPCI SOGECAPIMMO	Real Estate and Real Estate Financing	FULL	-	-	100	100
	OPERA 72	Group Real Estate Management Company	FULL	99.99	99.99	100	100
	ORADEA VIE	Insurance	FULL	100	100	100	100
	ORPAVIMOB	Specialist Financing	FULL	100	100	100	100
	PACTIMO	Real Estate and Real Estate Financing	FULL	86	86	86	86
	(6) PANORAMIK	Real Estate and Real Estate Financing	EJV	49		50	
	(6) PARCOURS	Specialist Financing	FULL	100		100	
	(6) PARCOURS ANNECY	Specialist Financing	FULL	100		100	
	(6) PARCOURS IMMOBILIER	Specialist Financing	FULL	100		100	
	(6) PARCOURS NANTES	Specialist Financing	FULL	100		100	
	(6) PARCOURS STRASBOURG	Specialist Financing	FULL	100		100	
	PAREL	Services	FULL	100	100	100	100
	(5) PARTICIPATIONS IMMOBILIERES RHONE ALPES	Real Estate and Real Estate Financing	FULL		100		100
	PHILIPS MEDICAL CAPITAL FRANCE	Specialist Financing	FULL	60	60	60	60
	PRAGMA	Real Estate and Real Estate Financing	FULL	86	86	100	100
	PRIMAXIA	Real Estate and Real Estate Financing	FULL	81.74	79.74	86	81
	PRIORIS	Financial Company	FULL	94.89	94.89	95	95

Country		Activity	Method*	Group ownership interest		Group voting interest	
				at 31.12. 2016	at 31.12.2015	at 31.12.2016	at 31.12.2015
	PROJECTIM	Real Estate and Real Estate Financing	FULL	60	60	60	60
	RED & BLACK CONSUMER FRANCE 2013	Financial Company	FULL	100	100	100	100
	RIVAPRIM	Real Estate and Real Estate Financing	FULL	80	60	80	60
	S.C.I. DU DOMAINE DE STONEHAM	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SAGEMCOM LEASE	Specialist Financing	FULL	99.99	99.99	100	100
	SAINT CLAIR	Real Estate and Real Estate Financing	EJV	40	40	50	50
	SAINT-MARTIN 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(6) SARL ALPRIM HABITAT	Real Estate and Real Estate Financing	FULL	100		100	
	(6) SARL D'AMENAGEMENT DU MARTINET	Real Estate and Real Estate Financing	EJV	43		50	
	SARL DT 6 NANTES	Real Estate and Real Estate Financing	EJV	70	50	100	50
	SARL SEINE CLICHY	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(6) SAS AMIENS - AVENUE DU GENERAL FOY	Real Estate and Real Estate Financing	FULL	80		100	
	(3) SAS ANTONY - DOMAINE DE TOURVOIE	Real Estate and Real Estate Financing	JO		50		50
	SAS COPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(3) SAS DE LA RUE DORA MAAR	Real Estate and Real Estate Financing	EJV		50		50
	(6) SAS ECULLY SO'IN	Real Estate and Real Estate Financing	FULL	52.5		52.5	
	SAS LOIRE ATLANTIQUE TERTIAIRE	Real Estate and Real Estate Financing	EJV	70	50	100	50
	SAS NOAHO AMENAGEMENT	Real Estate and Real Estate Financing	FULL	95.5	86.5	100	100
	SAS NORMANDIE HABITAT	Real Estate and Real Estate Financing	FULL	86	86	100	100
	SAS NORMANDIE RESIDENCES	Real Estate and Real Estate Financing	FULL	98	98	100	100
	SAS PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS SOGEPROM TERTIAIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS TOUR D2	Real Estate and Real Estate Financing	JO	50	50	50	50
	SC ALICANTE 2000	Group Real Estate Management Company	FULL	100	100	100	100
	SC CHASSAGNE 2000	Group Real Estate Management Company	FULL	100	100	100	100
	(6) SCCV 282 MONTOLIVET 12	Real Estate and Real Estate Financing	FULL	43.86		51	
	SCCV 29 ET 31 AVENUE CHARLES DE GAULLE A LA TESTE DE BUCH	Real Estate and Real Estate Financing	FULL	100	39.52	100	51
	SCCV 3 CHATEAUX	Real Estate and Real Estate Financing	EJV	43	43	50	50
	SCCV BALMA ENTREPRISE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV BASSENS LES MONTS	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCCV BLAINVILLE LEMARCHAND	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	(6) SCCV BOIS-GUILLAUME PARC DE HALLEY	Real Estate and Real Estate Financing	EJV	40		50	
	SCCV CAEN CHARITE - ILOT 3	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	SCCV CHARITE - REHABILITATION	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	(6) SCCV CHARTREUX LOT C	Real Estate and Real Estate Financing	EJV	40		50	
	SCCV CHARTREUX LOT E	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	SCCV CHARTREUX LOTS B-D	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	(6) SCCV CLICHY BRC	Real Estate and Real Estate Financing	EJV	50		50	
	(6) SCCV ESPACES DE DEMAIN	Real Estate and Real Estate Financing	EJV	50		50	
	SCCV ETERVILLE RUE DU VILLAGE	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	(6) SCCV EURONANTES 1E	Real Estate and Real Estate Financing	EJV	70		100	
	(6) SCCV JDA OUISTREHAM	Real Estate and Real Estate Financing	EJV	49		50	
	(6) SCCV LA PORTE DU CANAL	Real Estate and Real Estate Financing	EJV	50		50	
	(6) SCCV LACASSAGNE BRICKS	Real Estate and Real Estate Financing	ESI	49		49	
	(6) SCCV LE TEICH COEUR DE VILLE	Real Estate and Real Estate Financing	FULL	68.5		100	

Country		Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
	SCCV LES ECRIVAINS	Real Estate and Real Estate Financing	FULL	86.5	86.5	100	100
	SCCV LES PATIOS D'OR DE FLEURY LES AUBRAIS	Real Estate and Real Estate Financing	FULL	64	64	80	80
	SCCV LES SUCRES	Real Estate and Real Estate Financing	EJV	47.75	43.25	50	50
	SCCV MARCQ PROJECTIM	Real Estate and Real Estate Financing	FULL	64	64	80	80
	SCCV MARQUET PROJECTIM	Real Estate and Real Estate Financing	FULL	68	68	85	85
(6)	SCCV MONTREUIL ACACIA	Real Estate and Real Estate Financing	FULL	80		80	
(6)	SCCV PARIS ALBERT	Real Estate and Real Estate Financing	EJV	50		50	
(4)	SCCV POURCIEUX-BARONNES	Real Estate and Real Estate Financing	FULL		60		60
(6)	SCCV PRADES BLEU HORIZON	Real Estate and Real Estate Financing	EJV	43		50	
(6)	SCCV QUAI DE SEINE A ALFORTVILLE	Real Estate and Real Estate Financing	EJV	50		50	
	SCCV RIVER GREEN	Real Estate and Real Estate Financing	FULL	99.6	99.6	100	100
(6)	SCCV ROUEN 27 ANGLAIS	Real Estate and Real Estate Financing	FULL	97.82		100	
(6)	SCCV SWING RIVE GAUCHE	Real Estate and Real Estate Financing	EJV	43		50	
(6)	SCCV TALENCE PUR	Real Estate and Real Estate Financing	FULL	97.75		100	
(6)	SCCV VAULX PABLO PICASSO	Real Estate and Real Estate Financing	EJV	47.75		50	
	SCCV VERNAISON - RAZAT	Real Estate and Real Estate Financing	EJV	47.75	43.25	50	50
(4)	SCDM PARTICIPATIONS	Portfolio Management	ESI		-		100
(6)	SCI 1134, AVENUE DE L'EUROPE A CASTELNAU LE LEZ	Real Estate and Real Estate Financing	EJV	43		50	
(3)	SCI AIX BORD DU LAC-1	Real Estate and Real Estate Financing	EJV		50		50
	SCI AIX-BORD DU LAC-2	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI AQPRIM PROMOTION	Real Estate and Real Estate Financing	FULL	77.5	77.5	100	100
	SCI ASC LA BERGEONNERIE	Real Estate and Real Estate Financing	EJV	42	42	50	50
	SCI AVARICUM	Real Estate and Real Estate Financing	FULL	99	99	99	99
(2)	SCI BRAILLE/HOTEL DE VILLE	Real Estate and Real Estate Financing	EJV		49.96		50
	SCI CAP COURROUZE	Real Estate and Real Estate Financing	FULL	65	65	65	65
	SCI CENTRE IMMO PROMOTION RESIDENCES	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI CHARITE - GIRANDIERE	Real Estate and Real Estate Financing	EJV	40	40	50	50
	SCI CHELLES AULNOY MENDES FRANCE	Real Estate and Real Estate Financing	EJV	50	50	50	50
(6)	SCI DELATOUR	Real Estate and Real Estate Financing	FULL	68		75	
(6)	SCI DIAGONALE	Real Estate and Real Estate Financing	FULL	68		75	
	SCI DREUX LA ROTULE NORD	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI DU 84 RUE DU BAC	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI ETAMPES NOTRE-DAME	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI ETRECHY SAINT NICOLAS	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI EUROPARC HAUTE BORNE 1	Real Estate and Real Estate Financing	FULL	51	51	51	51
	SCI EUROPARC ST MARTIN DU TOUCH 2002	Real Estate and Real Estate Financing	FULL	100	100	100	100
(6)	SCI GRANIER MONTPELLIER	Real Estate and Real Estate Financing	EJV	43		50	
	SCI HEGEL PROJECTIM	Real Estate and Real Estate Financing	FULL	68	68	85	85
	SCI LA MANTILLA COMMERCES	Real Estate and Real Estate Financing	FULL	93	93	100	100
	SCI LA MARQUEILLE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI LAVOISIER	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCI LE HAMEAU DES GRANDS PRES	Real Estate and Real Estate Financing	EJV	47	40	40	40

Country		Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
(9)	SCI LE PARC DE BORDEROUGE	Real Estate and Real Estate Financing	FULL	60	60	60	60
	SCI LES JARDINS D'IRIS	Real Estate and Real Estate Financing	FULL	60	60	60	60
	SCI LES PORTES DU LEMAN	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCI LES RESIDENCES GENEVOISES	Real Estate and Real Estate Financing	FULL	90	90	90	90
	SCI LIEUSAINT RUE DE PARIS	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI LINAS COEUR DE VILLE 1	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCI L'OREE DES LACS	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCI LYON JOANNES	Real Estate and Real Estate Financing	EJV	47.8	43.4	50	50
(3)	SCI MARCOUSSIS BELLEJAME	Real Estate and Real Estate Financing	EJV		50		50
(6)	SCI MARSEILLE LE ZEPHYR	Real Estate and Real Estate Financing	FULL	55.9		65	
(6)	SCI MONTPELLIER JACQUES COEUR	Real Estate and Real Estate Financing	EJV	43		50	
	SCI NOAHO RESIDENCES	Real Estate and Real Estate Financing	FULL	95.5	86.5	100	100
(6)	SCI NYMPHEAS BATIMENT C	Real Estate and Real Estate Financing	EJV	43		50	
(6)	SCI PARCOURS TOURS	Specialist Financing	FULL	100		100	
	SCI PARIS 182 CHATEAU DES RENTIERS	Real Estate and Real Estate Financing	FULL	63.5	60	60	60
(6)	SCI PATRIS	Real Estate and Real Estate Financing	EJV	25.8		30	
	SCI PROJECTIM HABITAT	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI PROJECTIM HELLEMMES SEGUIN	Real Estate and Real Estate Financing	FULL	64	64	80	80
	SCI PROJECTIM MARCQ COEUR DE VILLE	Real Estate and Real Estate Financing	EJV	48	48	60	60
	SCI PRONY	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	SCI QUINTESSENCE-VALESCURE	Real Estate and Real Estate Financing	EJV	48	46	50	50
	SCI REIMS GARE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI RESIDENCE DU DONJON	Real Estate and Real Estate Financing	EJV	47	40	40	40
	SCI RHIN ET MOSELLE 1	Real Estate and Real Estate Financing	FULL	100	92	100	100
(6)	SCI RHIN ET MOSELLE 2	Real Estate and Real Estate Financing	FULL	100		100	
	SCI RIVAPRIM HABITAT	Real Estate and Real Estate Financing	FULL	92	84	100	100
	SCI RIVAPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	96	92	100	100
	SCI SAINT OUEN L'AUMONE - L'OISE	Real Estate and Real Estate Financing	EJV	46.75	38	38	38
	SCI SAINT-DENIS WILSON	Real Estate and Real Estate Financing	FULL	67	60	60	60
	SCI SAINT-PIERRE-DES-CORPS/CAP 55	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI SCS IMMOBILIER D'ENTREPRISES	Real Estate and Real Estate Financing	FULL	52.8	52.8	66	66
(2)	SCI SOGEADI TERTIAIRE	Real Estate and Real Estate Financing	EJV		50		50
	SCI SOGECIP	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI SOGECTIM	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI SOGEPROM ATLANTIQUE	Real Estate and Real Estate Financing	FULL	88	80	100	80
	SCI SOGEPROM CIP CENTRE	Real Estate and Real Estate Financing	FULL	92	92	100	100
	SCI TERRES NOUVELLES FRANCILIENNES	Real Estate and Real Estate Financing	FULL	87	80	80	80
	SCI TOULOUSE CENTREDA 3	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI VALENCE-CHAMPS DE MARS	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI VELRI	Group Real Estate Management Company	EJV	50	50	50	50
	SCI-LUCE-LE CARRE D' OR-LOT E	Real Estate and Real Estate Financing	FULL	92	92	100	100
	SEFIA	Financial Company	FULL	50.94	50.94	51	51
(6)	SERVIPAR	Specialist Financing	FULL	100		100	
	SG 29 HAUSSMANN	Financial Company	FULL	100	100	100	100
(5)	SG 29 REAL ESTATE	Services	FULL		100		100
	SG ACTIONS EURO SELECTION	Financial Company	FULL	-	-	58.24	58.24

Country		Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
	SG CAPITAL DEVELOPPEMENT	Portfolio Management	FULL	100	100	100	100
	SG CONSUMER FINANCE	Portfolio Management	FULL	100	100	100	100
	SG EURO CT	Broker	FULL	100	100	100	100
	SG EUROPEAN MORTGAGE INVESTMENTS	Financial Company	FULL	100	100	100	100
	SG FINANCIAL SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
	(6) SG LYXOR GOVERNMENT BOND FUND	Portfolio Management	FULL	-		100	
	SG LYXOR LCR FUND	Portfolio Management	FULL	100	100	100	100
	SG MONETAIRE PLUS E	Financial Company	FULL	-	-	38.45	38.45
	SG OPTION EUROPE	Broker	FULL	100	100	100	100
	(5) SG SECURITIES (PARIS) SAS	Broker	FULL		100		100
	SG SERVICES	Specialist Financing	FULL	100	100	100	100
	SG VALOR ALPHA ACTIONS FRANCE	Financial Company	FULL	-	-	75.34	75.34
	SGB FINANCE S.A.	Financial Company	FULL	50.94	50.94	51	51
	(6) SGI HOLDING SIS	Group Real Estate Management Company	FULL	100		100	
	SNC BON PUITS 1	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SNC BON PUITS 2	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SNC COPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SNC D'AMENAGEMENT FORUM SEINE ISSY LES MOULINEAUX	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	SNC DU 10 RUE MICHELET	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SNC ISSY FORUM 10	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	SNC ISSY FORUM 11	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	SNC PROMOSEINE	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	SOCIETE ANONYME DE CREDIT A L'INDUSTRIE FRANCAISE (CALIF)	Bank	FULL	100	100	100	100
	(5) SOCIETE CIVILE DE CONSTRUCTION-VENTE ANNA PURNA	Real Estate and Real Estate Financing	FULL		100		100
	SOCIETE CIVILE IMMOBILIERE DES COMBEAUX DE TIGERY	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
	(2) SOCIETE CIVILE IMMOBILIERE DOMION	Real Estate and Real Estate Financing	FULL		80		80
	SOCIETE CIVILE IMMOBILIERE FONTENAY - ESTIENNES D'ORVES	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SOCIETE CIVILE IMMOBILIERE NAXOU	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE CIVILE IMMOBILIERE TOULDI	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE CIVILE IMMOBILIERE VOGRE	Real Estate and Real Estate Financing	FULL	99.9	99.9	99.9	99.9
	(3) SOCIETE CIVILE IMMOBILIERE VOLTAIRE PHALSBOURG	Real Estate and Real Estate Financing	FULL		80		80
	SOCIETE DE BOURSE GILBERT DUPONT	Financial Company	FULL	100	100	100	100
	SOCIETE DE LA RUE EDOUARD VII	Portfolio Management	FULL	99.91	99.91	99.91	99.91
	SOCIETE DES TERRAINS ET IMMEUBLES PARISIENS (STIP)	Group Real Estate Management Company	FULL	99.98	99.98	100	100
	SOCIETE EN NOM COLLECTIF PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE FINANCIERE D' ANALYSE ET DE GESTION	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE	Bank	FULL	100	100	100	100
	SOCIETE GENERALE CAPITAL PARTENAIRES	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE DE BANQUE AUX ANTILLES	Bank	FULL	100	100	100	100
	SOCIETE GENERALE EQUIPMENT FINANCE S.A.	Specialist Financing	FULL	100	99.99	100	99.99
	SOCIETE GENERALE PARTICIPATIONS INDUSTRIELLES	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE POUR LE DEVELOPPEMENT DES OPERATIONS DE CREDIT-BAIL IMMOBILIER "SOGEBAIL"	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE GENERALE SCF	Financial Company	FULL	100	100	100	100
	(5) SOCIETE GENERALE SECURITIES SERVICES FRANCE	Financial Company	FULL		100		100
	SOCIETE GENERALE SECURITIES SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
	(5) SOCIETE GENERALE SECURITIES SERVICES NET ASSET VALUE	Services	FULL		100		100
	SOCIETE GENERALE SFH	Specialist Financing	FULL	100	100	100	100
	SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN	Group Real Estate Management Company	FULL	100	100	100	100
	SOCIETE IMMOBILIERE URBI ET ORBI	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE LES "PINSONS"	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SOCIETE MARSEILLAISE DE CREDIT	Bank	FULL	100	100	100	100
	SOGE BEAUJOIRE	Group Real Estate Management Company	FULL	99.99	99.99	100	100
	SOGE PERIVAL I	Group Real Estate Management Company	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
	SOGE PERIVAL II	Group Real Estate Management Company	FULL	100	100	100	100
	SOGE PERIVAL III	Group Real Estate Management Company	FULL	100	100	100	100
	SOGE PERIVAL IV	Group Real Estate Management Company	FULL	100	100	100	100
	SOGECAMPUS	Group Real Estate Management Company	FULL	100	100	100	100
	SOGECAP	Insurance	FULL	100	100	100	100
	(6) SOGECAP - DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100		100	
	SOGECAP ACTIONS	Financial Company	FULL	-	-	100	100
	SOGECAP LONG TERME N°1	Financial Company	FULL	-	-	100	100
	SOGEFIM HOLDING	Portfolio Management	FULL	100	100	100	100
	SOGEFIMUR	Specialist Financing	FULL	100	100	100	100
	SOGEFINANCEMENT	Specialist Financing	FULL	100	100	100	100
	SOGEFINERG SG POUR LE FINANCEMENT DES INVESTISSEMENTS ECONOMISANT L'ENERGIE	Specialist Financing	FULL	100	100	100	100
	SOGEFONTENAY	Group Real Estate Management Company	FULL	100	100	100	100
	SOGELEASE FRANCE	Specialist Financing	FULL	100	100	100	100
	SOGEMARCHE	Group Real Estate Management Company	FULL	100	100	100	100
	(3) SOGEPALM	Real Estate and Real Estate Financing	EJV		50		50
	SOGEPARTICIPATIONS	Portfolio Management	FULL	100	100	100	100
	SOGEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(6) SOGEPROM ALPES	Real Estate and Real Estate Financing	FULL	100		100	
	(6) SOGEPROM ALPES HABITAT	Real Estate and Real Estate Financing	FULL	100		100	
	(6) SOGEPROM CENTRE-VAL DE LOIRE	Real Estate and Real Estate Financing	FULL	100		100	
	(6) SOGEPROM CVL SERVICES	Real Estate and Real Estate Financing	FULL	100		100	
	SOGEPROM ENTREPRISES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM ENTREPRISES REGIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(7) SOGEPROM ME	Real Estate and Real Estate Financing	ESI	20	20	20	20
	SOGEPROM PARTENAIRES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(6) SOGEPROM SUD REALISATIONS	Real Estate and Real Estate Financing	FULL	90.9		100	
	SOGESSUR	Insurance	FULL	100	100	100	100
	SOGEVIMMO	Group Real Estate Management Company	FULL	-	-	100	100
	SOGINFO - SOCIETE DE GESTION ET D'INVESTISSEMENTS FONCIERS	Group Real Estate Management Company	FULL	100	100	100	100
	(5) SOPHIA-BAIL	Real Estate and Real Estate Financing	FULL		100		100
	STAR LEASE	Specialist Financing	FULL	100	100	100	100
	TEMSYS	Specialist Financing	FULL	100	100	100	100
	URBANISME ET COMMERCE	Real Estate and Real Estate Financing	FULL	99.96	99.92	99.96	99.92
	URBANISME ET COMMERCE PROMOTION	Real Estate and Real Estate Financing	FULL	100	100	100	100
	VALMINVEST	Group Real Estate Management Company	FULL	100	100	100	100
Georgia							
	(4) BANK REPUBLIC	Bank	FULL		93.64		93.64
	(4) GEORGIAN MILL COMPANY LLC	Specialist Financing	FULL		93.64		100
	(4) MERTSKHALI PIRVELI	Specialist Financing	FULL		93.64		100
Ghana							
	SOCIETE GENERALE GHANA LIMITED	Bank	FULL	56.67	52.24	56.67	52.24
Gibraltar							
	HAMBROS (GIBRALTAR NOMINEES) LIMITED	Services	FULL	100	100	100	100
	SG HAMBROS BANK (GIBRALTAR) LIMITED	Bank	FULL	100	100	100	100
Greece							
	ALD AUTOMOTIVE S.A. LEASE OF CARS	Specialist Financing	FULL	100	100	100	100
	(1) SOGECAP GREECE	Insurance	FULL	100	100	100	100
Guernsey							
	ARAMIS II SECURITIES CO, LTD	Financial Company	FULL	-	-	100	100
	CDS INTERNATIONAL LIMITED	Services	FULL	100	100	100	100
	(6) GRANGE NOMINEES LIMITED	Bank	FULL	100		100	
	(6) GUERNSEY FINANCIAL ADVISORY SERVICES LIMITED	Bank	FULL	100		100	
	(6) GUERNSEY NOMINEES LIMITED	Bank	FULL	100		100	
	HAMBROS (GUERNSEY NOMINEES) LTD	Services	FULL	100	100	100	100
	HTG LIMITED	Services	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interest		Group voting interest	
				at 31.12. 2016	at 31.12.2015	at 31.12.2016	at 31.12.2015
	(6) KBII PCC LIMITED	Bank	FULL	100		100	
	(6) KLEINWORT BENSON (CHANNEL ISLANDS) INVESTMENT MANAGEMENT LIMITED	Bank	FULL	100		100	
	(6) KLEINWORT BENSON (CHANNEL ISLANDS) LIMITED	Bank	FULL	100		100	
	(6) KLEINWORT BENSON (GUERNSEY) LIMITED	Bank	FULL	100		100	
	(6) KLEINWORT BENSON (GUERNSEY) SERVICES LIMITED	Bank	FULL	100		100	
	(6) KLEINWORT BENSON CHANNEL ISLANDS HOLDINGS LIMITED	Bank	FULL	100		100	
	(6) MISON NOMINEES LIMITED	Bank	FULL	100		100	
	(1) SG HAMBROS BANK (CHANNEL ISLANDS) LTD GUERNSEY BRANCH	Bank	FULL	100	100	100	100
Guinea							
	SG DE BANQUES EN GUINEE	Bank	FULL	57.94	57.94	57.94	57.94
Equatorial Guinea							
	SG DE BANQUES EN GUINEE EQUATORIALE	Bank	FULL	52.44	52.44	57.23	57.23
Hong Kong							
	(1) DESCARTES TRADING HONG KONG BRANCH	Financial Company	FULL	100	100	100	100
	NEWEDGE BROKER HONG KONG LTD	Broker	FULL	100	100	100	100
	NEWEDGE FINANCIAL HONG KONG LTD	Broker	FULL	100	100	100	100
	SG FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100
	(1) SG HONG KONG	Bank	FULL	100	100	100	100
	SG SECURITIES (HK) NOMINEES LTD	Broker	FULL	100	100	100	100
	SG SECURITIES (HONG-KONG) LTD	Broker	FULL	100	100	100	100
	SG SECURITIES ASIA INTERNATIONAL HOLDINGS LTD (HONG-KONG)	Broker	FULL	100	100	100	100
	SOCIETE GENERALE ASIA LTD	Financial Company	FULL	100	100	100	100
	(1) (2) SOCIETE GENERALE BANK AND TRUST HONG KONG BRANCH	Bank	FULL		100		100
	TH INVESTMENTS (HONG KONG) 1 LIMITED	Financial Company	FULL	100	100	100	100
	TH INVESTMENTS (HONG KONG) 2 LIMITED	Financial Company	FULL	100	100	100	100
	TH INVESTMENTS (HONG KONG) 3 LIMITED	Financial Company	FULL	100	100	100	100
	(6) TH INVESTMENTS (HONG KONG) 5 LIMITED	Financial Company	FULL	-		100	
Hungary							
	ALD AUTOMOTIVE MAGYARORSZAG KFT	Specialist Financing	EFS	100	100	100	100
	SG EQUIPMENT FINANCE HUNGARY ZRT	Specialist Financing	EFS	100	100	100	100
	SG EQUIPMENT LEASING HUNGARY LTD	Specialist Financing	EFS	100	100	100	100
Isle of Man							
	(6) KBTIOM LIMITED	Bank	FULL	100		100	
	(6) KBBIOM LIMITED	Bank	FULL	100		100	
Cayman Islands							
	AEGIS HOLDINGS (OFFSHORE) LTD.	Financial Company	FULL	100	100	100	100
	BRIDGEVIEW II LIMITED	Specialist Financing	FULL	100	100	100	100
	SOCIETE GENERALE (NORTH PACIFIC) LTD	Bank	FULL	100	100	100	100
British Virgin Islands							
	(6) TSG HOLDINGS LTD	Services	FULL	100		100	
	(6) TSG MANAGEMENT LTD	Services	FULL	100		100	
	(6) TSG SERVICES LTD	Services	FULL	100		100	
India							
	ALD AUTOMOTIVE PRIVATE LIMITED	Specialist Financing	EFS	100	100	100	100
	(9) NEWEDGE BROKER INDIA PTE LTD	Broker	FULL	100	100	100	100
	(1) SG MUMBAI	Bank	FULL	100	100	100	100
	SOCIETE GENERALE GLOBAL SOLUTION CENTRE PRIVATE	Services	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES INDIA PRIVATE LIMITED	Broker	FULL	100	100	100	100
Ireland							
	ALD RE DESIGNATED ACTIVITY COMPANY	Insurance	FULL	100	100	100	100
	INORA LIFE LTD	Insurance	FULL	100	100	100	100
	IRIS II SPV LIMITED	Financial Company	FULL	-	-	100	100
	(6) KLEINWORT BENSON PRIVATE INVESTMENT OFFICE SERVICES LIMITED	Bank	FULL	100		100	
	(2) RED & BLACK PRIME RUSSIA MBS	Financial Company	FULL		-		100
	(1) SG DUBLIN	Bank	FULL	100	100	100	100
	SGBT FINANCE IRELAND DESIGNATED ACTIVITY COMPANY	Specialist Financing	FULL	100	100	100	100
	SGSS (IRELAND) LIMITED	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE HEDGING LIMITED	Financial Company	FULL	100	100	100	100
Italy							
	ALD AUTOMOTIVE ITALIA S.R.L	Specialist Financing	FULL	100	100	100	100
	FIDITALIA S.P.A	Specialist Financing	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12. 2016	at 31.12.2015	at 31.12.2016	at 31.12.2015
		FRAER LEASING SPA	Specialist Financing	FULL	73.85	73.85	73.85	73.85
		SG EQUIPMENT FINANCE ITALY S.P.A.	Specialist Financing	FULL	100	100	100	100
		SG FACTORING SPA	Specialist Financing	FULL	100	100	100	100
		SG LEASING SPA	Specialist Financing	FULL	100	100	100	100
	(1)	SG MILAN	Bank	FULL	100	100	100	100
	(1)	SOCECAP SA RAPPRESENTANZA GENERALE PER L'ITALIA	Insurance	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES SERVICES S.P.A.	Bank	FULL	100	100	100	100
	(1)	SOGESSUR SA	Insurance	FULL	100	100	100	100
Japan								
		LYXOR ASSET MANAGEMENT JAPAN CO LTD	Portfolio Management	FULL	100	100	100	100
	(1)	SG TOKYO	Bank	FULL	100	100	100	100
	(1)	SOCIETE GENERALE SECURITIES (NORTH PACIFIC) LTD, TOKYO BRANCH	Bank	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES JAPAN LIMITED	Broker	FULL	100	100	100	100
Jersey								
		ELMFORD LIMITED	Services	FULL	100	100	100	100
		HANOM I LIMITED	Financial Company	FULL	100	100	100	100
		HANOM II LIMITED	Financial Company	FULL	100	100	100	100
		HANOM III LIMITED	Financial Company	FULL	100	100	100	100
		JD CORPORATE SERVICES LIMITED	Services	FULL	100	100	100	100
	(6)	K.B. (C.I.) NOMINEES LIMITED	Bank	FULL	100		100	
	(6)	KLEINWORT BENSON (JERSEY) SERVICES LIMITED	Bank	FULL	100		100	
	(6)	KLEINWORT BENSON CUSTODIAN SERVICES LIMITED	Bank	FULL	100		100	
	(8)	LYXOR MASTER FUND	Financial Company	FULL	100	100	100	100
		NEWMEAD TRUSTEES LIMITED	Financial Company	FULL	100	100	100	100
		SG HAMBROS (FOUNDATIONS) LTD	Financial Company	FULL	100	100	100	100
		SG HAMBROS BANK (CHANNEL ISLANDS) LTD	Bank	FULL	100	100	100	100
		SG HAMBROS FUND MANAGERS (JERSEY) LTD	Portfolio Management	FULL	100	100	100	100
		SG HAMBROS NOMINEES (JERSEY) LTD	Financial Company	FULL	100	100	100	100
		SG HAMBROS PROPERTIES (JERSEY) LTD	Financial Company	FULL	100	100	100	100
		SG KLEINWORT HAMBROS TRUST COMPANY (CI) LIMITED	Financial Company	FULL	100	100	100	100
		SGKH TRUSTEES (CI) LIMITED	Services	FULL	100	100	100	100
		SOLENTIS INVESTMENT SOLUTIONS PCC	Financial Company	FULL	-	-	100	100
Latvia								
		ALD AUTOMOTIVE SIA	Specialist Financing	EFS	75	75	75	75
Lebanon								
		SG DE BANQUE AU LIBAN	Bank	ESI	16.8	16.8	16.8	16.8
Lithuania								
		UAB ALD AUTOMOTIVE	Specialist Financing	EFS	75	75	75	75
Luxembourg								
	(6)	ALD INTERNATIONAL SERVICES S.A.	Real Estate and Real Estate Financing	FULL	100		100	
	(6)	AXA IM FIIS US SH.DUR.HIGH YIELD A DIS H	Specialist Financing	ESI	38		38	
		AXUS LUXEMBOURG SA	Specialist Financing	FULL	100	100	100	100
		BARTON CAPITAL SA	Financial Company	FULL	-	-	100	100
		CHABON SA	Financial Company	FULL	100	100	100	100
		CODEIS SECURITIES S.A.	Financial Company	FULL	100	100	100	100
		COVALBA	Financial Company	FULL	100	100	100	100
		IVEFI S.A.	Financial Company	FULL	100	100	100	100
		LX FINANZ S.A.R.L.	Financial Company	FULL	100	100	100	100
	(6)	PIONEER INVESTMENTS DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100		100	
	(2)	RED & BLACK AUTO LEASE GERMANY 1 SA	Specialist Financing	FULL		-		100
		SG ISSUER	Financial Company	FULL	100	100	100	100
		SGBT ASSET BASED FUNDING SA	Financial Company	FULL	100	100	100	100
		SGBTCI	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE BANK & TRUST	Bank	FULL	100	100	100	100
		SOCIETE GENERALE CAPITAL MARKET FINANCE	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE FINANCING AND DISTRIBUTION	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE LDG	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE LIFE INSURANCE BROKER SA	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE WEALTH MANAGEMENT S.A.	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE RE SA	Insurance	FULL	100	100	100	100
		SOGELIFE	Insurance	FULL	100	100	100	100
Macedonia								
		OHRIDSKA BANKA AD SKOPJE	Bank	FULL	70.02	70.02	71.33	71.85
Madagascar								
		BANKY FAMPANDROSOANA VAROTRA SG	Bank	FULL	70	70	70	70

Country			Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
Malta								
		LNG MALTA INVESTMENT 1 LIMITED	Financial Company	FULL	100	100	100	100
		LNG MALTA INVESTMENT 2 LIMITED	Financial Company	FULL	100	100	100	100
Morocco								
		ALD AUTOMOTIVE SA MAROC	Specialist Financing	FULL	43.62	43.55	50	50
		ATHENA COURTAGE	Insurance	FULL	58.35	57.91	99.93	99.93
		FONCIMMO	Group Real Estate Management Company	FULL	57.46	57.01	100	100
		LA MAROCAINE VIE	Insurance	FULL	89	88.88	99.98	99.98
		SG MAROCAINE DE BANQUES	Bank	FULL	57.46	57.01	57.46	57.01
		SOCIETE D' EQUIPEMENT DOMESTIQUE ET MENAGER "EQDOM"	Specialist Financing	FULL	45.73	45.65	53.72	53.72
		SOCIETE GENERALE DE LEASING AU MAROC	Specialist Financing	FULL	57.46	57.01	100	100
		SOCIETE GENERALE TANGER OFFSHORE	Financial Company	FULL	57.39	56.94	99.88	99.88
		SOGECAPITAL GESTION	Financial Company	FULL	57.43	56.98	99.94	99.94
		SOGEFINANCEMENT MAROC	Specialist Financing	FULL	57.46	57.01	100	100
Mauritius								
		SG SECURITIES BROKING (M) LIMITED	Broker	FULL	100	100	100	100
Mexico								
		ALD AUTOMOTIVE S.A. DE C.V.	Specialist Financing	FULL	100	100	100	100
		ALD FLEET SA DE CV SOFOM ENR	Specialist Financing	FULL	100	100	100	100
		SGFP MEXICO, S. DE R.L. DE C.V.	Financial Company	FULL	100	100	100	100
Moldova								
		MOBIASBANCA GROUPE SOCIETE GENERALE	Bank	FULL	79.93	79.93	87.9	87.9
Monaco								
	(1)	CREDIT DU NORD - MONACO	Bank	FULL	100	100	100	100
	(1)	SMC MONACO	Bank	FULL	100	100	100	100
	(1)	SOCIÉTÉ GÉNÉRALE (SUCCURSALE MONACO)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE BANKING (MONACO)	Bank	FULL	100	100	100	100
Montenegro								
		SOCIETE GENERALE BANKA MONTENEGRO A.D.	Bank	FULL	90.56	90.56	90.56	90.56
Norway								
		ALD AUTOMOTIVE AS	Specialist Financing	FULL	100	100	100	100
		NF FLEET AS	Specialist Financing	FULL	80	80	80	80
		SG FINANS AS	Specialist Financing	FULL	100	100	100	100
New Caledonia								
		CREDICAL	Specialist Financing	FULL	87.07	87.07	96.64	96.64
		SOCIETE GENERALE CALEDONIENNE DE BANQUE	Bank	FULL	90.1	90.1	90.1	90.1
New Zealand								
	(2)	SG HAMBROS TRUST COMPANY (NEW ZEALAND) LIMITED	Financial Company	FULL		100		100
Netherlands								
		ALVARENGA INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
		AXUS FINANCE NL B.V.	Specialist Financing	FULL	-	-	100	100
		AXUS NEDERLAND BV	Specialist Financing	FULL	100	100	100	100
		BRIGANTIA INVESTMENTS B.V.	Financial Company	FULL	100	100	100	100
		HERFSTTAFEL INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
		HORDLE FINANCE B.V.	Financial Company	FULL	100	100	100	100
		MONTALIS INVESTMENT BV	Specialist Financing	FULL	100	100	100	100
	(1)	SG AMSTERDAM	Bank	FULL	100	100	100	100
		SG EQUIPMENT FINANCE BENELUX BV	Specialist Financing	FULL	100	100	100	100
		SOGELEASE B.V.	Specialist Financing	FULL	100	100	100	100
		SOGELEASE FILMS	Specialist Financing	FULL	100	100	100	100
		TYNEVOR B.V.	Financial Company	FULL	100	100	100	100
The Philippines								
	(1) (9)	SOCIETE GENERALE MANILA OFFSHORE BRANCH	Bank	FULL	100	100	100	100
Poland								
		ALD AUTOMOTIVE POLSKA SP Z O.O.	Specialist Financing	FULL	100	100	100	100
		EURO BANK S.A.	Specialist Financing	FULL	99.97	99.52	99.97	99.52
		PEMA POLSKA SP.Z O.O.	Services	FULL	100	100	100	100
		SG EQUIPMENT LEASING POLSKA SP Z.O.O.	Specialist Financing	FULL	100	100	100	100
	(1)	SOCIETE GENERALE S.A. ODDZIAL W POLSCE	Bank	FULL	100	100	100	100
	(1)	SOGECAP RISQUES DIVERS SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	100	100	100
	(1)	SOGECAP SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	100	100	100
French Polynesia								
		BANQUE DE POLYNESIE	Bank	FULL	72.1	72.1	72.1	72.1
		SOGELEASE BDP "SAS"	Specialist Financing	FULL	72.1	72.1	100	100
Portugal								
	(6)	PARCOURS PORTUGAL SA	Specialist Financing	FULL	100		100	
		SGALD AUTOMOTIVE SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENZ SA	Specialist Financing	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interest		Group voting interest	
				at 31.12. 2016	at 31.12.2015	at 31.12.2016	at 31.12.2015
Czech Republic							
	ALD AUTOMOTIVE SRO	Specialist Financing	FULL	100	100	100	100
	CATAPS	Services	ESI	12.15	60.73	20	100
	ESSOX SRO	Specialist Financing	FULL	80	80	100	100
	FACTORING KB	Financial Company	FULL	60.73	60.73	100	100
	KB PENZIJNI SPOLECNOST, A.S.	Financial Company	FULL	60.73	60.73	100	100
	KB REAL ESTATE	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
	KOMERCNI BANKA A.S	Bank	FULL	60.73	60.73	60.73	60.73
	KOMERCNI POJISTOVNA A.S	Insurance	FULL	80.76	80.76	100	100
	MODRA PYRAMIDA STAVEBNI SPORITELNA AS	Financial Company	FULL	60.73	60.73	100	100
	NP 33	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
	PEMA PRAHA SPOL. S.R.O.	Specialist Financing	FULL	100	100	100	100
	PROTOS	Financial Company	FULL	60.73	60.73	100	100
	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O.	Specialist Financing	FULL	80.33	80.33	100	100
	SOGEPROM CESKA REPUBLIKA S.R.O.	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM MICHLE S.R.O.	Real Estate and Real Estate Financing	FULL	100	100	100	100
	VN 42	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
Romania							
	ALD AUTOMOTIVE SRL	Specialist Financing	FULL	92.03	92.03	100	100
	BRD - GROUPE SOCIETE GENERALE SA	Bank	FULL	60.17	60.17	60.17	60.17
	BRD ASSET MANAGEMENT SAI SA	Portfolio Management	FULL	60.15	60.15	99.97	99.97
	BRD FINANCE IFN S.A.	Financial Company	FULL	80.48	80.48	100	100
	S.C. BRD SOGELEASE IFN S.A.	Specialist Financing	FULL	60.17	60.17	100	100
	S.C. ROGARIU IMOBILIARE S.R.L.	Real Estate and Real Estate Financing	FULL	75	75	75	75
	SOCIETE GENERALE EUROPEAN BUSINESS SERVICES S.A.	Services	FULL	99.99	99.99	100	100
	SOGEPROM ROMANIA SRL	Real Estate and Real Estate Financing	FULL	100	100	100	100
United Kingdom							
	ACR	Financial Company	FULL	100	100	100	100
	ALD AUTOMOTIVE GROUP PLC	Specialist Financing	FULL	100	100	100	100
	ALD AUTOMOTIVE LIMITED	Specialist Financing	FULL	100	100	100	100
	ALD FUNDING LIMITED	Specialist Financing	FULL	-	-	100	100
	[1] BRIDGEVIEW II LIMITED (UK BRANCH)	Specialist Financing	FULL	100	100	100	100
	[1] BRIGANTIA INVESTMENTS B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
	[1] DESCARTES TRADING LONDON BRANCH	Financial Company	FULL	100	100	100	100
	[6] FENCHURCH NOMINEES LIMITED	Bank	FULL	100		100	
	[6] FRANK NOMINEES LIMITED	Bank	FULL	100		100	
	[6] HOLMES DROLLED LIMITED	Bank	FULL	100		100	
	[1] HORDLE FINANCE B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
	JWB LEASE HOLDINGS LIMITED	Specialist Financing	FULL	100	100	100	100
	JWB LEASING LIMITED PARTNERSHIP	Specialist Financing	FULL	100	100	100	100
	[6] KBIM STANDBY NOMINEES LIMITED	Bank	FULL	100		100	
	[6] KBPB NOMINEES LIMITED	Bank	FULL	100		100	
	[6] KLEINWORT BENSON BANK LIMITED	Bank	FULL	100		100	
	[6] KLEINWORT BENSON FARMLAND TRUST (MANAGERS) LIMITED	Bank	FULL	100		100	
	[6] KLEINWORT BENSON UNIT TRUSTS LIMITED	Bank	FULL	100		100	
	[6] LANGBOURN NOMINEES LIMITED	Bank	FULL	100		100	
	LNG INVESTMENT 1 LTD	Financial Company	FULL	100	100	100	100
	LNG INVESTMENT 2 LTD	Financial Company	FULL	100	100	100	100
	LYXOR ASSET MANAGEMENT UK LLP	Financial Company	FULL	100	100	100	100
	[6] MAGPIE ROSE LIMITED	Bank	FULL	100		100	
	[6] PARCOURS UK LIMITED	Specialist Financing	FULL	100		100	
	[6] PICO WESTWOOD LIMITED	Bank	FULL	100		100	
	[6] ROBERT BENSON, LONSDALE & CO (CANADA) LIMITED	Bank	FULL	100		100	
	[6] SAINT MELROSE LIMITED	Bank	FULL	100		100	
	SG EQUIPMENT FINANCE (DECEMBER) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG EQUIPMENT FINANCE LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
	SG EQUIPMENT FINANCE OPERATING LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
	SG EQUIPMENT FINANCE RENTAL LIMITED	Specialist Financing	FULL	100	100	100	100
	SG FINANCIAL SERVICES LIMITED	Financial Company	FULL	100	100	100	100
	SG HAMBROS (LONDON) NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
	SG HAMBROS BANK LIMITED	Bank	FULL	100	100	100	100
	SG HAMBROS LIMITED (HOLDING)	Bank	FULL	100	100	100	100
	SG HAMBROS TRUST COMPANY LTD	Financial Company	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interest		Group voting interest	
				at 31.12. 2016	at 31.12.2015	at 31.12.2016	at 31.12.2015
	SG HEALTHCARE BENEFITS TRUSTEE COMPANY LIMITED	Financial Company	FULL	100	100	100	100
	SG INVESTMENT LIMITED	Financial Company	FULL	100	100	100	100
	(6) SG KLEINWORT HAMBROS TRUST COMPANY (UK) LIMITED	Bank	FULL	100		100	
	SG LEASING (ASSETS) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (CENTRAL 1) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (CENTRAL 3) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (DECEMBER) LIMITED	Specialist Financing	FULL	100	100	100	100
	(6) SG LEASING (GEMS) LIMITED	Real Estate and Real Estate Financing	FULL	-		100	
	SG LEASING (JUNE) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (MARCH) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (USD) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (UTILITIES) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING IX	Specialist Financing	FULL	100	100	100	100
	(9) SG LEASING XII	Specialist Financing	FULL	100	100	100	100
	(1) SG LONDRES	Bank	FULL	100	100	100	100
	SGFLD LIMITED	Financial Company	FULL	100	100	100	100
	SOCGEN NOMINEES (UK) LIMITED	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE EQUIPMENT FINANCE LIMITED	Specialist Financing	FULL	100	100	100	100
	SOCIETE GENERALE INTERNATIONAL LIMITED	Broker	FULL	100	100	100	100
	SOCIETE GENERALE INVESTMENTS (U.K.) LIMITED	Financial Company	FULL	100	100	100	100
	(9) SOCIETE GENERALE SECURITIES SERVICES UK LIMITED	Broker	FULL	100	100	100	100
	STRABUL NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
	(9) TALOS HOLDING LTD	Financial Company	FULL	100	100	100	100
	(9) TALOS SECURITIES LTD	Broker	FULL	100	100	100	100
	(1) TH INVESTMENTS (HONG KONG) 2 LIMITED	Financial Company	FULL	100	100	100	100
	(9) TH LEASING (JUNE) LIMITED	Specialist Financing	FULL	100	100	100	100
	(9) TH STRUCTURED ASSET FINANCE LIMITED	Financial Company	FULL	100	100	100	100
	THE EIFFEL LIMITED PARTNERSHIP	Specialist Financing	FULL	100	100	100	100
	THE FENCHURCH PARTNERSHIP	Financial Company	FULL	100	100	100	100
	(2) THE MARS MARITIME LIMITED PARTNERSHIP	Financial Company	FULL		100		100
	(2) THE SATURN MARITIME LIMITED PARTNERSHIP	Financial Company	FULL		100		100
	(1) TYNEVOR B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
Russian Federation							
	ALD AUTOMOTIVE OOO	Specialist Financing	FULL	100	100	100	100
	(2) AVTO LCC	Services	FULL		99.49		100
	CLOSED JOINT STOCK COMPANY SG FINANCE	Financial Company	EFS	100	100	100	100
	COMMERCIAL BANK DELTACREDIT JOINT STOCK COMPANY	Bank	FULL	99.95	99.49	100	100
	CREDIT INSTITUTION OBYEDINYONNAYA RASCHOTNAYA SISTEMA	Financial Company	FULL	99.95	99.49	100	100
	(6) JSC TELSICOM	Services	FULL	99.95		100	
	LLC RUSFINANCE	Specialist Financing	FULL	99.95	99.49	100	100
	LLC RUSFINANCE BANK	Specialist Financing	FULL	99.95	99.49	100	100
	PJSC ROSBANK	Bank	FULL	99.95	99.49	99.95	99.49
	(9) PROEKTINVEST LLC	Group Real Estate Management Company	FULL	99.95	99.49	100	100
	RB FACTORING LLC	Specialist Financing	FULL	99.95	99.49	100	100
	RB LEASING LLC	Specialist Financing	FULL	99.95	99.49	100	100
	RB SERVICE LLC	Group Real Estate Management Company	FULL	99.95	99.49	100	100
	RB SPECIALIZED DEPOSITARY LLC	Financial Company	FULL	99.95	99.49	100	100
	(3) REAL INVEST LLC	Real Estate and Real Estate Financing	FULL		99.49		100
	SG STRAKHOVANIE LLC	Insurance	FULL	99.99	99.9	100	100
	SOCIETE GENERALE STRAKHOVANIE ZHIZNI LLC	Insurance	FULL	99.99	99.9	100	100
	SOSNOVKA LLC	Group Real Estate Management Company	FULL	99.95	99.49	100	100
	VALMONT LLC	Group Real Estate Management Company	FULL	99.95	99.49	100	100
Senegal							
	SG DE BANQUES AU SENEGAL	Bank	FULL	64.45	64.45	64.87	64.87
Serbia							
	ALD AUTOMOTIVE D.O.O BEOGRAD	Specialist Financing	EFS	100	100	100	100
	SOCIETE GENERALE BANKA SRBIJA	Bank	FULL	100	100	100	100
	(6) SOGELEASE SRBIJA D.O.O.	Specialist Financing	FULL	100		100	
Singapore							
	SG MARKETS (SEA) PTE. LTD.	Broker	FULL	100	100	100	100
	SG SECURITIES (SINGAPORE) PTE. LTD.	Broker	FULL	100	100	100	100
	(1) SG SINGAPOUR	Bank	FULL	100	100	100	100
	(6) SG TRUST (ASIA) LTD	Financial Company	FULL	100		100	
	(1) (2) SOCIETE GENERALE BANK & TRUST SINGAPORE BRANCH	Bank	FULL		100		100

Country			Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
Slovakia								
		ALD AUTOMOTIVE SLOVAKIA S.R.O.	Specialist Financing	FULL	100	100	100	100
	(1)	KOMERCNI BANKA BRATISLAVA	Bank	FULL	60.73	60.73	100	100
		PEMA SLOVAKIA SPOL.S.R.O.	Specialist Financing	FULL	100	100	100	100
	(1)	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O. ORGANIZACNA ZLOZKA (SLOVAK RUPUBLIC BRANCH)	Specialist Financing	FULL	80.33	80.33	100	100
Slovenia								
		ALD AUTOMOTIVE OPERATIONAL LEASING DOO	Specialist Financing	FULL	100	100	100	100
	(6)	BPF FINANCIRANJE	Specialist Financing	FULL	99.73		100	
		SKB LEASING D.O.O.	Specialist Financing	FULL	99.73	99.73	100	100
		SKB BANKA	Bank	FULL	99.73	99.73	99.73	99.73
Sweden								
		ALD AUTOMOTIVE AB	Specialist Financing	FULL	100	100	100	100
		NF FLEET AB	Specialist Financing	FULL	80	80	80	80
		PEMA TRUCK- OCH TRAILERUTHYRNING AB	Specialist Financing	FULL	100	100	100	100
	(1)	SG FINANS AS SWEDISH BRANCH	Specialist Financing	FULL	100	100	100	100
Switzerland								
		ALD AUTOMOTIVE AG	Specialist Financing	FULL	100	100	100	100
		PEMA TRUCK- UND TRAILERVERMIETUNG GMBH	Specialist Financing	FULL	100	100	100	100
	(9)	ROSBANK (SWITZERLAND)	Bank	FULL	99.95	99.49	100	100
		SG EQUIPMENT FINANCE SCHWEIZ AG	Specialist Financing	FULL	100	100	100	100
	(1)	SG ZURICH	Bank	FULL	100	100	100	100
	(2)	SOCIETE GENERALE PRIVATE BANKING (LUGANO-SVIZZERA) SA	Bank	FULL		100		100
		SOCIETE GENERALE PRIVATE BANKING (SUISSE) S.A.	Bank	FULL	100	100	100	100
Taiwan								
	(1)	SG SECURITIES (HONG KONG) LIMITED	Broker	FULL	100	100	100	100
	(1)	SG TAIPEI	Bank	FULL	100	100	100	100
Chad								
		SOCIETE GENERALE TCHAD	Bank	FULL	55.19	55.19	66.16	66.16
Thailand								
	(1) (2)	SG BANGKOK	Bank	FULL		100		100
Togo								
	(1)	SOCIETE GENERALE TOGO	Bank	FULL	88.34	83.19	100	100
Tunisia								
		UNION INTERNATIONALE DE BANQUES	Bank	FULL	55.1	55.1	52.34	52.34
Turkey								
		ALD AUTOMOTIVE TURIZM TICARET ANONIM SIRKETI	Specialist Financing	EFS	100	100	100	100
	(1)	SG ISTANBUL	Bank	FULL	100	100	100	100
Ukraine								
		FIRST LEASE LTD.	Specialist Financing	EFS	100	100	100	100

* FULL: Full consolidation - JO: Joint Operation - EJV: Equity (Joint Venture) - ESI: Equity (significant influence) - EFS: Equity For Simplification (Entities controlled by the Group that are consolidated using the equity method for simplification because of their insignificant nature).

(1) Branches
(2) Entities wound up in 2016
(3) Removal from the scope in 2016
(4) Entities sold in 2016
(5) Merged in 2016
(6) Newly consolidated in 2016
(7) Including 114 French property holding companies (SCIs) under equity method not significant
(8) Including 137 funds
(9) Wind up in process

NOTE 8.7 - FEES PAID TO STATUTORY AUDITORS

The consolidated financial statements of Societe Generale are certified jointly by Ernst & Young et Autres, represented by Mrs. Isabelle Santenac, on the one hand, and Deloitte et Associés, represented by Mr. José-Luis Garcia, on the other hand.

At the proposal of the Board of Directors, the General Meeting held on 22nd May 2012 appointed Ernst & Young et Autres and renewed Deloitte et Associés, for six years.

Further to the publication of the European regulation on the audit reform, a new approval policy of the non-audit services of statutory auditors and their network was set up in 2016 to verify the compliance of these missions in relation to the new regulation before the validation by the Audit committee.

A report is submitted each year to the Audit and Internal Control Committee, detailing the fees paid by type of assignment to the Statutory Auditors' networks.

Moreover, in order to prevent the development of excessively close ties between auditors and Management, and to gain a new perspective on the accounts of the Group's entities, a new distribution of audit sections has been implemented. A rotation between the firms in charge of the different audit sections was implemented as from 1st January 2015.

Lastly, the Finance Departments of the entities and business divisions annually appraise the quality of the audits performed by Deloitte and Ernst & Young. The conclusions of this survey are presented to the Audit and Internal Control Committee.

AMOUNTS OF STATUTORY AUDITORS' FEES PRESENTED IN THE INCOME STATEMENT

		Ernst & Young et Autres		Deloitte et Associés		TOTAL	
(In EUR m, excl. VAT)		2016	2015	2016	2015	2016	2015
Statutory audit, certification, examination of parent company and consolidated accounts	Issuer	4	4	6	6	10	10
	Fully consolidated subsidiaries	14	14	11	12	25	26
Audit Services and Related assignments	Issuer	2	1	1	2	3	3
	Fully consolidated subsidiaries	1	1	1	1	2	2
Sub-total Audit		21	20	19	21	40	41
in %		95%	95%	95%	100%	95%	98%
Other services provided by the networks to fully consolidated subsidiaries	Legal, tax, social	0	0	0	0	0	0
	Other	1	1	1	0	2	1
Total		22	21	20	21	42	42

NOTE 9 - INFORMATION ON RISKS AND LITIGATION

Every quarter, the Group reviews in detail the disputes presenting a significant risk. These disputes may lead to the recording of a provision if it becomes probable or certain that the Group will incur an outflow of resources for the benefit of a third party without receiving at least the equivalent value in exchange.

For each of the disputes described in the present chapter, no detailed information can be disclosed on either the recording or the amount of a specific provision given that such disclosure would likely seriously prejudice the outcome of the disputes in question.

Additionally, to take into account the development of a global risk of outflows regarding some ongoing judicial investigations and proceedings in the US (such as the Office of Foreign Assets Control) and with European authorities, as well as the dispute on the French "précompte", the Group has recorded a provision for disputes among its liabilities which is disclosed in Note 3.8 to the consolidated financial statements.

- Beginning in 2006, Societe Generale, along with numerous other banks, financial institutions, and brokers, received requests for information from the US Internal Revenue Service, the Securities and Exchange Commission and the Antitrust Division of the Department of Justice, focused on alleged noncompliance with various laws and regulations relating to the provision to governmental entities of Guaranteed Investment Contracts ("GICs") and related products in connection with the issuance of tax-exempt municipal bonds. Societe Generale has cooperated with the US authorities.

- On 24th October 2012, the Court of Appeal of Paris confirmed the first judgment delivered on 5th October 2010, finding Jérôme Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. Jérôme Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion as damages to the Bank. On 19th March 2014, the Supreme Court confirmed the criminal liability of Jérôme Kerviel. This decision puts an end to the criminal proceedings. On the civil front, the Supreme Court has departed from its traditional line of case law regarding the compensation of victims of criminal offences against property, and remanded the case before the Court of Appeal of Versailles for a ruling on damages. On 23rd September 2016, the Versailles Court of Appeal rejected Jérôme Kerviel's request for an expert determination of the damage suffered by Societe Generale, and therefore confirmed that the net losses suffered by the Bank as a result of his criminal conduct amount to EUR4.9 billion. It also declared Jérôme Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and Jérôme Kerviel did not appeal before the Supreme Court. Societe Generale considers that this judgment has no impact on its tax situation, although the tax treatment of the EUR 4.9 billion net loss caused by Jérôme Kerviel's fraudulent acts has not, at this time, been definitively validated by the French tax authorities and a dispute on this subject before the competent courts is still possible.

- Between 2003 and 2008, Societe Generale had set up gold consignment lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold stocks held by Goldas. These suspicions were rapidly confirmed following the failure by Goldas to pay or refund gold worth EUR 466.4 million.

  Societe Generale brought civil proceedings against its insurers and various Goldas Group entities. Goldas launched various proceedings in Turkey and in the UK against Societe Generale. The proceedings brought by Societe Generale against its insurers in France are still pending.

- Societe Generale Algeria ("SGA") and several of its branch managers are being prosecuted for breach of Algerian laws on exchange rates and capital transfers with other countries. The defendants are accused of having failed to make complete or accurate statements to the Bank of Algeria on capital transfers in connection with exports or imports made by clients of SGA. The events were discovered during investigations by the Bank of Algeria, which subsequently filed civil claims before the criminal court. Sentences were delivered by the court of appeal against SGA and its employees in some proceedings, while charges were dropped in other ones. To date, twelve cases have ended in favour of SGA and nine remain pending, eight of which before the Supreme Court.

- In the early 2000s, the French banking industry decided to transition to a new digital system in order to streamline cheque clearing.

  To support this reform (known as EIC – *Echange d'Images Chèques*), which has contributed to the improvement of cheque payments' security and to the fight against fraud, the banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.

  On 20th September 2010, after several years of investigation, the French competition authority considered that the joint implementation and the setting of the amount of the CEIC and of two additional fees for related services were in breach of competition law. The authority fined all the participants to the agreement (including the *Banque de France*) a total of approximately EUR 385 million. Societe Generale was ordered to pay a fine of EUR 53.5 million and Credit du Nord, its subsidiary, a fine of EUR 7 million.

  However, in its 23rd February 2012 order, the French Court of Appeal, to which the matter was referred by all the banks involved except *Banque de France*, upheld the absence of any competition law infringement, allowing the banks to recoup the fines paid. On 14th April 2015, the Supreme Court quashed and annulled the Court of Appeal decision on the grounds that the latter did not examine the arguments of two third parties who voluntarily intervened in the proceedings. The case was heard again on 3rd and 4th November 2016 by the Paris Court of Appeal before which the case was remanded. The decision is expected on 11th May 2017.

- Societe Generale Private Banking (Suisse), along with several other financial institutions, has been named as a defendant in a putative class action that is pending in the US District Court for the Northern District of Texas. The plaintiffs seek to represent a class of individuals who were customers of Stanford International Bank Ltd. ("SIBL"), with money on deposit at SIBL and/or holding Certificates of Deposit issued by SIBL as of 16th February 2009. The plaintiffs allege that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants bear some responsibility for those alleged losses. The plaintiffs further seek to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they are alleged to have been fraudulent transfers. The Official Stanford Investors Committee ("OSIC") was permitted to intervene and filed a complaint against Societe Generale Private Banking (Suisse) and the other defendants seeking similar relief.

The motion by Societe Generale Private Banking (Suisse) to dismiss these claims on grounds of lack of jurisdiction was denied by the court by order filed 5th June 2014. Societe Generale Private Banking (Suisse) sought reconsideration of the Court's jurisdictional ruling, which the Court ultimately denied. On 21st April 2015, the Court permitted the substantial majority of the claims brought by the plaintiffs and the OSIC to proceed.

In May 2015, the plaintiffs filed a motion for class certification, which Societe Generale Private Banking (Suisse) has opposed. The motion is now pending for decision.

On 22nd December 2015, the OSIC filed a motion for partial summary judgment seeking return of a transfer of USD 95 million to Societe Generale Private Banking (Suisse) made in December 2008 (prior to the Stanford insolvency) on the grounds that it is voidable under Texas state law as a fraudulent transfer. Briefing on this motion is ongoing.

Connected with the allegations in this class action, Societe Generale Private Banking (Suisse) and Societe Generale have also received requests for documents and other information from the US Department of Justice. Societe Generale Private Bank (Suisse) and Societe Generale has cooperated with the US authorities.

- Societe Generale, along with other financial institutions, has received formal requests for information from several authorities in Europe, the US and Asia, in connection with investigations regarding submissions to the British Bankers Association for setting certain London Interbank Offered Rates ("Libor") and submissions to the European Banking Federation (now the EBF-FBE) for setting the Euro Interbank Offered Rate ("Euribor"), as well as trading in derivatives indexed to various benchmark rates. Societe Generale is cooperating with the investigating authorities.

  Societe Generale, along with other financial institutions, was named as a defendant in five putative class actions and several individual (non-class) actions in connection with its involvement in the setting of US Dollar Libor rates and trading in derivatives indexed to Libor. The actions were brought by purchasers of certain exchange-based derivatives contracts, over-the-counter derivatives contracts, bonds, equity securities and mortgages, and are pending before a single judge in the US District Court in Manhattan. The actions variously allege violations of, among other laws, US antitrust laws, the US Commodity Exchange Act ("CEA"), and numerous state laws. On 23rd June 2014, the court dismissed the claims against Societe Generale in putative class actions brought by purchasers of certain over-the-counter derivative contracts and purchasers of certain exchange-based derivative contracts. On 5th March 2015, Societe Generale was voluntarily dismissed from a third putative class action brought by purchasers of adjustable rate mortgages tied to Libor. The two other putative class actions are effectively stayed pending resolution of the appeal described below. On 20th October 2015, the court dismissed the claims against Societe Generale in an individual action brought by the liquidating agent of several failed credit unions. On 4th August 2015, the court dismissed several claims asserted by individual plaintiffs, but permitted some state law claims to proceed against defendants in limited circumstances. On 23rd May 2016, the Second Circuit vacated the District Court's dismissal of plaintiffs' antitrust claims, and remanded the claims for further proceedings. On 19th August 2016, briefing was completed on renewed motions to dismiss plaintiffs' antitrust claims on merits and jurisdictional grounds filed by Societe Generale and other defendants in the District Court. On 20th December 2016, the court dismissed plaintiff's antitrust claims against Societe Generale on personal jurisdiction grounds. As a result of that decision and prior rulings by the District Court, all claims against Societe Generale have been dismissed. The District Court has not yet entered judgment on the dismissal of those claims.

  Societe Generale, along with other financial institutions, also has been named as a defendant in two putative class actions in the US District Court in Manhattan brought by purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange ("CME"), and purchasers of over-the-counter derivative contracts, respectively, who allege that their instruments were traded or transacted at artificial levels due to alleged manipulation of Yen LIBOR and Euroyen TIBOR rates. These actions allege violations of, among other laws, the US antitrust laws, the CEA, the civil provisions of the Racketeer Influenced Corrupt Organization ("RICO") Act, and state laws. On 28th March 2014, the court dismissed the exchange-based plaintiffs' antitrust claims, among others, but permitted certain CEA claims to proceed. On 31st March 2015, the court denied the exchange-based plaintiffs' motion for leave to add a RICO claim and additional class representatives, who sought to assert CEA, RICO and state law claims.

  On 8th October 2015, the court denied a motion filed by the California State Teachers' Retirement System ("CalSTRS") to intervene as plaintiff in the exchange-based case. CalSTRS appealed that decision to the US Court of Appeals for the Second Circuit, and voluntarily withdrew the appeal on 8th June 2016. On 29th February 2016, exchange-based plaintiffs filed their Third Amended Complaint adding CEA claims for an extended putative class period against all defendants. On 16th May 2016, Societe Generale filed its answer to the Third Amended Complaint in the exchange-based action and, along with other financial institutions, filed a motion to dismiss the additional CEA claims in that Complaint. On 29th September 2016, Societe Generale and two other financial institutions filed a motion for relief from the District Court's November 2014 order in the exchange-based action that denied them leave to file a motion to dismiss the Complaint for lack of personal jurisdiction, or, alternatively, certification of that order for appeal. Motions to dismiss the over-the-counter plaintiffs' claims have been filed, and oral argument on those motions was held on 5th May 2016.

  Societe Generale, along with other financial institutions, also has been named as a defendant in a putative class action in the US District Court in Manhattan brought on behalf of purchasers or sellers of futures contracts on the LIFFE exchange, Euro currency futures contracts on the CME, Euro interest rate swaps, or Euro foreign exchange forwards, who allege that their instruments traded or that they transacted at artificial levels due to alleged manipulation of Euribor rates. The action alleges violations of, among other laws, US antitrust laws and the CEA as the index in question is a Euro index. Motions to dismiss have been filed.

Societe Generale, along with other financial institutions, has been named as a defendant in litigation in Argentina brought by a consumer association on behalf of Argentine consumers who held government bonds or other instruments that paid interest tied to US Dollar Libor. The allegations concern violations of Argentine consumer protection law in connection with an alleged manipulation of the US Dollar Libor rate. On 25th August 2016, the Argentine Court of Appeal issued a decision directing that the actions against the various financial institutions (including the action against Societe Generale) be consolidated before a single judge. Societe Generale has not yet been served with the complaint in this matter.

On 4th December 2013, the European Commission issued a decision further to its investigation into the EURIBOR rate, which provides for the payment by Societe Generale of an amount of EUR 445.9 million in relation to events that occurred between March 2006 and May 2008. Societe Generale has filed an appeal with the Luxembourg Court regarding the method used to determine the value of the sales that served as a basis for the calculation of the fine. On 6th April 2016, Societe Generale obtained a EUR 218 million discount on the fine after having withdrawn its appeal. The fine therefore decreased from EUR 445.9 million to EUR 227.72 million, and Societe Generale will receive, in addition to the reimbursement of the capital, interest calculated by the Commission.

On 5th December 2016, the Swiss competition authority (COMCO) approved an amicable settlement with four banks, among which Societe Generale, to close its investigation related to events which occurred between March 2006 and May 2008. Under the terms of this settlement, Societe Generale was fined CHF 3.254 million, i.e. approximately EUR 3 million.

- On 10th December 2012, the French Supreme Administrative Court (*Conseil d'État*) rendered two decisions confirming that the "précompte tax" which used to be levied on corporations in France does not comply with EU law and defined a methodology for the reimbursement of the amounts levied by the tax authorities. However, such methodology considerably reduces the amount to be reimbursed. Societe Generale purchased in 2005 the "précompte tax" claims of two companies (Rhodia and Suez, now ENGIE) with a limited recourse on the selling companies. One of the above decisions of the French Supreme Administrative Court relates to Rhodia. Societe Generale has brought proceedings before the French administrative courts. The latest court decision rendered is a rejection, on 1st February 2016 by the French Administrative Supreme Court, of an appeal lodged by ENGIE and Societe Generale.

  Several French companies applied to the European Commission, who considered that the decisions handed down by the French Supreme Administrative Court on 10th December 2012, which were supposed to implement the decision rendered by the Court of Justice of the European Union C-310/09 on 15th September 2011, infringed a number of principles of European law. The European Commission subsequently brought infringement proceedings against the French Republic in November 2014, and since then confirmed its position by publishing a reasoned opinion on 29th April 2016 and by referring the matter to the Court of Justice of the European Union on 8th December 2016.

- Societe Generale has engaged in discussions with the US Office of Foreign Assets Control, the US Department of Justice, the office of the District Attorney of New York County, the Board of Governors of the Federal Reserve System in Washington, the Federal Reserve Bank of New York, and the New York State Department of Financial Services in relation to US dollar transfers made by Societe Generale on behalf of entities based in countries that are the subject of economic sanctions ordered by the US authorities. In connection with these discussions, Societe Generale is conducting an internal review and is cooperating with the US authorities.

- On 22nd May 2013, the ACPR launched disciplinary proceedings against Societe Generale in relation to the resources and procedures deployed by it pursuant to the legal requirements relating to the "right to a bank account" (*droit au compte*). On 11th April 2014, the ACPR sanctions commission imposed the following sanctions on Societe Generale: a fine of EUR 2 million, a reprimand, and the publication of the decision. In May 2014, Societe Generale referred this decision to the French Supreme Administrative Court (*Conseil d'État*). By a judgment handed down on *14th* October 2015, the French Supreme Administrative Court cancelled the ACPR's penalty of 11th April 2014. By a letter dated 9th November 2015, the ACPR informed Societe Generale that it would resume the proceedings before the sanctions commission. The college representative filed its brief on 18th December 2015. The hearing was held in front of the ACPR sanctions commission on 2nd May 2016. On 19th May 2016, the ACPR sanctions commissions imposed on Societe Generale a fine of EUR 800,000 and a reprimand. This matter has now been closed.

- On 7th March 2014, the Libyan Investment Authority ("LIA") brought proceedings against Societe Generale before the High Court of England regarding the conditions pursuant to which LIA entered into certain investments with the Societe Generale Group. LIA alleges that Societe Generale and other parties who participated in the conclusion of the investments notably committed acts amounting to corruption. Societe Generale firmly refutes such allegations and any claim calling into question the lawfulness of these investments. The English Court decided that the trial hearing will take place in April 2017. Also, on 8th April 2014, the US Department of Justice served Societe Generale with a subpoena requesting the production of documents relating to transactions with Libyan entities and individuals, including the LIA. On 4th October 2016, the Securities and Exchange Commission served Societe Generale with a subpoena on the same subject matter. Societe Generale is cooperating with US authorities.

- Societe Generale, along with other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with its involvement in the London Gold Market Fixing. The action is brought on behalf of persons or entities that sold physical gold, sold gold futures contracts traded on the CME, sold shares in gold ETFs, sold gold call options traded on CME, bought gold put options traded on CME, sold over-the-counter gold spot or forward contracts or gold call options, or bought over-the-counter gold put options. The action is pending in the US District Court in Manhattan. Motions to dismiss the action were denied by an order dated 4th October 2016, and discovery is underway. Societe Generale and certain subsidiaries, along with other financial institutions, have also been named as defendants in a putative class action in Canada (Ontario Superior Court in Toronto) involving similar claims.

- On 30th January 2015, the US Commodity Futures Trading Commission served Societe Generale with a subpoena requesting the production of information and documents concerning trading in precious metals done since 1st January 2009. Societe Generale is cooperating with the authorities.

- Societe Generale Americas Securities, LLC ("SGAS"), along with other financial institutions, has been named as a defendant in several putative class actions alleging violations of US antitrust laws and the CEA in connection with its activities as a US Primary Dealer, buying and selling US Treasury securities. The cases have been consolidated in the US District Court in Manhattan. SGAS's time to respond to the complaints has not yet been set.
- Societe Generale, along with several other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with foreign exchange spot and derivatives trading. The action is brought by persons or entities that transacted in certain over-the-counter and exchange-traded foreign exchange instruments. The litigation is pending in the US District Court in Manhattan. Motions to dismiss were denied, and discovery is underway. A separate putative class action on behalf of a class of exchange-traded fund purchasers was filed on 26th September 2016. Motions to dismiss were filed on 23rd January 2017. Societe Generale and certain subsidiaries, along with other financial institutions, have also been named as defendants in two putative class actions in Canada (in the Ontario Superior Court in Toronto and Quebec Superior Court in Quebec City) involving similar claims.
- On 31st May 2016, Societe Generale and certain US affiliates received a subpoena from the Civil Division of the United States Attorney's Office for the Eastern District of New York ("USAO") requesting the production of information and documents concerning residential mortgage-backed securities ("RMBS") issued by Societe Generale affiliates in New York. On 19th September 2016, the USAO served a supplemental subpoena seeking information and documents concerning collateralized debt obligations backed by RMBS securities issued by Societe Generale affiliates in New York. Societe Generale has reached a settlement with the DOJ and agreed to pay a civil penalty of USD 50 million.
- Further to an inspection conducted from 8th September to 1st December 2015 at Societe Generale's offices in order to review the Group's suspicious transaction reporting policies and procedures, the ACPR gave Societe Generale notice on 26th July 2016 of the opening of enforcement proceedings against it. The hearing before the enforcement commission may be held during the second semester of 2017.

3. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the group's management report and in the documents addressed to the shareholders.

This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

DELOITTE & ASSOCIES
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92524 Neuilly-sur-Seine Cedex
S.A. au capital de € 1.723.040

Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

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Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

SOCIETE GENERALE
YEAR ENDED 31st DECEMBER 2016

Statutory auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31st December 2016, on:

- the audit of the accompanying consolidated financial statements of Societe Generale;
- the justification of our assessments;
- the specific verification required by law.

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

I. OPINION ON THE CONSOLIDATED FINANCIAL 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 of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at 31st December 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to note 3.1 "Financial assets and liabilities at fair value through profit or loss - 3. Net gains and losses on financial instruments at fair value through profit or loss" and note 4.2. "Income and expense from other activities" which describe the change in accounting method relating to the presentation of profit or loss and balance sheet positions relating to physical inventory of commodities as part of the market-making activity in commodity derivatives.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- For the purpose of preparing the consolidated financial statements, your group records impairment to cover the credit risks inherent to its activities and performs significant accounting estimates, related in particular to the valuation of goodwill, to the assessment of the deferred tax assets, as well as the assessment of provisions for disputes, as described in the following notes to the consolidated financial statements: 1. "Significant accounting principles – 4. Use of estimates and judgement", 2.2. "Goodwill", 6. "Income tax" and 3.8. "Impairment and provisions". We have reviewed and tested the processes implemented by management, the underlying assumptions and the valuation parameters, and we have assessed whether these accounting estimates are based on documented procedures consistent with the accounting policies disclosed in the above-mentioned notes to the consolidated financial statements.

- As detailed in note 3.4 "Fair value of financial instruments measured at fair value" to the consolidated financial statements, your group uses internal models to measure financial instruments that are not based on observable market data. Our procedures consisted in reviewing the control procedures for the models used, assessing the underlying data and assumptions as well as their observability, and verifying that the risks generally expected from the markets were taken into account in the valuations.
- As stated in notes 3.1 "Financial assets and liabilities at fair value through profit or loss - 2. Financial instruments at fair value through profit or loss using fair value option" and 3.4 "Fair value of financial instruments measured at fair value" to the consolidated financial statements, your group assessed the impact of changes in its own credit risk with respect to the valuation of certain financial liabilities measured at fair value through profit or loss. We have verified the appropriateness of the data used for this purpose.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, 7th March 2017

The Statutory Auditors

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
José-Luis Garcia	Isabelle Santenac

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4. SOCIETE GENERALE MANAGEMENT REPORT

SUMMARY BALANCE SHEET OF SOCIETE GENERALE

(In EUR bn)	31.12.2016	31.12.2015	Change
Interbank and money market assets	182	167	15
Customer loans	265	244	21
Securities transactions	535	549	(14)
- of which securities purchased under resale agreements	*215*	*204*	11
Other assets	210	190	20
- of which option premiums	*93*	*92*	1
Tangible and intangible fixed assets	2	2	0
Total assets	**1,194**	**1,152**	**42**

(In EUR bn)	31.12.2016	31.12.2015	Change
Interbank and money liabilities (1)	229	233	(4)
Customer deposits	353	335	18
Bonds and subordinated debt (2)	32	30	2
Securities transactions	338	336	2
- of which securities sold under repurchase agreements	*180*	*196*	(16)
Other liabilities and provisions	205	184	21
- of which option premiums	*98*	*96*	2
Equity	36	34	2
Total liabilities	**1,194**	**1,152**	**42**

(1) Including negotiable debt instruments
(2) Including undated subordinated capital notes

Societe Generale's balance sheet totalled EUR 1,194 billion, up EUR 42 billion compared with 31st December 2015.

In an environment of uncertainty regarding the Chinese economy and other emerging countries, Brexit and the American elections of November 2016, together with the general decline in interest rates imposed by the ECB, Societe Generale confirms the strength of its financial structure in a sluggish economy with many regulatory constraints.

The EUR +15 billion increase in Interbank and money market assets occurred in an environment with high liquidity accessible at very low and negative rates, in particular in euros. Liquidity requirements on deposits with the Banque de France meet regulatory requirements first and foremost, in particular future NSFR (Net Stable Funding Ratio) requirements and the need to strengthen the Group's financing structure.

Customer loan outstandings increased by EUR +21 billion, with EUR +13.5 billion concerning mainly intragroup transactions: EUR +4.2 billion on (i) overdrafts and (ii) outstandings from Global Banking and Investor Solutions' customers (of which EUR +2.9 billion on capital loans). Despite the sluggish economic environment that is not conducive to customer loans, the French network recorded strong commercial performance in 2016 and maintained a high-quality customer base. New customers in the corporate segment increased sharply (+11.2%) thanks to an enhanced system for professionals via the creation of "espaces Pro" (pro corners). The production of mortgages slowed down this year, with a rise in mortgage renegotiations at the end of the year.

In a competitive environment, Retail Banking posted sustained growth in its sight deposits in 2016. Balance sheet outstandings on regulated savings accounts increased by EUR 2.6 billion, and those of individuals and corporates increased by EUR +8.2 billion.

Despite a record rebound in certain stock market indices in the fourth quarter of 2016, the downward trend in the equity portfolio (down EUR -11.8 billion) reflects political and economic tensions, in particular the stock market crash in China, the collapse of oil prices (below USD 20) and the Brexit vote. Bond outstandings also decreased by EUR -16.1 billion due to the unfavourable bond environment with the recent increase in interest rates and the tightening of the American monetary policy. Under liabilities, amounts payable for securities borrowed (EUR +16 billion) were offset by collateralised deposits (EUR -16 billion).

Changes in the other financial accounts, which are volatile by nature on both sides of the balance sheet, are linked to the valuation of derivatives and the increase in security deposits paid and received in respect of market transactions.

Societe Generale boasts a diversified range of funding sources and channels:

- stable resources consisting of equity and subordinated debt (EUR 68 billion);
- customer deposits, which make up a significant share (30%) of total balance sheet resources;
- resources in the form of interbank deposits and borrowings (EUR 155 billion);
- capital raised on the market through a proactive diversification policy, making use of various types of debt (secured and unsecured bonds, etc.), issuance vehicles (EMTNs, Certificates of Deposit), currencies and investor pools (EUR 69 billion).
- resources from securities sold under repurchase agreements to customers and banks (EUR 180 billion).

The Group's financing structure is based on substantial deposit inflows across all of its business lines and on the extension of its funding sources, which reflects Societe Generale's efforts to strengthen the structure of its balance sheet in recent years.

SUMMARY INCOME STATEMENT OF SOCIETE GENERALE

	2016						2015		
		16/15		*16/15*		*16/15*			
(In EUR m)	**France**	Change(1)	**International**	Change(1)	**Societe Generale**	Change(1)	**France**	**International**	**Societe Generale**
Net Banking Income	10,617	0.96	3,607	1.18	14,224	*1.01*	11,041	3,059	14,100
Total operating expenses	(6,789)	1.01	(2,428)	1.27	(9,217)	1.07	(6,713)	(1,908)	(8,621)
Gross operating income	3,828	0.88	1,179	1.02	5,007	0.91	4,328	1,151	5,479
Cost of risk	(731)	0.64	(253)	1.16	(984)	0.72	(1,140)	(219)	(1,359)
Operating income	3,097	0.97	926	0.99	4,023	0.98	3,188	932	4,120
Net income from long-term investments	444	-0.14	2	0.33	446	-0.14	(3,275)	6	(3,269)
Operating income before income tax	3,541	-40.70	928	0.99	4,469	5.25	(87)	938	851
Income tax	(332)	-0.62	86	-0.27	(246)	*-1.15*	532	(318)	214
Net allocation to regulatory provisions		N/A		N/A		N/A	-	-	-
Net income	3,209	7.21	1,014	1.64	4,223	3.97	445	620	1,065

(1) The change is expressed as a ratio, calculated by dividing the amount for 2016 with the amount for 2015.

In 2016, Societe Generale generated gross operating income of EUR 5 billion, representing a slight decrease of EUR 0.5 billion compared with that of 2015, due to an increase in operating expenses of EUR 0.6 billion, whereas NBI increased by EUR 0.1 billion.

- The following non-recurring events took place in 2016:
  - In the first half of 2016, Societe Generale sold its stake in Visa Europe, thereby generating a capital gain of EUR 518 million before tax.
  - In order to take into account the developments in a number of legal risks, including in particular ongoing judicial investigations and proceedings with the US and European authorities, as well as the ruling by the French Administrative Supreme Court (Conseil d'Etat) on the equalisation tax (précompte), Societe Generale recorded a provision for disputes under liabilities that was increased by EUR 350 million in 2016 to EUR 2 billion.
  - Societe Generale has recognised in equity the impact of the first-time application of Recommendation No. 2013-02 of 7th November 2013 issued by the French Accounting Standards Authority on the accounting and valuation methods applied to pension obligations and other related obligations. The impact of this change in accounting method amounted to EUR -0.3 billion net of tax recognised in equity at 1st January 2016.
- Net banking income increased slightly to EUR +14.2 billion (compared with EUR +14.1 billion in 2015). The year was marked by strong commercial and operational performance across all business lines despite a more sluggish economic environment.
- French Retail Banking’s net banking income was down slightly (EUR -0.2 billion) compared with 2015. In a low interest rate environment, French Retail Banking is intensifying its commercial actions while continuing to develop synergies and fee-generating activities.
- Global Banking and Investor Solutions demonstrated resilience through strong performance (EUR +0.7 billion compared with 2015) despite unfavourable market conditions in the first half of 2016, with disruptions related in particular to the Asian financial crisis, and recorded a rebound in the United States during the last quarter of 2016. Throughout the year, Fixed Income, Credit, Currencies and Commodities boosted revenues. In a buoyant environment for structured products, activity was boosted by strong momentum in fixed income products and commodities, in particular in the last quarter, marked by renewed volatility and increased volumes. Prime Services’ net banking income also posted an increase in NBI compared with 2015. The momentum in these activities enabled us to offset the decline in revenues recorded under Equities and Securities due to a first half of 2016 that was down compared with a very good first half of 2015.
- The Corporate Centre, which includes the management of the Group’s equity portfolio, recorded a decline in dividends received (EUR -0.4 billion compared with 2015) due to the exceptional dividend payment of EUR 2.6 billion in 2015, following the capital reduction of the Inter Europe Conseil subsidiary (wholly owned by Societe Generale), increasing the amount of dividends received in 2015 to EUR 4.9 billion.

- The employment competitiveness tax (CICE) amounted to EUR 38 million in 2016 (vs. EUR 39 million in 2015) and was used in accordance with regulations. In 2016, this tax made it possible to continue technological investments, thereby supporting Societe Generale’s digital transition process. Its use was allocated to the following items:
  - Strengthening the positioning of Retail Banking activities by ensuring the digital transition of our businesses and fostering interactions with our customers (websites, mobile applications and tablets for customers and advisers, digitalised processing);
  - The ongoing transformation of the investment bank’s historic IT systems to a more digital, strongly customer-oriented and more flexible interface;
  - Pursuing the continuous delivery of IT services;
  - Technological monitoring to establish partnerships, in particular with start-ups on innovative projects;
  - Improving tools and usages (Cloud, Big Data and collaborative tools);
  - Developing the Dunes building at Val de Fontenay, which equipped 5,000 employees with collaborative, connected and mobile solutions.
- Operating expenses increased by EUR 0.6 billion on account of non-recurring expenses in the United States.
- Net cost of risk was EUR 1 billion at end-2016, down EUR 0.4 billion year-on-year. In particular, it included an additional EUR 350 million collective provision for litigation issues (of which EUR 600 million in 2015). The cost of commercial risk of the Societe Generale Retail Banking network continued to drop, proving the quality of its loan approval policy. The cost of risk of Global Banking and Investor Solutions was very low.
- The combination of all these items slightly boosted operating income by EUR -0.1 billion.
- In 2016, Societe Generale recorded a gain from long-term investments of EUR 0.4 billion (versus a loss from long-term investments of EUR -3.3 billion in 2015), derived primarily from the capital gain generated through the disposal of its stake in Visa Europe for EUR 0.5 billion and from the loss related to the disposal of its stake in SG Consumer Finance to SGFSH for EUR -0.2 billion. As a reminder, losses from long-term investments of EUR 3.3 billion in 2015 were predominantly affected by the provision for equity investments of subsidiaries, and particularly those of Inter Europe Conseil after a capital decrease (EUR -2.2 billion) and Rosbank (EUR -0.7 billion).
- Income tax amounted to EUR -0.2 billion (versus EUR +0.2 billion in 2015). This change is mainly due to the review of deferred tax assets in line with changes to tax rules in France.
- Net income after tax came to EUR 4.2 billion at end-2016 versus EUR 1.1 billion at end-2015.

TRADE PAYABLES PAYMENT SCHEDULE

	31.12.2016					31.12.2015				
	Payables not yet due					Payables not yet due				
(In EUR m)	1 to 30 days	31 to 60 days	More than 60 days	Payables due	Total	1 to 30 days	31 to 60 days	More than 60 days	Payables due	Total
Trade payables	36	42	0	44	122	48	39	0	27	113

Due dates are based on the condition that invoices must be paid within 60 days of receipt.

The processing of Societe Generale France's supplier invoices is largely centralised. The department responsible for this processing books and settles invoices for services requested by all of Societe Generale France's corporate and business divisions. The branches of the French network, however, have dedicated teams to process and pay their own invoices.

In accordance with the Group's internal control procedures, invoices are only paid after they have been validated by the departments that signed for the services. The average time for the payment of invoices after validation is between 3 and 7 days.

FIVE-YEAR FINANCIAL SUMMARY OF SOCIETE GENERALE

(In EUR m)	2016	2015	2014	2013	2012
Financial position at year-end					
Capital stock (in millions of euros) [(1)]	1,010	1,008	1,007	998	975
Number of shares issued [(2)]	807,713,534	806,239,713	805,207,646	798,716,162	780,273,227
Results of operations (in millions of euros)					
Revenue excluding tax [(3)]	27,174	28,365	25,119	25,887	27,982
Earnings before tax, depreciation, amortization, provisions, employee profit sharing and general reserve for banking risks	5,884	5,809	2,823	3,901	1,210
Employee profit sharing	13	15	12	10	9
Income tax	246	(214)	99	(221)	(257)
Net income	4,223	1,065	996	2,714	1,283
Total dividends paid	1,777	1,612	966	799	351
Earnings per share (in euros)					
Earnings after tax but before depreciation, amortisation and provisions	6.96	7.45	3.37	5.15	1.87
Net income	5.23	1.32	1.24	3.40	1.64
Dividend paid per share	2.20	2	1.20	1.00	0.45
Employees					
Average headcount	46,445	46,390	45,450	45,606	46,114
Total payroll (in millions of euros)	3,696	3,653	3,472	3,459	3,862
Employee benefits (Social Security and other) (in millions of euros)	1,468	1,452	1,423	1,407	1,404

(1) In 2016, Societe Generale carried out the following capital increases for a total of EUR 1.84 million, with additional paid-in capital of EUR 5.73 million:
- EUR 1.58 million in free and conditional Societe Generale shares to employees taken from the reserves;
- EUR 0.26 million resulting from the exercise of stock options granted by the Board of Directors, with additional paid-in capital of EUR 5.73 million.

(2) At 31st December 2016, Societe Generale's fully paid-up capital amounted to EUR 1,009,641,917.50 and comprised 807,713,534 shares with a nominal value of EUR 1.25.

(3) Revenue consists of interest income, dividend income, fee income, income from financial transactions and other operating income.

MAIN CHANGES IN THE INVESTMENT PORTFOLIO IN 2016

In 2016, the following transactions affected Societe Generale's investment portfolio:

Outside France	*In France*
Creation of	**Creation of**
Acquisition of interest in Visa Inc; TBC Bank Group Plc	**Acquisition of interest in**
Acquisition	**Acquisition** SG Euro CT; SG Securities Services France; SG Securities Services NAV; SG Securities Paris
Increase of interest in	**Increase of interest in**
Subscription to capital increase SG Securities Japan Ltd; SG Americas Securities Holding; SG Hambros Ltd (Holding); SG Capital Canada Inc	**Subscription to capital increase** Sogecampus
Disposal of total interest in Bank Republic	**Disposal of total interest in** SG Consumer Finance
Reduction of interest in[(1)] SG Americas Inc; SG (North Pacific) Ltd; SG Immobel	**Reduction of interest in[(1)]** Geneval; Geninfo; SG Securities Services France; SG Securities Services NAV; SG Securities Paris

(1) Including capital reductions, dissolution by transfer of assets, mergers and liquidations.

Increase(1)				Decrease(1)			
Declaration threshold	**Companies**	**% of capital 31.12.2016**	**% of capital 31.12.2015**	**Declaration threshold**	**Companies**	**% of capital 31.12.2016**	**% of capital 31.12.2015**
5%	TBC Bank Group Plc	5.383%	0%	5%			
	Unigrains (2)	6.79%	4.85%				
10%				10%			
20%				20%	SG Consumer Finance (2)	0%	25.365%
33.33%				33.33%			
50%				50%			
66.66%	SG EURO CT (2)	100%	0%	66.66%	Newedge Facilities Management	0%	100%
					Bank Republic	0%	93.65%
					Geneval (2)	0%	100%
					Geninfo (2)	0%	100%

(1) Threshold crossings by percentage of direct ownership by Societe Generale SA.
(2) Stakes held in accordance with article L. 233.6 of the French Commercial Code (Code de commerce).

INFORMATION REQUIRED PURSUANT TO ARTICLE L. 511-4-2 OF THE FRENCH MONETARY AND FINANCIAL CODE RELATED TO SOCIETE GENERALE SA

As part of its long-standing presence in the commodity markets, Societe Generale proposes agricultural commodity derivatives to meet the various needs of its customers, including the risk management needs of business customers (producers, consumers) and exposure to the commodity markets for investors (asset managers, funds, insurance companies).

Societe Generale's offer includes soft commodity derivatives (sugar, cocoa, coffee, cotton, orange juice), field crops (corn, wheat, rapeseed, soybean, oats) and other agricultural listed commodities (lean hogs, live cattle, feeder cattle, dairy milk, rough rice). Societe Generale makes markets in vanilla products (e.g. forward contracts), options and option strategies, and structured products with additional complexity. Exposure to agricultural commodities can be provided through a single-commodity product or through multi-commodity products, which are mostly used by investors.

Societe Generale will manage risks associated with the related positions either on the OTC market by executing transactions with commodity dealers, commodity traders, banks and brokers, or on organised markets:

- NYSE LIFFE for cocoa, corn, wheat, rapeseed oil, sugar and coffee;
- ICE FUTURES US for cocoa, coffee, cotton, orange juice, sugar and wheat;
- ICE FUTURES Canada for canola;
- CME Group for corn, soybean, soybean oil, soybean meal, wheat, oats, live cattle, lean hogs, feeder cattle, milk and rice;
- Minneapolis Grain Exchange for wheat;
- SGX for rubber;
- TOCOM for rubber.

The list above is not fixed and may evolve in the future.

A number of measures are in place to prevent or detect any material impact on the price of agricultural commodities as a result of Societe Generale activities described above on the derivatives markets:

- the trading activity is governed by limits approved and monitored by risk monitoring teams that are independent of the operators;
- more specifically, Societe Generale's trading activity in exchange contracts follows limits set up by the Societe Generale clearing broker;
- to prevent behaviour that could be considered disruptive, Societe Generale traders are provided with trading rules and mandates, and receive regular training on business standards and market conduct;
- daily controls are run in order to detect any inappropriate trading. These controls include the monitoring of the CFTC (U.S. Commodity Futures Trading Commission) and exchange requirements on position limits;
- all of these measures contribute to the supervision of trading activity by underlying, product type and maturity, and impose reporting obligations for large positions.

PUBLICATION ON DORMANT BANK ACCOUNTS

Articles L. 312-19 and L. 312-20 of the French Monetary and Financial Code derived from the French Act No. 2014-617 of 13th June 2014 relating to dormant bank accounts and unclaimed life insurance contracts (the Eckert law, effective since 1st January 2016), require each bank to publish information regarding dormant bank accounts on a yearly basis.

In 2016, 6,622 dormant bank accounts were closed and the total amount of deposits made with the *Caisse des dépôts et consignations* came to EUR 3,303,397.48.

At end-December 2016, 318,345 bank accounts were recorded as dormant, for a total amount estimated at EUR 1,071,493,439.

5. FINANCIAL STATEMENTS

PARENT COMPANY BALANCE SHEET

ASSETS

(In EUR m)		31.12.2016	31.12.2015
Cash, due from central banks and post office accounts		74,991	61,376
Due from banks	Note 2.3	197,211	214,628
Customer loans	Note 2.3	389,585	338,927
Lease financing and similar agreements		2	6
Treasury notes and similar securities	Note 2.1	107,886	97,603
Bonds and other debt securities	Note 2.1	86,633	109,169
Shares and other equity securities	Note 2.1	97,666	109,311
Affiliates and other long-term securities	Note 2.1	685	526
Investments in subsidiaries	Note 2.1	27,033	28,102
Tangible and intangible fixed assets	Note 7.2	1,918	1,987
Treasury stock	Note 2.1	296	319
Accruals, other accounts receivable and other assets	Note 3.2	209,647	190,176
Total Assets		**1,193,553**	**1,152,130**

OFF-BALANCE SHEET ITEMS

(In EUR m)		31.12.2016	31.12.2015
Loan commitments granted	Note 2.3	170,724	167,020
Guarantee commitments granted	Note 2.3	195,433	231,327
Commitments made on securities		21,481	18,651
Foreign exchange transactions	Note 7.4	1,390,055	1,329,524
Forward financial instrument commitments	Note 2.2	16,657,477	18,302,883

LIABILITIES AND SHAREHOLDERS' EQUITY

(In EUR m)		31.12.2016	31.12.2015
Due to central banks and post office accounts		5,235	6,692
Due to banks	Note 2.4	244,522	252,818
Customer deposits	Note 2.4	443,271	428,980
Liabilities in the form of securities issued	Note 2.4	75,251	82,102
Accruals, other accounts payable and other liabilities	Note 3.2	339,635	305,703
Provisions	Note 7.7	23,707	18,731
Long-term subordinated debt and notes	Note 6.2	26,056	23,546
Shareholders' Equity			
Common stock	Note 6.1	1,010	1,008
Additional paid-in capital	Note 6.1	20,429	20,420
Retained earnings	Note 6.1	10,214	11,065
Net income	Note 6.1	4,223	1,065
Sub-total		**35,876**	**33,558**
Total Liabilities		**1,193,553**	**1,152,130**

OFF-BALANCE SHEET ITEMS

(In EUR m)		31.12.2016	31.12.2015
Loan commitments received	Note 2.4	69,720	81,480
Guarantee commitments received	Note 2.4	54,039	53,287
Commitments received on securities		27,066	23,887
Foreign exchange transactions	Note 7.4	1,378,272	1,330,948

INCOME STATEMENT

(In EUR m)		2016	2015
Interest and similar income		*14,926*	*14,645*
Interest and similar expense		*(11,890)*	*(12,593)*
Net interest income	Note 2.5	3,036	2,052
Net income from lease financing and similar agreements		-	-
Dividend income	Note 2.1	4,524	4,874
Fee income		*4,058*	*4,543*
Fee expenses		*(1,220)*	*(1,893)*
Net fee income	Note 3.1	2,838	2,650
Net income from the trading portfolio	Note 2.1	3,220	4,237
Net income from short-term investment securities	Note 2.1	561	535
Income from other activities		*22,774*	*33,755*
Expenses from other activities		*(22,729)*	*(34,003)*
Net gains or losses on other activities		45	(248)
Net banking income		**14,224**	**14,100**
Personnel expenses	Note 4.1	(5,132)	(5,116)
Other operating expenses[(1)(2)]		(3,686)	(3,096)
Depreciation and amortisation		(399)	(409)
Total operating expenses		**(9,217)**	**(8,621)**
Gross operating income		**5,007**	**5,479**
Cost of risk	Note 2.6	(984)	(1,359)
Operating income		**4,023**	**4,120**
Net income from long-term investments	Notes 2.1 & 7.2	446	(3,269)
Operating income before tax		**4,469**	**851**
Exceptional items			
Income tax	Note 5	(246)	214
Net allocation to regulatory provisions			
Net income		**4,223**	**1,065**
Earnings per ordinary share		**5.29**	**1.34**
Diluted earnings per ordinary share		**5.29**	**1.34**

Information about fees paid to statutory auditors is disclosed in the notes to the consolidated financial statements of the Societe Generale Group; consequently, this information is not provided in the notes to the parent company financial statements of Societe Generale.

(1) Including EUR -224 million regarding the 2016 contribution to the Single Resolution Fund (SRF) for 2016 (EUR -107 million for 2015).

(2) The reduction by the European Commission, in 2016, of the fine imposed on Societe Generale in 2013 in the Euribor case has been recorded as a reduction in *Other operating expenses* for an amount of EUR 218 million.

6. NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The parent company financial statements were approved by the Board of Directors on 8th February 2017.

NOTE 1- SIGNIFICANT ACCOUNTING PRINCIPLES

1. INTRODUCTION

The preparation and presentation of the parent company financial statements for Societe Generale comply with the provisions of Regulation 2014-07 of the French Accounting Standards Setter (the ANC) related to annual financial statements for the banking sector.

As the financial statements of foreign branches were prepared using accounting principles generally accepted in their respective countries, they were subsequently adjusted to comply with the accounting principles applicable in France.

The disclosures provided in the notes to the parent company financial statements focus on information that is both relevant and material to the financial statements of Societe Generale, its activities and the circumstances in which it conducted its operations over the period.

2. CHANGES IN ACCOUNTING POLICIES AND ACCOUNT COMPARABILITY

Since 1st January 2016, Societe Generale has applied:

ANC Regulation 2015-06 dated 23rd November 2015, which modifies Regulation 2014-03 related to the General Accounting Plan, following transposition of European Directive 2013/04/EU. Modifications essentially concern the definition of goodwill, the measurement of tangible assets, intangible assets, goodwill and merger deficit.

ANC Recommendation 2013-02 dated 7th November 2013 and related to rules on the evaluation and recognition of pension liabilities. This recommendation will help to ensure alignment with the provisions defined in the amendments of IAS 19. The main consequences are the immediate recognition in the income statement of actuarial gains and losses on post-employment defined benefit plans and the immediate recognition in the income statement of past service costs when a plan is amended, whether the benefits have vested or not. This change in accounting policy had an impact of EUR -318 million, net of tax, on the value of shareholders' equity at 1st January 2016.

3. ACCOUNTING POLICIES AND VALUATION METHODS

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

In financial intermediation transactions, assets and liabilities are generally carried at historical cost and depreciation is recognised where counterparty risk arises. Revenues and expenses arising from these transactions are recorded over the life of the transaction in accordance with the time period concept. Transactions on forward financial instruments 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 nominal value (see below). When financial instruments are not quoted in an active market, the market value used is reduced for reasons of prudence. Moreover, a reserve is recorded 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.

4. TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS

The on- and off-balance sheet items of branches reporting in foreign currencies are translated at the official exchange rate prevailing at year-end. Income statement items of these branches are translated at the average month-end exchange rates. Gains and losses arising from the translation of reserves, retained earnings and net income are included in shareholders' equity under *Translation differences*. Gains and losses arising from the translation of the capital contribution of foreign branches are also included in changes in shareholders' equity under the same heading.

Gains and losses arising from the translation of the capital contribution of foreign branches are included under *Translation differences*. Translation differences relating to branches in the Eurozone are retained in shareholders' equity and are only recognised in the income statement when these entities are sold.

5. USE OF ESTIMATES AND JUDGEMENT

When applying the accounting principles disclosed in the following notes for the purpose of preparing Societe Generale's parent company financial statements, the Management makes assumptions and estimates that may have an impact on figures recorded in the income statement, on the valuation of assets and liabilities in the balance sheet, and on information disclosed in the notes to the parent company financial statements.

In order to make these assumptions and estimates, the Management uses information available at the date of preparation of the notes to the parent company financial statements and can exercise its judgement. By nature, valuations based on estimates include risks and uncertainties relating to their occurrence in the future. Consequently, actual future results may differ from these estimates and may then have a significant impact on the financial statements.

The use of estimates mainly concerns the following valuations:

- fair value in the balance sheet of unlisted financial instruments (securities portfolio and forward financial instruments) held for trading activities (described in Notes 2.1, 2.2 and 3.2);
- the amount of impairment of financial assets (see Note 2.6), tangible and intangible fixed assets (see Note 7.2);
- provisions recognised under liabilities, including provisions for employee benefits and for disputes in a complex legal environment (see Notes 2.6, 4.2 and 7.7);
- the amount of deferred tax assets recognised in the balance sheet (see Note 5).

The United Kingdom held a referendum on 23rd June 2016, in which a majority of British citizens voted to leave the European Union (Brexit). Further to this decision, a long period of negotiations has begun, to redefine the economic relationships between the United Kingdom and the European Union. Societe Generale closely follows the progress of the discussions and their consequences in the short, medium and long term. If necessary, Societe Generale takes these consequences into account when making assumptions and estimates for preparing its parent company financial statements.

NOTE 2 - FINANCIAL INSTRUMENTS

NOTE 2.1 - SECURITIES PORTFOLIO

ACCOUNTING PRINCIPLES

Securities are classified according to:

- their type: public notes (Treasury notes and similar securities), bonds and other debt securities (negotiable debt instruments, interbank securities), 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.

Purchases and sales of securities are recorded in the balance sheet at the date of settlement-delivery.

The classification and valuation rules applied for each portfolio category are as set out below, and the impairment rules applied by the Group are described in Note 2.6.

- **Trading securities**

Trading securities are securities acquired or sold principally for the purpose of selling or repurchasing them in the near-term, or held for the purpose of market-making activities. These securities are traded in active markets, and the available market price reflects frequent buying and selling under normal conditions of competition. Trading securities also include securities linked to a sale commitment in the context of an arbitrage operation performed on an organised or assimilated market and securities purchased or sold in the specialised management of a trading portfolio containing forward financial instruments, securities or other financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

Trading securities are recognised in the balance sheet at cost, excluding acquisition expenses.

They are marked to market at the end of the financial period.

Net unrealised gains or losses, together with net gains or losses on disposals, are recognised in the income statement under *Net income from the trading portfolio and short-term investment securities*. Coupon payments received on fixed-income securities in the trading portfolio are recorded in the income statement under *Net interest income from bonds and other debt securities*.

Trading securities that are no longer held for the purpose of selling them in the near-term, or no longer held for the purpose of market-making activities, or held for the specialised management of a trading portfolio for which there is no longer evidence of a recent pattern of short-term profit-taking, may be reclassified into the *Short-term investment securities* or *Long-term investment securities* category if:

- exceptional market situations generate a change of holding strategy; or
- if, after their acquisition, debt securities become no longer negotiable in an active market and Societe Generale has the intention and the ability to hold them for the foreseeable future or until maturity.

Securities which are thus reclassified are recorded in their new category at their fair market value on the date of reclassification.

- **Short-term investment securities**

Short-term investment securities are all those that are not classified as trading securities, long-term investment securities, or investments in consolidated subsidiaries and affiliates.

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 realisable value. Unrealised capital gains are not recognised in the accounts but a depreciation of portfolio securities is recorded to cover unrealised capital losses, without the said depreciation being offset against any unrealised 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 amortised to income over the life of the relevant securities and using the actuarial method. Accrued interest on bonds and other short-term investment securities is recorded as *Related receivables* and under *Net interest income from bonds and other debt securities* in the income statement.

Short-term investment securities may be reclassified into the *Long-term investment securities* category if:

- exceptional market situations generate a change of holding strategy; or
- if, after their acquisition, debt securities become no longer negotiable in an active market and Societe Generale has the intention and the ability to hold them for the foreseeable future or until maturity.

Long-term investment securities

Long-term investment securities are acquired debt securities or reclassified short-term investment securities which Societe Generale intends to hold until maturity, where it has the financial capacity to do so and is not subject to any legal or other form of constraint that might call into question its intention to do so. Long-term investment securities also include trading and short-term investment securities which have been reclassified by Societe Generale in accordance with the particular conditions described above (in exceptional market situations or when debt securities are no longer negotiable in an active market).

These instruments may be designated as hedged items in hedging transactions using forward financial instruments to hedge the interest rate risk on identifiable items or groups of similar items.

Long-term investments are recorded according to the same principles as short-term investment securities.

1. TREASURY NOTES, BONDS AND OTHER DEBT SECURITIES, SHARES AND OTHER EQUITY SECURITIES

	31.12.2016				31.12.2015			
(In EUR m)	**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**
Trading securities	82,989	97,226	53,976	234,191	71,737	109,063	79,195	259,995
Short-term investment securities[1]:								
Gross book value	24,831	412	11,536	36,779	25,481	184	11,536	37,201
Depreciation	(66)	(22)	(44)	(132)	(65)	(19)	(98)	(182)
Net book value	24,765	390	11,492	36,647	25,416	165	11,438	37,019
Long-term investment securities:								
Gross book value	23	-	21,135	21,158	48	-	18,474	18,522
Depreciation	-	-	(7)	(7)	-	-	(12)	(12)
Net book value	23	-	21,127	21,150	48	-	18,462	18,510
Related receivables	109	50	38	197	402	83	74	559
Total	**107,886**	**97,666**	**86,633**	**292,185**	**97,603**	**109,311**	**109,169**	**316,083**

(1) Of which securities eligible for Bank of France refinancing: EUR 25,556 million.

ADDITIONAL INFORMATION ON SECURITIES

(In EUR m)	31.12.2016	31.12.2015
Estimated market value of short-term investment securities:		
Unrealised capital gains(1)	1,047	1,113
Estimated value of long-term investment securities:	-	-
Premiums and discounts relating to short-term and long-term investment securities	134	178
Investments in mutual funds:	-	-
- French mutual funds	2,521	3,707
- Foreign mutual funds	5,093	6,493
o.w. mutual funds which reinvest all their income	51	62
Listed securities(2)	251,318	257,039
Transfer of securities from the short-term to the long-term portfolios	21,023	18,428
Subordinated securities	-	-
Securities lent	42,384	47,528

(1) Not including unrealised gains or losses on financial instruments used to hedge short-term investment securities.
(2) The listed trading securities amounted to EUR 193,571 million at 31st December 2016 against EUR 201,835 million at 31st December 2015.

2. SECURITIES, INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND OTHER LONG-TERM SECURITIES

ACCOUNTING PRINCIPLES

This category of securities covers *Investments in consolidated subsidiaries and affiliates*, when it is deemed useful to Societe Generale's business to hold such shares in the long term. This notably covers investments that meet the following criteria:

- shares in companies that share Directors or senior managers with Societe Generale and where influence can be exercised over the company in which the shares are held;
- shares in companies that belong to the same group and are controlled by individuals or legal entities exercising control over the group and ensuring that decisions are taken in a uniform manner;
- shares representing more than 10% of the rights in the capital issued by a bank or a company whose business is directly linked to that of Societe Generale.

This category also includes *Other long-term equity investments*. These are equity investments made by Societe Generale with the aim of developing special professional relations with a company over the long term but without exercising any influence on its management due to the low proportion of attached voting rights.

Investments in consolidated subsidiaries and affiliates, and other long-term equity investments are recorded at their purchase price net of acquisition costs. Dividend income earned on these securities is recognised in the income statement under *Dividend income*.

AFFILIATES AND OTHER LONG-TERM SECURITIES

(In EUR m)	31.12.2016	31.12.2015
Banks[1]	445	427
Others[2]	341	222
Gross book value	**786**	**649**
Depreciation[3]	(101)	(123)
Net book value	**685**	**526**

(1) The main changes involve the acquisition of Caisse de refinancement de l'habitat shares for EUR +11 million.

(2) The main changes involve:

- the acquisition of Visa INC shares. for EUR +88 million;
- the acquisition of TBC BANK GROUP PLC shares for EUR +41 million.

(3) The main change involves the reversal of the SEABANK depreciation for EUR +18 million.

INVESTMENTS IN SUBSIDIARIES

(In EUR m)	31.12.2016	31.12.2015
Banks	**30,089**	29,350
Listed	5,635	5,373
Unlisted	24,454	23,977
Others	**5,090**	7,853
Listed	-	-
Unlisted	5,090	7,853
Gross book value[1]	**35,179**	37,203
Depreciation [2]	(8,146)	(9,101)
Net book value	**27,033**	28,102

(1) The main changes for 2016 involve

- the capital increase of Societe Generale Securities Japan: EUR +468 million;
- the capital increase of SG Hambros: EUR +315 million;
- the capital increase of Sogecampus: EUR +145 million;
- the disposal of Bank Republic shares: EUR -110 million;
- the capital reduction of Societe Generale North Pacific Ltd: EUR -273 million;
- the disposal of SG Consumer Finance shares: EUR -527 million;
- the capital reduction of SG Immobel: EUR -600 million;
- the merger-takeover of Geneval: EUR -1,383 million.

(2) The main changes in depreciation are as follows:

- the depreciation of Inter Europe Conseil: EUR -339 million;
- the depreciation of Splitska Banka: EUR -139 million;
- the Banco Societe Generale Brasil reversal: EUR +102 million;
- the SG Consumer Finance reversal further to the share disposal: EUR +213 million;
- the PJSC Rosbank reversal: EUR +290 million;
- the Geneval reversal further to its merger-takeover: EUR +930 million.

All transactions with related parties were concluded under normal market conditions.

3. TREASURY SHARES

ACCOUNTING PRINCIPLES

Societe Generale shares acquired for allocation to employees in the context of applicable legislative provisions are recorded as *Short-term investment securities – Treasury shares* on the assets side of the balance sheet.

Societe Generale shares held with a view to underpinning the share price or as part of arbitrage transactions on the CAC 40 index are recorded under *Trading securities*.

	31.12.2016			31.12.2015		
(In EUR m)	Quantity	Book value(2)	Market value	Quantity	Book value	Market value
Trading securities(1)		-				
Short-term investment securities	8,251,751	296	386	9,513,568	319	407
Long-term equity investments		-				
Total	8,251,751	296	386	9,513,568	319	407

Nominal value: EUR 1.25.

Market value per share: EUR 46.745 at 31st December 2016.

(1) Societe Generale set up on 22nd August 2011 a liquidity contract which was endowed with EUR 170 million for carrying out transactions on the Societe Generale share. At 31st December 2016, no Societe Generale shares were held under the liquidity contract, which contained EUR 51 million for the purpose of carrying out transactions on Societe Generale shares.

(2) The book value is assessed according to notice No. 2008-17 of the French National Accounting Board (the CNC) approved on 6th November 2008 concerning stock-options and bonus issues of shares.

4. DIVIDEND INCOME

(In EUR m)	2016	2015
Dividends from shares and other equity securities	11	11
Dividends from investments in non-consolidated subsidiaries and affiliates and other long-term securities	4,513	4,863
Total(1)	4,524	4,874

(1) Dividends received from investments in the trading portfolio have been classified under *Net income from the trading portfolio and short-term investment securities*.

5. NET INCOME FROM THE TRADING PORTFOLIO AND SHORT-TERM INVESTMENT SECURITIES.

(In EUR m)	2016	2015
Net income from the trading portfolio:		
Net income from operations on trading securities	(2,674)	(2,612)
Net income from forward financial instruments	4,910	6,379
Net income from foreign exchange transactions	984	470
Sub-total	3,220	4,237
Net income from short-term investment securities:		
Gains on sale	581	697
Losses on sale	(74)	(91)
Allocations to depreciation	(192)	(85)
Reversals of depreciation	246	14
Sub-total	561	535
Net total	3,781	4,772

6. NET INCOME FROM LONG-TERM INVESTMENTS

ACCOUNTING PRINCIPLES

This item covers capital gains or losses realised on disposals, as well as the net allocation to depreciation for investments in consolidated subsidiaries and affiliates, and other long-term investment securities.

(In EUR m)	2016	2015
Long-term investment securities:		
Net capital gains (or losses) on sale	-	1
Net allocations to depreciation	5	8
Sub-total	**5**	**9**
Investments in subsidiaries and affiliates:		
Gains on sale[(1)]	579	122
Losses on sale[(2)]	(225)	(311)
Allocations to depreciation[(3)]	(641)	(3,489)
Reversals of depreciation[(3)]	688	392
Subsidies granted to affiliates (subsidiaries)		
Sub-total	**401**	**(3,286)**
Net Total[(4)]	**406**	**(3,277)**

(1) Of which EUR 518 million concerning the sale of the Visa Europe holding.
(2) Of which EUR 215 million concerning the sale of the SG Consumer Finance holding to SGFSH.
(3) Of which EUR 603 million of allocations and EUR 666 million of reversals in 2016 for affiliates (Cf. Note 2.1 - Investments in subsidiaries).
(4) The net income on operating fixed assets is detailed in Note 7.2.

NOTE 2.2 - OPERATIONS ON FORWARD FINANCIAL INSTRUMENTS

ACCOUNTING PRINCIPLES

Forward financial instruments relating to interest rates, foreign exchange or equities are used for trading or hedging purposes.

Nominal commitments on forward financial instruments are recorded as a separate off-balance sheet item. This amount represents the volume of outstanding transactions and does not reflect the potential gain or loss associated with the market or counterparty risk on these 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.

The accounting treatment of income or expenses on these forward financial instruments depends on the purpose for which the transaction was concluded, as follows:

- Hedging transactions

Income 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 recognised in the income statement in the same manner as income and expenses on the hedged items. Income and expenses on interest rate instruments are recorded as *Net interest income* in the same interest income or expense account as the items hedged. Income and expenses on other instruments such as equity instruments, stock market indexes or currencies are recognised as *Net income from the trading portfolio and short-term investment securities*, under *Net income from forward financial instruments*.

Income and expenses on forward financial instruments used to hedge or manage an overall interest rate risk are recognised in the income statement over the life of the instrument under *Net income from the trading portfolio and short-term investment securities*, as *Net income from forward financial instruments*.

- Trading transactions

Trading transactions include instruments traded on organised or similar markets and other instruments, such as credit derivatives and composite option products, which are included in a trading portfolio although they are traded over-the-counter on less liquid markets, together with debt securities with a forward financial instrument component for which this classification in the accounts most appropriately reflects the results and associated risks. These transactions are measured at their market value at the balance sheet date. When financial instruments are not quoted in an active market, this value is generally determined on the basis of in-house models. Where necessary, these valuations are adjusted for reasons of prudence by applying a discount (Reserve Policy). This discount is determined on the basis of the instruments concerned and the associated risks, and takes into account:

- a conservative valuation of all the instruments, regardless of the liquidity of the corresponding market;
- a reserve calculated according to the size of the position and intended to cover the risk that Societe Generale 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 modelling risks in the case of complex products as well as transactions on less liquid markets (less liquid since they have been developed recently or are more specialised).

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

The corresponding gains or losses are directly recognised as income for the period, regardless of whether they are realised or unrealised. They are recognised in the income statement as *Net income from the trading portfolio and short-term investment securities*.

Gains or losses corresponding to contracts concluded, in particular within the scope of cash management activities managed by the trading room, in order to benefit from interest rate fluctuations, are recorded when liquidated or over the life of the contract, depending on the type of instrument. Unrealised losses are provisioned at year-end and the corresponding amount is recorded under *Net income from the trading portfolio and short-term investment securities*.

1. FORWARD FINANCIAL INSTRUMENTS COMMITMENTS

			Total	
(In EUR m)	Fair value trading transactions	Hedging transactions	31.12.2016	31.12.2015
Firm transactions				
Transactions on organised markets				
Interest rate futures	556,987	-	556,987	581,175
Foreign exchange futures	126,091	-	126,091	108,960
Other futures contracts	701,406	232	701,638	931,810
OTC agreements				
Interest rate swaps	8,212,127	17,781	8,229,908	9,911,443
Currency financing swaps	876,734	1,064	877,798	934,114
Forward Rate Agreements (FRA)	1,070,387	-	1,070,387	789,434
Other	31,034	-	31,034	24,695
Optional transactions				
Interest rate options	2,425,201	-	2,425,201	2,420,708
Foreign exchange options	410,151	-	410,151	273,570
Options on stock exchange indexes and equities	2,135,723	-	2,135,723	2,216,841
Other options	92,559	-	92,559	110,133
Total	16,638,400	19,077	16,657,477	18,302,883

2. FAIR VALUE OF TRANSACTIONS QUALIFIED AS HEDGING

(In EUR m)	31.12.2016
Firm transactions	
Transactions on organised markets	
- Interest rate futures	-
- Foreign exchange futures	-
- Other forward contracts	20
OTC agreements	
- Interest rate swaps	6,935
- Currency financing swaps	9
- Forward Rate Agreements (FRA)	-
- Other	-
Optional transactions	
- Interest rate options	-
- Foreign exchange options	-
- Options on stock exchange indexes and equities	-
- Other options	-
Total	6,964

NOTE 2.3 - LOANS AND BORROWINGS

ACCOUNTING PRINCIPLES

Amounts due from banks and customer loans are classified according to their initial duration and type: demand deposits (current accounts and overnight transactions) and term deposits in the case of banks, and commercial loans, overdrafts and other loans to 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, maturity, currency and accounting entity, and those for which an agreement exists with the counterparty allowing the company to combine the accounts and exercise the right of offset.

Interest accrued and not yet due on these receivables is recorded as *Related receivables* and recognised in the income statement under *Interest income and expenses*.

Fees received and incremental transaction costs related to the granting of a loan are comparable to interest and spread over the effective life of the loan.

Guarantees and endorsements recorded 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.

If a commitment carries an incurred credit risk which makes it probable that Societe Generale will not recover all or part of the amounts due under the counterparty's commitment in accordance with the original terms of the contract, despite the existence of a guarantee, the corresponding outstanding loan is classified as a doubtful loan. Moreover, any loan will be classified as doubtful if one or more repayments are more than three months overdue (six months for mortgage 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 to that borrower are reclassified as doubtful, regardless of whether or not they are backed by a guarantee.

Depreciation for unrealised losses and for doubtful loans is recorded in the amount of the probable loss (see Note 2.6).

1. DUE FROM BANKS

(In EUR m)	**31.12.2016**	**31.12.2015**
Deposits and loans		
Demand		
Current accounts	13,293	17,360
Overnight deposits and loans	134	1,185
Loans secured by notes - overnight	-	-
Term		
Term deposits and loans	88,596	81,458
Subordinated and participating loans	4,765	5,254
Loans secured by notes and securities	-	-
Related receivables	198	180
Gross amount	**106,986**	**105,437**
Depreciation	(34)	(37)
Net amount	**106,952**	**105,400**
Securities purchased under resale agreements	90,259	109,228
Total(1)(2)	**197,211**	**214,628**

(1) At 31st December 2016 doubtful loans amounted to EUR 96 million (of which EUR 33 million were non-performing loans) against EUR 82 million (of which EUR 32 million were non-performing loans) at 31st December 2015.
(2) Including amounts receivable from subsidiaries: EUR 91,306 million at 31st December 2016 (EUR 97,490 million at 31st December 2015).

2. CUSTOMER LOANS

(In EUR m)	**31.12.2016**	**31.12.2015**
Discount of trade notes	1,933	2,016
Other loans:		
Short-term loans	63,451	61,916
Export loans	10,843	10,314
Equipment loans	38,886	39,086
Mortgage loans	68,848	68,632
Other loans	68,400	54,029
Sub-total[(1)(2)(3)]	250,428	233,977
Overdrafts	14,973	10,703
Related receivables	973	1,178
Gross amount	268,307	247,874
Depreciation	(3,893)	(3,830)
Net amount	264,414	244,044
Loans secured by notes and securities	139	140
Securities purchased under resale agreements	125,032	94,743
Total[(4)]	389,585	338,927

(1) Including pledged loan: EUR 66,202 million, of which amounts eligible for refinancing with the Bank of France: EUR 13,579 million at 31st December 2016 (EUR 11,915 million at 31st December 2015).

(2) Of which participating loans: EUR 2,390 million at 31st December 2016 (EUR 1,849 million at 31st December 2015).

(3) At 31st December 2016 doubtful loans amounted to EUR 8,654 million (of which EUR 5,155 million in non-performing loans) against EUR 8,286 million (of which EUR 5,035 million in non-performing loans) at 31st December 2015.

(4) Of which amounts receivable from subsidiaries: EUR 99,314 million at 31st December 2016 (EUR 47,910 million at 31st December 2015).

3. COMMITMENTS GRANTED

(In EUR m)	**31.12.2016**	**31.12.2015**
Commitments granted[(1)]		
Loan commitments		
to banks	24,635	30,203
to customers	146,089	136,817
Total	170,724	167,020
Guarantee commitments		
on behalf of banks	128,036	138,057
on behalf of customers	67,397	93,270
Total	195,433	231,327

(1) Of which commitments granted to subsidiaries: EUR 52,745 million at 31st December 2016 (EUR 35,831 million at 31st December 2015).

NOTE 2.4 - DEBTS

ACCOUNTING PRINCIPLES

Amounts due to banks and customer deposits are classified according to their initial duration and type: demand (demand deposits and current accounts) and term deposits and borrowings in the case of banks, and regulated savings accounts and other deposits in the case of customers. They also include securities sold to banks and customers under repurchase agreements.

Interest accrued on these deposits is recorded as *Related payables* and as an expense in the income statement.

1. DUE TO BANKS

(In EUR m)	31.12.2016	31.12.2015
Demand deposits		
Demand deposits and current accounts	13,700	19,702
Borrowings secured by notes - overnight	-	-
Sub-total	**13,700**	**19,702**
Term deposits		
Term deposits and borrowings	140,869	130,763
Borrowings secured by notes and securities	-	-
Sub-total	**140,869**	**130,763**
Related payables	473	426
Total deposits	**155,042**	**150,891**
Securities sold under repurchase agreements	89,480	101,927
Total(1)	**244,522**	**252,818**

(1) Including amounts due to subsidiaries: EUR 79,158 million at 31st December 2016 (EUR 76,293 million at 31st December 2015).

2. CUSTOMER DEPOSITS

(In EUR m)	31.12.2016	31.12.2015
Regulated savings accounts		
Demand	39,308	37,865
Term	18,139	16,953
Sub-total	**57,447**	**54,818**
Other demand deposits		
Businesses and sole proprietors	46,368	39,440
Individual customers	28,482	26,158
Financial customers	24,925	21,540
Others	7,154	4,319
Sub-total	**106,929**	**91,457**
Other term deposits		
Businesses and sole proprietors	58,036	47,755
Individual customers	484	568
Financial customers	116,298	123,350
Others	12,868	16,335
Sub-total	**187,686**	**188,008**
Related payables	499	936
Total customer deposits	**352,561**	**335,219**
Borrowings secured by notes and securities	-	91
Securities sold to customers under repurchase agreements	90,710	93,670
Total(1)	**443,271**	**428,980**

(1) Including deposits of subsidiaries: EUR 120,634 million at 31st December 2016 (EUR 122,784 million at 31st December 2015).

3. DEBT SECURITIES ISSUED

ACCOUTING PRINCIPLES

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 as *Related payables* and as an expense in the income statement. Bond issuance and redemption premiums are amortised using the straight-line or actuarial method over the life of the related borrowings. The resulting expense is recorded in the income statement under *Net income from bonds and other debt securities*.

Bond issuance costs accrued over the period are recorded as expenses for the period, under *Net income from bonds and other debt securities* in the income statement.

(In EUR m)	31.12.2016	31.12.2015
Term savings certificates	-	-
Bond borrowings	-	4
Related payables	22	21
Sub-total	22	25
Interbank certificates and negotiable debt instruments	74,689	81,057
Related payables	540	1,020
Total	75,251	82,102

4. COMMITMENTS RECEIVED

(In EUR m)	31.12.2016	31.12.2015
Commitments received[1]		
Loan commitments received from banks	69,720	81,480
Guarantee commitments received from banks	54,039	53,287
Total	123,759	134,767

(1) Of which commitments received from subsidiaries: EUR 11,623 million at 31st December 2016 (EUR 12,390 million at 31st December 2015).

NOTE 2.5 - INTEREST INCOME AND EXPENSES

ACCOUNTING PRINCIPLES

Interest income and expense are recognised in the income statement under *Interest and similar income* for all financial instruments measured at amortised cost using the effective interest rate method.

The effective interest rate is taken to be the rate used to discount future cash inflows and outflows over the expected life of the instrument in order to establish the book value of the financial asset or liability. The calculation of this rate considers the future cash flows based on the contractual provisions of the financial instrument without taking account of possible future loan losses, and also includes commissions paid or received between the parties where these may be assimilated to interest, directly linked transaction costs, and all types of premiums and discounts.

When a financial asset or group of similar financial assets has been impaired following an impairment of value, subsequent interest income is recorded on the basis of the effective interest rate used to discount the future cash flows when measuring the loss of value.

Moreover, except for those related to employee benefits, provisions recognised as balance sheet liabilities generate interest expenses that are calculated using the same interest rate used to discount the expected outflow of resources.

	2016			2015		
(In EUR m)	Income	Expenses	Net	Income	Expenses	Net
Interest income from transactions with banks	2,432	(2,496)	(64)	1,940	(1,869)	71
Transactions with central banks, post office accounts and banks	1,762	(2,063)	(301)	1,658	(1,669)	(11)
Securities sold under repurchase agreements and borrowings secured by notes and securities	670	(433)	237	282	(200)	82
Net premiums and discounts	-	-	-	-	-	-
Transactions with customers	8,607	(3,857)	4,750	8,335	(4,573)	3,762
Trade notes	67	-	67	92	-	92
Other customer loans[1]	7,669	-	7,669	7,710	-	7,710
Overdrafts	255	-	255	233	-	233
Special savings accounts	-	(615)	(615)	-	(717)	(717)
Other deposits	-	(2,625)	(2,625)	-	(3,522)	(3,522)
Securities sold / bought under repurchase agreements and borrowings secured by notes and securities	616	(617)	(1)	300	(334)	(34)
Net premiums and discounts	-	-	-	-	-	-
Bonds and other debt securities	2,610	(3,396)	(786)	3,053	(4,226)	(1,173)
Other interest expenses and related income	1,277	(2,141)	(864)	1,317	(1,925)	(608)
Total interest income / expenses	14,926	(11,890)	3,036	14,645	(12,593)	2,052

Detail of other customer loans:

(In EUR m)	2016	2015
Short-term loans	1,283	1,111
Export loans	226	214
Equipment loans	1,031	1,124
Mortgage loans	1,911	2,193
Other loans	3,218	3,068
Total	7,669	7,710

NOTE 2.6 - DEPRECIATION AND PROVISIONS

1. DEPRECIATION

ACCOUNTING PRINCIPLES

Depreciation includes asset depreciations and depreciations on securities.

ASSET DEPRECIATIONS

Depreciation for unrealised losses is equal to the difference between the carrying amount of the asset and the present value of estimated future recoverable cash flows, taking into account any guarantees, discounted at the financial asset's original effective interest rate. Furthermore, this depreciation may not be less than the full amount of the accrued interest on the doubtful loan. Depreciation, reversals of depreciation, losses on bad debts and recovery of impaired debts are recognised under *Cost of risk*, along with write-backs of depreciation linked to the passage of time.

In a homogeneous portfolio, as soon as a credit risk is incurred on a group of financial instruments, depreciation is recognised without waiting for the risk to individually affect one or more receivables. The amount of depreciation is notably determined on the basis of historical data on default rates and incurred losses on assets with credit risk characteristics that are similar to those in the portfolio, adjusted to reflect any relevant current economic conditions and, where necessary, the opinion of an expert. Changes in depreciation calculated as such are recognised under *Cost of risk*.

Doubtful loans can be reclassified as performing loans when the credit risk has been definitively eliminated and regular repayments have resumed according to the original terms of the contract. Similarly, doubtful loans which have been restructured can be reclassified as performing loans. When a loan is restructured, a discount is applied to any differences between the incoming cash flows expected under the initial terms of the contract and the present value of the future incoming flows of capital and interest expected under the new terms, discounted at the original effective interest rate.

The amount deducted is recognised under *Cost of risk*. If the restructured loan is subsequently reclassified as a performing loan, it is reincorporated into net interest income over the remaining term of the loan.

When a borrower's solvency is such that 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 if the bank asks for early termination, or when the contract is terminated, and in any case one year after it was classified as doubtful, except where the original terms of the contract have been respected or where 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.

DEPRECIATIONS ON SECURITIES

- Trading securities
  - Shares and other equity securities

At year-end, cost is compared to realisable value. For listed securities, realisable value is defined as the most recent market price. Unrealised capital gains are not recognised in the accounts but a depreciation of portfolio securities is recorded to cover unrealised capital losses, without the said depreciation being offset against any unrealised capital gains.

  - Bonds and other debt securities

At year-end, cost is compared to realisable value or, in the case of listed securities, to their most recent market price. Unrealised capital gains are not recognised in the accounts but a depreciation of portfolio securities is recorded to cover unrealised capital losses, after consideration of any gains made on any related hedging transactions.

Allocations to and reversals of depreciation for losses on short-term investment securities together with gains and losses on sales of these securities are recorded under *Net income from the trading portfolio and short-term investment securities* in the income statement.

- Long-term investment securities

At year-end, no depreciation is performed for unrealised 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 depreciation for losses on long-term investment securities, together with gains and losses on sales of these securities, are recorded in the income statement under *Net income from long-term investments*.

- Affiliates and investment in subsidiaries

At year-end, investments in consolidated subsidiaries and affiliates are valued at their value in use, namely 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. Unrealised capital gains are not recognised in the accounts but a depreciation on portfolio securities is recorded to cover unrealised capital losses.

Allocations to and reversals of depreciation as well as any capital gains or losses realised on the disposal of these securities, including any profit or loss generated when tendering these securities to public share exchange offers, are recognised under *Net income from long-term investments*.

(In EUR m)	31.12.2016	31.12.2015
Asset depreciations:		
Banks	34	37
Customer loans	3,893	3,830
Lease financing agreements	-	-
Other	81	72
Sub-total(1)	4,008	3,939
Depreciation on securities(2)	8,386	9,418
Total depreciation	12,394	13,357

(1) Of which depreciation for non-performing loans: EUR 2,897 million.
(2) Except Treasury stock.

The change in depreciation (excluding securities) breaks down as follows:

		Net allowances				
(In EUR m)	Amount at 31.12.2015	Cost of risk	Other income statement	Used provisions	Change in scope and reclassifying	Amount at 31.12.2016
Asset depreciations	3,939	439	10	(441)	61	4,008

2. PROVISIONS

ACCOUNTING PRINCIPLES

Provisions include:

- 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 with no precisely defined amount or due date.

They are only recorded if the company has an obligation to 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.

Information on the nature and the amount of the risks is not disclosed if the Group estimates that such disclosure could seriously prejudice its position in a dispute with other parties on the subject matter of the provision.

Net allocations to provisions are classified by type of risk in the corresponding accounts in the income statement.

		Net allowances				
(In EUR m)	Amount at 31.12.2015	Net cost of risk	Other income statement	Used provisions	Change in scope and reclassifying	Amount at 31.12.2016
Provisions for off-balance sheet commitments to banks	9	(6)	-	-	(1)	2
Provisions for off-balance sheet commitments to customers	190	10	-	(1)	2	201
Sectoral provisions and other	945	74	-	-	10	1,029
Provisions for forward financial instruments	14,203	-	4,213	-	(143)	18,273
Other provisions(1)	2,173	333	(167)	(36)	151	2,454
Total	17,520	411	4,046	(37)	19	21,959

(1) Including a EUR 39 million net allocation for PEL/CEL provisions in 2016 (EUR 44 million in 2015) (see Note 2.6.3).

Provisions for off-balance sheet commitments

Provisions for off-balance sheet commitments represent the Group's probable losses incurred following the identification of a proven credit risk on an off-balance sheet financing or guarantee commitment.

Others provisions for risks and commitments

- Provisions for disputes

  Societe Generale is subject to an extensive legal and regulatory framework in the countries where it operates. In this complex legal context, Societe Generale and some of its former and current representatives may be involved in various legal actions, including civil, administrative and criminal proceedings. The vast majority of these proceedings are part of Societe Generale's current business. In recent years, litigation with investors and the number of disputes involving financial intermediaries such as banks and investment advisors has increased, partly due to a difficult financial environment.

  It is by nature difficult to foresee the outcome of disputes, regulatory proceedings and acts involving Societe Generale entities, particularly if they are initiated by various categories of complainants, if the amount of claims for damages is not specified or is indeterminate or if the proceedings have no precedent.

  In preparing its financial statements, Societe Generale assesses the consequences of the legal, regulatory or arbitration proceedings in which it is involved. A provision is booked when losses from these proceedings become probable and the amount can be estimated reliably.

  To assess the probability of losses and the amount of these losses, and thus to determine the amount of provisions to book, estimations are important. Management makes these estimates by exercising its judgement and taking into account all information available when financial statements are prepared. In particular, Societe Generale takes into account the nature of the dispute, the underlying facts, ongoing proceedings and court rulings already handed down, as well as its experience and the experiences of other companies dealing with similar cases (assuming that Societe Generale has knowledge thereof) and, where appropriate, the opinion and reports of experts and independent legal advisers.

  Each quarter, Societe Generale carries out a detailed examination of pending disputes that present a significant risk. To take into account changes in legal risks related to public law litigation for which investigations and proceedings are under way with US authorities (such as the Office of Foreign Assets Control) and European authorities, as well as the dispute on the "*précompte*", Societe Generale has recognised a provision among its liabilities, under *Provisions for disputes*; this provision was adjusted in 2016 by an additional allowance of EUR 350 million recorded under *Cost of risk*, bringing it to a total of EUR 2,050 million.

- Other provisions

  Other provisions include provisions for restructuring, provisions for commercial litigation, provisions for future repayment of funds in connection with customer financing transactions and provisions for commitments linked to PEL/CEL accounts (see Note 2.6.3).

3. MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

ACCOUNTING PRINCIPLES

Comptes d'épargne-logement (CEL, or mortgage savings accounts) and *plans d'épargne-logement* (PEL, or mortgage savings plans) are special savings schemes for individual customers which are governed by French Act no. 65-554 of 10th July 1965. These products combine an initial deposits phase in the form of an interest-earning savings account, followed by a lending phase where the deposits are used to provide mortgage loans. Under the current regulation, this last phase is subject to the prior existence of the savings phase and is therefore inseparable from it. The savings deposits collected and loans granted are recognised at amortised cost.

These instruments create two types of commitments for Societe Generale: the obligation to remunerate customer savings for an indeterminate future period at an interest rate established at the inception of the mortgage savings agreement, and the obligation to subsequently lend to the customer at an interest rate also established at the inception of the savings agreement.

If it is clear that commitments under the PEL/CEL agreements will have negative consequences for the company, a provision is recorded on the liabilities side of the balance sheet. Any changes in these provisions are recognised as net banking income under *Net interest income*. These provisions only relate to commitments arising from PEL/CEL that exist at the date of calculation.

Provisions are calculated for each generation of mortgage savings plans (PEL), with no netting between different PEL generations, and for all mortgage saving accounts (CEL) which constitute a single generation.

During the deposits phase, the underlying commitment used to determine the amount to be provisioned is calculated as the difference between the average expected amount of deposits and the minimum expected amount. These two amounts are determined statistically on the basis of the historical observed past behaviour of customers.

During the lending phase, the underlying commitment to be provisioned includes loans already granted but not yet drawn at the date of calculation, and future loans that are considered statistically probable on the basis of the amount of balance sheet deposits at the date of calculation and the historical observed past behaviour of customers.

A provision is recorded if the discounted value of expected future earnings for a given generation of PEL/CEL is negative. Earnings are estimated on the basis of interest rates available to individual customers for equivalent savings and loan products (with a similar estimated life and date of inception).

OUTSTANDING DEPOSITS UNDER MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

(In EUR m)	31.12.2016	31.12.2015
Mortgage savings plans (PEL)		
less than 4 years old	6,648	6 624
between 4 and 10 years old	5,699	4 709
more than 10 years old	4,363	4 289
Sub-total	16,710	15 622
Mortgage savings accounts (CEL)	1,140	1 182
Total	17,850	16 804

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

(In EUR m)	31.12.2016	31.12.2015
less than 4 years old	7	25
between 4 and 10 years old	60	73
more than 10 years old	6	8
Total	73	106

PROVISIONS FOR COMMITMENTS LINKED TO MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

(In EUR m)	31.12.2015	Allocations	Reversals	31.12.2016
Mortgage savings plans (PEL)				
less than 4 years old	1	15	-	16
between 4 and 10 years old	24	-	(5)	19
more than 10 years old	210	-	(50)	160
Sub-total	235	15	(55)	195
Mortgage savings accounts (CEL)	2	2	(1)	3
Total	237	17	(56)	198

The level of provisions is sensitive to long-term interest rates. Since the long-term rates were low during 2016, the provisions for PEL and CEL mortgage savings were primarily linked to the risks attached to the commitment to remunerate the deposits. Provisioning for PEL/CEL savings amounted to 1.11% of total outstandings as at 31st December 2016.

METHODS USED TO ESTABLISH THE PARAMETERS FOR VALUING PROVISIONS

The parameters used for estimating the future behaviour of customers are derived from historical observations of customer behaviour patterns over a long period (more than 10 years). The values of these parameters can be adjusted whenever changes are made to regulations that may undermine the effectiveness of past data as an indicator of future customer behaviour.

The values of the various market parameters used, notably interest rates and margins, are calculated on the basis of observable data and constitute a best estimate, at the date of valuation, of the future value of these items for the periods in question, in line with the Retail Banking division's policy of interest rate risk management.

The discount rates used are derived from the zero coupon swaps vs. Euribor yield curve on the valuation date, averaged over a 12-month period.

4. COST OF RISK

ACCOUNTING PRINCIPLES

Cost of risk includes allocations, net of reversals, to provisions and to depreciation for credit risk, the amount of the loan considered uncollectible and the amount of recoveries on loans written off, as well as allocations to and reversals of provisions for other risks.

(In EUR m)	2016	2015
Net allocation to depreciation and provisions for identified risks		
Identified risks	(540)	(632)
Losses not covered by depreciation and amounts recovered on write-offs	(111)	(90)
Other risks and disputes	(333)	(637)
Sub-total	(984)	(1,359)
Net allocation to general country risk reserves	-	-
Net allocation to depreciation and provisions for receivables and off-balance sheet commitments	(984)	(1,359)
Including gain or loss on revaluation of currency hedge of provisions:		
Counterparty risk	*(62)*	*(46)*

NOTE 3 - OTHER ACTIVITIES

NOTE 3.1 - NET FEES FOR SERVICES

ACCOUNTING PRINCIPLES

Societe Generale recognises fee income and expense for services provided and received in different ways depending on the type of service.

Fees for ongoing services, such as some payment services, custody fees, or web-service subscriptions are recorded as income over the lifetime of the service. Fees for one-off services, such as fund activity, finder's fees received, arbitrage fees, or penalties following payment incidents, are recognised in income when the service is provided.

In syndication deals, the effective interest rate for the share of the issue retained on Societe Generale's balance sheet is comparable to that applying to the other members of the syndicate including, when needed, a share of the underwriting fees and participation fees; the balance of these fees is recorded in the income statement at the end of the syndication period. Arrangement fees are recorded in income when the placement is legally complete.

	2016			2015		
(In EUR m)	Income	Expenses	Net	Income	Expenses	Net
Transactions with banks	99	(63)	36	96	(61)	35
Transactions with customers	1,079	-	1,079	1,065	-	1,065
Securities transactions	478	(656)	(178)	1,005	(723)	282
Primary market transactions	143	-	143	165	-	165
Foreign exchange transactions and transactions on financial instruments	(2)	(307)	(309)	23	(301)	(278)
Loan and guarantee commitments	639	(59)	580	670	(125)	545
Services	1,622	-	1,622	1,519	-	1,519
Other	-	(135)	(135)	-	(683)	(683)
Net Total	4,058	(1,220)	2,838	4,543	(1,893)	2,650

NOTE 3.2 - ACCRUALS, OTHER ASSETS AND LIABILITIES

1. ACCRUALS, OTHER ACCOUNTS RECEIVABLE AND OTHER ASSETS

(In EUR m)	31.12.2016	31.12.2015
Other assets		
Guarantee deposits paid[(1)]	44,553	33,101
Miscellaneous receivables	15,836	12,753
Premiums on options purchased	92,691	91,681
Settlement accounts on securities transactions	3,434	3,263
Other	389	367
Sub-total	**156,903**	**141,165**
Accruals and similar		
Prepaid expenses	333	293
Deferred taxes	4,367	4,715
Accrued income	2,076	2,336
Other[(2)]	46,049	41,739
Sub-total	**52,825**	**49,083**
Gross amount	**209,728**	**190,248**
Depreciation	(81)	(72)
Net total	**209,647**	**190,176**

(1) Mainly concerns guarantee deposits paid on financial instruments.
(2) Including derivative instruments' valuation for EUR 38,994 million (EUR 35,050 million at 31st December 2015).

2. ACCRUALS, OTHER ACCOUNTS PAYABLE AND OTHER LIABILITIES

(In EUR m)	31.12.2016	31.12.2015
Transactions on securities		
Amounts payable for securities borrowed	112,989	97,381
Other amounts due for securities	44,931	43,215
Sub-total	157,920	140,596
Other liabilities		
Guarantee deposits paid[(1)]	30,212	29,639
Miscellaneous payables	13,125	10,454
Premiums on options sold	98,252	96,367
Settlement accounts on securities transactions	4,036	3,516
Other securities transactions	-	-
Related payables	209	135
Sub-total	145,834	140,111
Accruals and similar		
Accrued expenses	3,363	3,587
Deferred taxes	2	8
Deferred income	2,339	1,929
Other[(2)]	30,176	19,472
Sub-total	35,880	24,996
Total	339,635	305,703

(1) Mainly concerns guarantee deposits received on financial instruments.
(2) Including derivative instruments' valuation for EUR 18,525 million (EUR 13,611 million at 31st December 2015).

NOTE 4 - EXPENSES AND EMPLOYEE BENEFITS

NOTE 4.1 - PERSONNEL EXPENSES AND REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICERS

ACCOUNTING PRINCIPLES

The *Personnel expenses* account includes all expenses related to personnel, notably the cost of the statutory employee profit-sharing, income related to the CICE (French tax credit for competitiveness and employment) and incentive plans for the year, as well as the cost of internal restructuring operations.

Employee benefits are divided into four categories:

- Short-term employee benefits are employee benefits that are expected to be settled within twelve months of the end of the annual reporting period in which the employees render the related service, such as fixed and variable compensation, annual leave, taxes and social security contributions, profit-sharing and incentives;
- Post-employment benefits, including defined contribution plans and defined benefit plans such as pension plans and retirement benefits;
- Long-term employee benefits are employee benefits that are not expected to be fully settled within twelve months, such as deferred variable remuneration paid in cash and not indexed, long-service awards and time saving accounts;
- Termination benefits.

Short-term employee benefits are recorded under *Personnel expenses* during the period according to the services provided by the employee.

The accounting principles relating to post-employment benefits and long-term benefits are described in Note 4.2; those related to share-based payments are described in Note 4.3.

1. PERSONNEL EXPENSES

(In EUR m)	2016	2015
Employee compensation	3,505	3,425
Social security benefits and payroll taxes	1,466	1,554
Employer contribution, profit sharing and incentives	161	137
Total	**5,132**	**5,116**
Average headcount	**46,445**	**46,390**
In France	40,925	40,772
Outside France	5,520	5,618

Breakdown of personnel expenses for the last five years:

(In EUR m)	2016	2015	2014	2013	2012
Societe Generale					
Profit sharing	13	15	12	10	9
Incentives	99	79	90	58	55
Employer contribution	49	43	44	44	41
Sub-total	161	137	146	112	105
Foreign branches			2	1	2
Total	161	137	148	113	107

2. REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICERS

Total attendance fees paid in 2016 to the company's Directors amounted to EUR 1.43 million. The remuneration paid in 2016 to senior management (Chairman of the Board, the Chief Executive Officer and the Deputy Chief Executive Officers) amounted to EUR 9.1 million (including EUR 2.2 million of variable pay paid in cash or in shares for fiscal years 2012 to 2015 and EUR 3.1 million in long-term incentives for 2011).

NOTE 4.2 - EMPLOYEE BENEFITS

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

		Net allowances				
(In EUR m)	Amount at 31.12.2015	Cost of risk	Other income statement	Used provisions	Change in scope and reclassifying	Amount at 31.12.2016
Provisions for employee benefits	1,084	-	(6)	-	454	1,532

1. POST-EMPLOYMENT BENEFITS

ACCOUNTING PRINCIPLES

Pension plans may be defined contribution or defined benefit plans.

DEFINED CONTRIBUTION PLANS

Defined contribution plans limit Societe Generale'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 recorded as an expense for the current year.

DEFINED BENEFIT PLANS

Defined benefit plans commit Societe Generale, either formally or constructively, to pay a certain amount or level of future benefits and therefore bear the medium- or long-term risk. The present value of defined benefit obligations is valued by independent qualified actuaries.

Provisions are recognised on the liabilities side of the balance sheet under *Provisions*, to cover the whole of these retirement obligations. This is assessed regularly by independent actuaries using the projected unit credit method. This valuation technique incorporates assumptions about demographics, early retirement, salary rises and discount and inflation rates.

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

Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) or differences between actuarial assumptions and real performance (return on plan assets) are recognised as actuarial gains or losses. They are recorded immediately and in full in the income statement.

Where a new or amended plan comes into force the cost of past services is recorded immediately and in full in the income statement.

An annual charge is recorded under *Personnel expenses* for defined benefit plans, consisting of:

- the additional entitlements vested by each employee (current service cost);
- the financial expense resulting from the discount rate;
- the expected return on plan assets (gross return);
- the actuarial gains and losses and past service cost;
- the settlement or curtailment of plans.

DEFINED CONTRIBUTION PLANS

The main defined contribution plans provided to employees of the Group are located in France. They include state pension plans and other national pension plans such as ARRCO and AGIRC, as well as pension schemes put in place by some branches of Societe Generale for which the only commitment is to pay annual contributions (PERCO).

POST-EMPLOYMENT BENEFIT PLANS (DEFINED BENEFIT PLANS)

Pension plans include pension benefits paid as annuities and end–of-career payments. Pension benefit annuities are paid in addition to state pension plans.

1.1 RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

(In EUR m)	31.12.2016	31.12.2015
Net liabilities recorded in the balance sheet	828	389
Assets recorded in the balance sheet	(59)	(92)
Net balance	769	297
Breakdown of the net balance		
Present value of funded defined benefit obligations	2,383	2,311
Fair value of plan assets	(2,148)	(1,885)
A - Actuarial deficit (net balance)	235	426
B - Present value of unfunded defined benefit obligations	135	114
Unrecognised items		
Unrecognised past service cost	-	(9)
Unrecognised net actuarial (gain)/loss	-	436
Separate assets	(399)	(142)
Plan assets impacted by change in asset ceiling	-	(42)
C - Total unrecognised items	(399)	243
A + B - C = Net balance	769	297

Note: Pension plans include pension benefits paid as annuities and end-of-career payments. Pension benefit annuities are paid in addition to state pension plans.

1.2. GENERAL INFORMATION REGARDING FUNDING ASSETS

The breakdown of the fair value of plan assets is as follows: 52% bonds, 34% equities, 4% money market instruments and 10% others. Societe Generale's own financial instruments directly held are not significant.

For pension plans with a fair value of plan assets in excess of defined benefit obligations, the aggregate of plan assets is EUR 59 million.

Employer contributions to be paid to post-employment defined benefit plans for 2017 are estimated at EUR 3 million.

1.3. MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

(In EUR M)	31.12.2016	31.12.2015
Discount rate		
Europe	1.88%	2.60%
Americas	3.90%	4.10%
Asia-Oceania-Africa	2.98%	2.89%
Long-term inflation		
Europe	2.12%	2.39%
Americas	NA	2.00%
Asia-Oceania-Africa	2.00%	1.78%
Future salary increase net of inflation		
Europe	0.57%	0.53%
Americas	NA	NA
Asia-Oceania-Africa	2.93%	2.48%
Average remaining working lifetime of employees (in years)		
Europe	8.9	8.8
Americas	8.4	8.5
Asia-Oceania-Africa	13.3	11.1
Duration (in years)		
Europe	13.2	16.1
Americas	22.0	23
Asia-Oceania-Africa	11.1	9.48

Notes:

(1) The assumptions by geographical area are averages weighted by the present value of the Defined Benefit Obligation (DBO) with the exception of the expected returns on plan assets, which are averages weighted by the fair value of assets.

(2) The yield curves used to discount the liabilities are corporate AA yield curves (source: Merrill Lynch) observed at end-October for USD, GBP and EUR, and corrected at end-December if the variation in discount rates had a significant impact.

Inflation rates used are the long-term targets of the central banks of the USD and GBP monetary areas. The swaps inflation rate curve is the Group reference for the Eurozone.

(3) The average remaining working lifetime of employees is calculated taking into account turn-over assumptions.

(4) The assumptions described above have been applied on post-employment benefit plans.

2. OTHER LONG-TERM BENEFITS

ACCOUNTING PRINCIPLES

Long-term employee benefits are those that are payable to employees for services rendered during their employment, but which are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Long-term benefits are measured in the same way as post-employment benefits.

Societe Generale may award their employees long-term benefits, such as long-term deferred variable remuneration, time saving accounts (*Comptes Epargne Temps*) or long-service awards. They are different from post-employment benefits and termination benefits, which are not fully due within twelve months following the financial year during which the services are rendered by the employees.

The net balance of long-term benefits stands at EUR 621 million.

The total cost for long-term benefits is EUR 232 million.

NOTE 4.3 - FREE SHARE PLANS

ACCOUNTING PRINCIPLES

In the case of share purchase options and free share plans granted to employees, a provision must be recorded for the loss that the entity will incur when it delivers the treasury shares to the employees.

This provision is recorded under *Personnel expenses* for an amount equal to the difference:

- between the quoted price of the treasury shares at the balance sheet closing date and the exercise price (zero in the case of free shares) if the entity has not already purchased its treasury shares in order to deliver them to the employees;
- between the acquisition price of treasury shares held and the exercise price (zero in the case of free shares) if the entity has already purchased its treasury shares in order to deliver them to the employees.

If vesting conditions such as service or performance conditions must be satisfied for the employees to become entitled to receive shares, the provision expense shall be accounted for the services as they are rendered by the employees over the vesting period.

In the case of share subscription plans, no expense shall be recorded concerning treasury shares that have yet to be issued.

1. MAIN CHARACTERISTICS OF THE FREE SHARE PLANS OF THE YEAR

The plans for employees for the year ended 31st December 2016 are briefly described below:

Issuer	**Societe Generale**
Year of grant	2016
Type of plan	performance shares
Number of free shares granted	1,960,953
Shares delivered	-
Shares forfeited as at 31.12.16	25,421
Shares outstanding as at 31.12.16	1,935,532
Number of shares reserved as at 31.12.16	1,935,532

The performance conditions are described in the “Corporate Governance” section of the present document.

2. AMOUNT OF THE DEBT RECORDED IN THE BALANCE SHEET FOR 2016 PLANS

The amount of debt recorded in the balance sheet for the 2016 plans is EUR 40 million.

3. INFORMATION RELATIVE TO TREASURY SHARES ACQUIRED FOR 2016 PLANS

The number of treasury shares acquired in relation to the 2016 plans is 1,935,532, for a cost of EUR 101 million.

NOTE 5 - TAXES

ACCOUNTING PRINCIPLES

CURRENT TAXES

In the 1989 financial year, Societe Generale opted to apply a tax consolidation regime. At 31st December 2016, 278 subsidiaries had signed a tax consolidation agreement with Societe Generale. Accordingly, all of the consolidated companies must record in their financial statements the tax expense they would have paid if they had not been consolidated with Societe Generale for tax purposes.

DEFERRED TAX

Societe Generale applies the option allowing it to recognise deferred taxes in its annual financial statements.

Deferred taxes are recognised whenever Societe Generale identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities. They are calculated using the liability method, whereby deferred taxes from previous years are adjusted to account for changes in tax rates. The impact of changes to tax rates is recorded in the income statement under deferred taxes. Net deferred tax assets are recorded only if the entity concerned is likely to recover these assets within a set timeframe.

Deferred taxes are determined separately for each taxable entity and are never discounted to present value.

1. INCOME TAX

(In EUR m)	2016	2015
Current taxes	239	481
Deferred taxes	(485)	(267)
Total(1)(2)	(246)	214

(1) 2016 income tax includes a consolidation gain of EUR 26.9 million (against a gain of EUR 158.3 million for 2015). This change is due primarily to the change in treatment of dividends under the parent-subsidiary regime, applicable from 1st January 2016.

(2) At 31st December 2016, the impact comprises mainly the effect of changes in tax rates in France and of the recognition of prior deficits in the United States of America for an amount of EUR -305 million.

In France, the standard corporate income tax rate is 33.33%. A *contribution sociale* (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). Societe Generale was subject to an additional contribution of 10.7% in 2015. This contribution is no longer applicable to companies closing their financial years as from 31st December 2016.

Long-term capital gains on equity investments are exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate. In accordance with the 2013 French Finance Act, this portion of fees and expenses is 12% of gross capital gains.

Furthermore, under the parent-subsidiary regime, dividends from companies in which Societe Generale's equity interest is at least 5% are tax exempt, subject to the taxation of a portion of fees and expenses at the full statutory tax rate.

The French Finance Act for 2017, adopted on 20th December 2016, provides for a gradual reduction in tax rates in France. By 2020, the standard corporate income tax rate of 33.33% will be reduced to 28%, plus the social security contribution of 3.3%.

Deferred tax assets and liabilities in France are calculated by applying the tax rate applicable when reversing the temporary difference, i.e.:

- For results taxed at the statutory tax rate, at the rate of 34.43% or 28.92%;
- For results taxed at the reduced tax rate, at the rate of 4.13% or 3.47%.

2. PROVISIONS FOR TAX ADJUSTMENTS

ACCOUNTING PRINCIPLES

Provisions represent liabilities whose timing or amount cannot be precisely determined. Provisions may be recorded where, by virtue of a commitment to a third party, the Group will probably or certainly incur an outflow of resources to this third party without receiving at least the equivalent value in exchange.

The expected outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions for tax adjustments are booked to *Current taxes* in the income statement under *Income tax*. Information on the nature and the amount of the associated risks is not disclosed if the Group considers that such disclosure could seriously undermine its position in a dispute with other parties on the object of the provision.

		Net allowances				
(In EUR m)	Amount at 31.12.2015	Cost of risk	Other income statement	Used provisions	Change in scope and reclassifying	Amount at 31.12.2016
Provisions for tax adjustments	84	-	101	(46)	-	139

3. DEFFERED TAXES

(In EUR m)	31.12.2016	31.12.2015
Tax loss carryforwards	2,951	3,233
Gains on sales of assets to companies included in the tax consolidation, in France	(171)	(170)
Other (primarily relating to other reserves)	1,587	1,652
Total	4,367	4,715

4. DEFERRED TAX ASSETS RECOGNISED ON TAX LOSS CARRYFORWARDS

At 31st December 2016, based on the tax system of each subsidiary and a realistic projection of their taxable income, the projected period for deferred tax asset recovery is indicated in the table below:

(In EUR m)	31.12.2016	Statutory time limit on carryforwards	Expected recovery period
Total deferred tax assets relating to tax loss carryforwards	2,951	-	-
o.w. French tax group	2,320	Unlimited[1]	10 years
o.w. US tax group	618	20 years	7 years
others	13	-	-

(1) In accordance with the 2013 French Finance Act, the deduction of previous losses is limited to EUR 1 million plus 50% of the fraction of the taxable income for the fiscal year exceeding this limit. The non-deductible portion of losses may be carried forward to the following fiscal years with no time limit and under the same conditions.

Furthermore, at 31st December 2016, deferred tax assets and liabilities not recognised on the asset side of the balance sheet concerned mainly our subsidiary in the United States, for EUR 696 million (versus EUR 984 million at 31st December 2015).

Societe Generale considers that the ruling handed down by the Versailles Court of Appeal on 23rd September 2016 in the civil proceedings brought against Jérôme Kerviel has no impact on its tax position. However, as indicated by the French Minister for the Economy and Finance, the tax administration is examining the fiscal repercussions of the Bank's net loss of EUR 4.9 billion on account of the fraudulent behaviour of Jérôme Kerviel. Regarding this issue, further proceedings may be brought before the competent courts.

NOTE 6 – SHAREHOLDERS' EQUITY

NOTE 6.1 - CHANGES IN SHAREHOLDERS' EQUITY

(In EUR m)	Capital Stock	Additional paid-in-capital	Reserves, unappropriated retained earnings	Shareholders' equity
At 31st December 2014	1,006	20,417	12,023	33,446
Increase/Reduction in capital stock(1)	2	3	(3)	2
Net income for the period	-	-	1,065	1,065
Dividends paid(2)	-	-	(955)	(955)
Other movements	-	-	-	-
At 31st December 2015(3)	1,008	20,420	12,130	33,558
Increase/Reduction in capital stock (4)	2	6	(2)	6
Net income for the period	-	-	4,223	4,223
Dividends paid(5)	-	-	(1,596)	(1,596)
Other movements(6)	-	3	(318)	(315)
At 31st December 2016(7)	1,010	20,429	14,437	35,876

(1) At 31st December 2015, Societe Generale's fully paid-up capital amounted to EUR 1,007,799,641.25 and comprised 806,239,713 shares with a nominal value of EUR 1.25.
In 2015, Societe Generale proceeded with the following capital increases, representing a total of EUR 1.29 million, with a share premium of EUR 3.44 million:
- EUR 1.12 million in free and conditional Societe Generale shares to employees taken from the reserves;
- EUR 0.17 million resulting from stock options granted by the Board of Directors and exercised by employees, with EUR 3.44 million in share premium.

(2) The dividend distribution performed by Societe Generale in 2015 amounted to EUR 954.8 million after elimination of treasury stock dividends for EUR 11.5 million.

(3) At 31st December 2015, the amount of Societe Generale's reserves, excluding carryforwards, was EUR 3,634,639,435.71, with:
- EUR 100.65 million for the statutory reserve;
- EUR 2,097.25 million for the long-term capital gains reserve;
- EUR 1,436.74 million for other reserves.

(4) At 31st December 2016, Societe Generale's fully paid-up capital amounted to EUR 1,009,641,917.50 and comprised 807,713,534 shares with a nominal value of EUR 1.25.
In 2016, Societe Generale proceeded with the following capital increases, representing a total of EUR 1.84 million, with a share premium of EUR 5.73 million:
- EUR 1.58 million in free and conditional Societe Generale shares to employees taken from the reserves;
- EUR 0.26 million resulting from stock options granted by the Board of Directors and exercised by employees, with EUR 5.73 million in share premium.

(5) The dividend distribution performed by Societe Generale in 2016 amounted to EUR 1,596.2 million after elimination of treasury stock dividends for EUR 16.6 million.

(6) Including:
- EUR 318 million corresponding to the application of Recommendation 2013-02 of the French Accounting Standards Setter (the ANC), the impacts of which are described in note 1.2.;
- EUR 3.73 million corresponding to profit on the SGSS France merger.

(7) At 31st December 2016, the amount of Societe Generale's reserves, excluding carryforwards, was EUR 3,632,721,445.25, with:
- EUR 100.78 million for the statutory reserve;
- EUR 2,097.25 million for the long-term capital gains reserve;
- EUR 1,434.69 million for other reserves.

NOTE 6.2 - SUBORDINATED DEBT

ACCOUNTING PRINCIPLES

This item includes all dated or undated borrowings, whether or not in the form of securitised debt, which, in the event of the 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 recorded as *Related payables* and as an expense in the income statement.

(In EUR m)

Issuance date	Currency	Amount issued	Maturity date	31.12.2016	31.12.2015
Undated subordinated capital notes					
1st July 1985	EUR	348	Undated	62	62
24th November 1986	USD	500	Undated	235	228
30th December 1996	JPY	10,000	Undated	-	76
5th April 2007	USD	1,100	Undated	766	742
5th April 2007	USD	200	Undated	60	58
19th December 2007	EUR	600	Undated	468	468
16th June 2008	GBP	700	Undated	590	689
7th July 2008	EUR	100	Undated	100	100
27th February 2009	USD	450	Undated	-	413
4th September 2009	EUR	1,000	Undated	1,000	1,000
6th September 2013	USD	1,250	Undated	1,186	1,148
18th December 2013	USD	1,750	Undated	1,660	1,607
7th April 2014	EUR	1,000	Undated	1,000	1,000
25th June 2014	USD	1,500	Undated	1,423	1,378
29th September 2015	USD	1,250	Undated	1,186	1,148
13th September 2016	USD	1,500	Undated	1,423	-
Sub-total(1)				11,159	10,117
Subordinated long-term debt and notes					
21st July 2000	EUR	78	31st July 2030	17	19
21st December 2001	EUR	300	21st December 2016	-	194
30th January 2003	GBP	450	30th January 2018	148	172
2nd June 2003	EUR	110	21st December 2016	-	110
29th December 2003	GBP	150	30th January 2018	175	204
4th February 2004	EUR	120	4th February 2016	-	114
6th May 2004	EUR	120	6th May 2016	-	113
29th October 2004	EUR	100	29th October 2016	-	94
3rd February 2005	EUR	120	3rd February 2017	112	112
13th May 2005	EUR	100	13th May 2017	90	90
16th August 2005	EUR	226	18th August 2025	216	216
20th April 2006	USD	1,000	20th April 2016	-	477
15th May 2006	EUR	135	15th May 2018	125	125
26th October 2006	EUR	120	26th October 2018	111	111
9th February 2007	EUR	124	11th February 2019	116	116
16th July 2007	EUR	135	16th July 2019	130	130
30th October 2007	EUR	134	30th October 2019	129	129
14th February 2008	EUR	225	14th February 2018	225	225
26th March 2008	EUR	550	26th March 2018	331	331
7th April 2008	EUR	250	6th April 2023	155	155
15th April 2008	EUR	321	15th April 2023	321	321
28th April 2008	EUR	50	6th April 2023	50	50

(In EUR m)

Issuance date	Currency	Amount issued	Maturity date	31.12.2016	31.12.2015
14th May 2008	EUR	150	6th April 2023	150	150
14th May 2008	EUR	50	6th April 2023	50	50
14th May 2008	EUR	90	6th April 2023	90	90
30th May 2008	EUR	79	15th April 2023	79	79
10th June 2008	EUR	300	12th June 2023	260	260
30th June 2008	EUR	40	30th June 2023	40	40
20th August 2008	EUR	1,000	20th August 2018	778	778
7th June 2013	EUR	1,000	7th June 2023	1,000	1,000
17th January 2014	USD	1,000	17th January 2024	949	919
16th September 2014	EUR	1,000	16th September 2026	1,000	1,000
27th February 2015	EUR	1,250	27th February 2025	1,250	1,250
15th April 2015	EUR	150	7th April 2025	150	150
14th April 2015	USD	1,500	14th April 2025	1,423	1,378
2nd June 2015	AUD	125	2nd June 2022	86	84
3rd June 2015	CNY	1,200	3rd June 2025	163	170
12th June 2015	JPY	27,800	12th June 2025	225	212
12th June 2015	JPY	13,300	12th June 2025	108	101
12th June 2015	JPY	2,500	12th June 2025	20	19
10th June 2015	AUD	50	10th June 2025	33	33
22nd July 2015	USD	50	23rd July 2035	47	46
30th September 2015	JPY	20,000	30th September 2025	162	152
21st October 2015	EUR	70	21st October 2026	70	70
24th November 2015	USD	1,000	24th November 2025	949	918
24th November 2015	USD	500	24th November 2045	474	459
19th May 2016	SGD	425	19th May 2026	279	-
3rd June 2016	JPY	15,000	3rd June 2026	122	-
3rd June 2016	JPY	27,700	3rd June 2026	224	-
27th June 2016	USD	500	26th June 2036	474	-
20th July 2016	AUD	325	20th July 2028	223	-
19th August 2016	USD	1,000	19th August 2026	949	-
13th October 2016	AUD	150	13th October 2026	103	-
16th December 2016	JPY	10,000	16th December 2026	81	-
Sub-total[1]				14,461	13,016
Related payables				435	413
Total[2]				26,056	23,546

(1) The Board of Directors may decide to defer payouts on undated subordinated notes in full or in part if the Ordinary General Meeting called to approve the parent company financial statements has decided not to pay any dividends.

Societe Generale has issued EUR 348 million in undated subordinated notes with warrants for the acquisition of preferential investment certificates attached, all of which are eligible for dividends on income earned from 1st July 1985. These certificates shall only be redeemed in the event of the liquidation of the company and once all unsubordinated debt has been reimbursed in full.

The other securities and borrowings have an early redemption clause as of their tenth year, which may only be exercised by Societe Generale.

(2) The bank's global subordinated debt expense, net of tax and of the repurchase impact, amounted to EUR 1,303 million in 2016 (compared with EUR 1,214 million in 2015).

NOTE 7 - OTHER INFORMATION

NOTE 7.1 - GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME[(1)]

	France		Europe		Americas	
(In EUR m)	2016	2015	2016	2015	2016	2015
Net interest and similar income[(2)]	6,688	6,141	289	321	461	285
Net fee income	2,262	2,074	391	362	134	159
Net income from the trading portfolio and short-term investment securities	1,645	3,101	1,173	1,170	636	257
Other net operating income	32	(275)	18	22	(4)	4
Net banking income	10,627	11,041	1,871	1,875	1,227	705

	Asia		Africa		Total	
(In EUR m)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Net interest and similar income(2)	113	170	9	9	7,560	6,926
Net fee income	47	51	4	4	2,838	2,650
Net income from the trading portfolio and short-term investment securities	328	243	(1)	1	3,781	4,772
Other net operating income	(1)	1	-	-	45	(248)
Net banking income	487	465	12	14	14,224	14,100

(1) Established on the basis of the country in which the companies recording income are located.
(2) Including dividend income.

NOTE 7.2 - TANGIBLE AND INTANGIBLE FIXED ASSETS

ACCOUNTING PRINCIPLES

Premises, equipment and other fixed assets are carried at their purchase price on the assets side of the balance sheet. Borrowing expenses incurred to fund a lengthy construction period for fixed assets are included in the acquisition cost, along with other directly attributable expenses. Investment subsidies received are deducted from the cost of the relevant assets.

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

As soon as they are fit for use, fixed assets are depreciated over their useful life. Any residual value of the asset is deducted from its depreciable amount.

Depreciation and amortisation are recorded in the income statement under *Depreciation and amortisation*.

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.

Societe Generale has applied this approach to its operating property, breaking down its assets into the following minimum components with their corresponding depreciation periods:

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

Depreciation periods for fixed assets other than buildings 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

1. CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(In EUR m)	Gross book value 31.12.2015	Acquisitions	Disposals	Scope variation and other movements	Gross book value 31.12.2016	Accumulated depreciation and amortisation 31.12.2016	Net book value 31.12.2016
OPERATING ASSETS							
Intangible assets	2,890	302	(17)	(62)	3,113	(2,061)	1,052
Tangible assets	2,660	178	(265)	(23)	2,550	(1,687)	863
NON-OPERATING ASSETS	-	-	-	-	-	-	-
Tangible assets	11	-	(1)	-	10	(7)	3
Total	5,561	480	(283)	(85)	5,673	(3,755)	1,918

2. INCOME FROM LONG-TERM INVESTMENTS

ACCOUNTING PRINCIPLES

This item covers capital gains or losses realised on disposals, as well as the net allocation to depreciation for investments in operating fixed assets. Income from real-estate holdings excluding offices is recorded under *Net banking income*.

(In EUR m)	2016	2015
Operating fixed assets:		
Gains on disposals	40	8
Losses on disposals	-	-
Total	40	8

NOTE 7.3 - BREAKDOWN OF ASSETS AND LIABILITIES BY TERM TO MATURITY

	Outstanding at 31.12.2016					
(In EUR m)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Intercompany eliminations: head office/foreign branches	Total
ASSETS						
Due from banks	203,820	53,705	65,166	20,322	(145,802)	197,211
Customer loans(1)	124,932	51,681	133,123	79,860	(9)	389,587
Bonds and other debt securities:						
Trading securities(2)	9,235	44,747	-	-	(6)	53,976
Short-term investment securities(2)	4,419	6,984	82	-	-	11,485
Long-term investment securities(2)	1	407	3,769	16,995	-	21,172
Total	342,407	157,524	202,140	117,177	(145,817)	673,431
LIABILITIES						
Due to banks	193,835	52,837	95,385	49,079	(146,614)	244,522
Customer deposits	291,207	36,892	57,836	58,405	(1,069)	443,271
Liabilities in the form of securities issued	22,618	13,615	25,080	13,938	-	75,251
Total	507,660	103,344	178,301	121,422	(147,683)	763,044

(1) Including lease financing and similar agreements.
(2) Including related receivables.

NOTE 7.4 - TRANSACTIONS IN FOREIGN CURRENCIES

ACCOUNTING PRINCIPLES

Gains and losses arising from ordinary activities in foreign currencies are recognised in the income statement. 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 relevant currency for the remaining maturity. Spot and other forward foreign exchange positions are revalued on a monthly basis using official month-end spot rates. Unrealised gains and losses are recognised in the income statement. Premiums and discounts resulting from hedged forward foreign exchange transactions are amortised to income on a straight-line basis over the remaining term to maturity of these transactions.

	31.12.2016				31.12.2015			
(In EUR m)	**Assets**	**Liabilities**	**Foreign exchange bought, not yet received**	**Foreign exchange sold, not yet delivered**	**Assets**	**Liabilities**	**Foreign exchange bought, not yet received**	**Foreign exchange sold, not yet delivered**
EUR	661,050	679,273	309,054	328,178	686,049	696,091	290,545	317,973
USD	319,802	301,708	638,757	560,706	284,733	305,031	602,884	555,379
GBP	51,516	52,310	107,168	100,271	52,836	65,367	131,966	116,083
JPY	83,850	82,549	80,448	117,392	62,632	40,911	86,445	97,145
Other currencies	77,335	77,713	254,628	271,725	65,880	44,730	217,684	244,368
Total	1,193,553	1,193,553	1,390,055	1,378,272	1,152,130	1,152,130	1,329,524	1,330,948

NOTE 7.5 - OPERATIONS IN UNCOOPERATIVE STATES OR TERRITORIES

Since 2003, Societe Generale has defined strict internal rules to prevent the development of operations in countries qualified as uncooperative tax havens by the OECD. Any operation, or development of new activities as part of existing operations, may only be authorised by decision of the General Management after approval by the Corporate Secretariat and the Risk Division.

Since 2010, Societe Generale has decided to close (and has therefore taken the necessary steps to do so) all the Group's operations in countries and territories deemed non-cooperative by France, the list of which was updated by the Ministerial order of 8th April 2016 (published on 10th April 2016).

In 2016, Societe Generale no longer directly or indirectly held any operations in the states and territories in question. Societe Generale holds an unused licence to operate in Brunei.

NOTE 7.6 - TABLE OF SUBSIDIARIES AND AFFILIATES

(In thousands of euros or local currency)			2016	2016	2016	2016	
						Book value of shares held	
Company/Head Office or Establishment	Activity/Division		Registered capital (local currency)[1]	Shareholders' equity other than capital (local currency)[1]	Share of capital held (%)	Gross (EUR)	Net (EUR)
I - INFORMATION ON INVESTMENTS WITH A BOOK VALUE IN EXCESS OF 1% OF SOCIETE GENERALE'S SHARE CAPITAL							
A) Subsidiaries (more than 50% owned by Societe Generale)							
SG FINANCIAL SERVICES HOLDING 29, boulevard Haussmann - 75009 Paris - France	Portfolio management Corporate Centre	EUR	2,662,976	270,554	100.00	3,157,285	3,157,285
SG AMERICAS SECURITIES HOLDINGS, LLC C/O The Corporation Trust Company - 1209 Orange Street - 19801 Wilmington - Delaware - USA	Brokerage Global Banking and Investor Solutions	USD	1,430,976	1,150,759	100.00	3,004,415	3,004,415
INTER EUROPE CONSEIL 29, boulevard Haussmann - 75009 Paris - France	Credit institution Global Banking and Investor Solutions	EUR	764,983	30,964	100.00	3,852,866	1,287,603
GENEFINANCE 29, boulevard Haussmann - 75009 Paris - France	Portfolio management Corporate Centre	EUR	1,000,000	237,380	100.00	1,076,025	1,076,025
SG HAMBROS LIMITED (HOLDING) 31 Norfolk House - St James's Square - London SW1Y 4JR - United Kingdom	Asset management Global Banking and Investor Solutions	GBP	518,710	162,776	100.00	649,358	649,358
GENEFIMMO 29, boulevard Haussmann - 75009 Paris - France	Real estate and real estate financing French Retail Banking	EUR	347,264	42,216	100.00	606,656	606,656
SOCIETE GENERALE SECURITIES SERVICES SPA Via Benigno Crespi, 19 A - 20159 Milano - Italy	Credit institution Global Banking and Investor Solutions	EUR	111,309	203,596	100.00	745,062	725,062
SOCIETE GENERALE SECURITIES JAPAN LTD New Pier Takeshiba North Tower - 11-1 - Kaigan 1-chome - Minato-ku - Tokyo - Japan	Brokerage Global Banking and Investor Solutions	JPY	35,765,000	31,326,000	100.00	621,641	547,987
SOGEMARCHE 17, cours Valmy - 92800 Puteaux - France	Real estate Corporate Centre	EUR	500,000	(24,802)	100.00	500,000,	500,000
SOCIETE GENERALE SPLITSKA BANKA Rudera Boskovica 16 - 21000 Split - Croatia	International retail banking International Retail Banking and Financial Services	HRK	991,426	2,660,417	100.00	1,059,042	468,188
SOCIETE GENERALE (CHINA) LIMITED 2, Wudinghou Street, Xicheng District - 100140 Beijing - China	International retail banking Global Banking and Investor Solutions	CNY	4,000,000	(292,041)	100.00	444,822	442,703
BANCO SOCIETE GENERALE BRASIL S/A Avenida Paulista, 2300 - Cerqueira Cesar - Sâo Paulo - SP CEP 01310-300 - Brazil	Investment banking Global Banking and Investor Solutions	BRL	2,956,929	(34,043)	100.00	990,932	312,811
VALMINVEST 29, boulevard Haussmann - 75009 Paris - France	Office space Corporate Centre	EUR	248,877	12,849	100.00	249,427	249,427
SOGECAMPUS 17, cours Valmy - 92800 Puteaux - France	Real estate Corporate Centre	EUR	241,284	(5,393)	100.00	241,284	241,284
LYXOR ASSET MANAGEMENT 17, cours Valmy - 92800 Puteaux - France	Alternative asset management Global Banking and Investor Solutions	EUR	161,106	99,192	100.00	217,348	217,348
GENEGIS I 29, boulevard Haussmann - 75009 Paris - France	Office space Corporate Centre	EUR	192,900	20,545	100.00	196,061	196,061
FIDITALIA SPA Via G. Ciardi, 9 - 20149 Milano - Italy	Consumer finance International Retail Banking and Financial Services	EUR	130,000	83,698	100.00	330,037	188,858

2016	2016	2016	2016	2016	2016
Unreimbursed loans and advances granted by the company (in EUR)	Guarantees given by the Company	Revenue excluding tax for the last financial year (local currency)(1) (2) (3)	Net income (loss) for the last financial year (local currency)(1) (3)	Dividends received by the Company during the year in (EUR)	Remarks Revaluation differences
			590,399	742,830	
607,153		(8,870)	(23,795)	-	1 EUR = 1.0541 USD
5,223,528		649,308	216,761	433,649	
1,980,000		58,658	868,060	967,225	
1,543	350	149,131	26,243	-	1 EUR = 0.85618 GBP
61,369	1,888	17,307	22,584	11,482	
	230,000	154,026	24,424	32,264	
1,345,219	162	22,210,000	10,003,000	-	1 EUR = 123.4 JPY
50,000	2	24,097	(891)	-	
148,222	8,741	1,248,175	375,166	16,105	1 EUR = 7.5597 HRK
		413,639	28,641		1 EUR = 7.3202 CNY
829,868	37,806	312,813	118,242	-	1 EUR = 3.4305 BRL
53,300		654	2,615	950	
175,000		5,536	1,035	-	
		88,717	72,894	27,755	
45,000		212,164	4,227	1,517	
3,102,812		167,817	18,399	-	

(In thousands of euros or local currency)			2016	2016	2016	2016	
						Book value of shares held	
Company/Head Office or Establishment	Activity/Division		Registered capital (local currency)[1]	Shareholders' equity other than capital (local currency)[1]	Share of capital held (%)	Gross (EUR)	Net (EUR)
SG SECURITIES KOREA (1-ga, Shinmun-ro),14F 82, Saemunan-ro, Jongno-gu - Seoul - South Korea	Business consulting Global Banking and Investor Solutions	KRW	205,500,000	44,233,028	100.00	161,319	161,319
COMPAGNIE FONCIERE DE LA MEDITERRANEE (CFM) 29, boulevard Haussmann - 75009 Paris - France	Office space Corporate Centre	EUR	76,627	2,221	100.00	155,837	150,339
NEWEDGE FINANCIAL HONG KONG LTD Level 35 - Three Pacific Place - 1 Queen's Road - East Hong-Kong - Hong Kong	Brokerage Global Banking and Investor Solutions	HKD	1,888,582	(734,765)	100.00	259,683	125,021
SG AMERICAS, INC. C/O The Corporation Trust Company - 1209 Orange Street - 19801 Wilmington - Delaware - USA	Investment banking Global Banking and Investor Solutions	USD	-	492,196	100.00	1,612,723	118,921
SOCIETE GENERALE ALGERIE Résidence EL KERMA - 16105 Gué de Constantine - Wilaya d'Alger - Algeria	International retail banking International Retail Banking and Financial Services	DZD	10,000,000	22,030,610	100.00	110,524	110,524
SOCIETE GENERALE CAPITAL CANADA Inc 1501 Avenue McGill College - Suite 1800 H3A 3M8 - Montreal - Canada	Brokerage Global Banking and Investor Solutions	CAD	150,000	54,040	100.00	103,505	103,505
ORPAVIMOB 17, cours Valmy - 92800 Puteaux - France	Real estate and real estate financing Global Banking and Investor Solutions	EUR	100,253	15,562	100.00	100,253	100,253
SI DU 29 BOULEVARD HAUSSMANN 29, boulevard Haussmann - 75009 Paris - France	Office space Corporate Centre	EUR	90,030	24,168	100.00	89,992	89,992
SG SECURITIES SINGAPORE PTE LTD 8 Marina Boulevard - #12-01 - Marina Bay Financial Centre Tower 1 - 018981 - Singapore	Brokerage Global Banking and Investor Solutions	SGD	99,156	(6,082)	100.00	93,970	50,804
SG FACTORING SPA Via Trivulzio, 7 - 20146 Milano - Italy	Factoring Global Banking and Investor Solutions	EUR	11,801	29,963	100.00	46,100	46,100
SG ASIA (HONG-KONG) LTD Level 38 - Three Pacific Place - 1 Queen's Road - East Hong-Kong - Hong Kong	Merchant bank Global Banking and Investor Solutions	HKD	400,000	(2,149)	100.00	45,516	45,516
SOCIETE GENERALE (NORTH PACIFIC) LTD C/O M&C Corporation Services Limited Ug - County of New Castle - Box 309GT - George Town - Cayman Islands	Brokerage of marketable securities Global Banking and Investor Solutions	JPY	3,000	4,101,000	100.00	87,977	45,087
SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD Level 23 - 400 George Street - Sydney - NSW 2000 - Australia	Brokerage on equity markets Global Banking and Investor Solutions	AUD	100,000	(29,618)	100.00	62,745	44,549
ELEAPARTS 29, boulevard Haussmann - 75009 Paris - France	Office space French Retail Banking	EUR	37,967	6, 859	100.00	37,978	37,978
INORA LIFE LTD IFSC House - International Financial Services Centre - Dublin 1 - Ireland	Life insurance Global Banking and Investor Solutions	EUR	36,500	(15,697)	100.00	36,500	22,355
SG AUSTRALIA HOLDINGS LTD Level 25, 1-7 Bligh Street - Sydney, NSW 2000 - Australia	Portfolio management Global Banking and Investor Solutions	AUD	19,500	2,343	100.00	13,053	13,053
SG SECURITIES ASIA INTERNATIONAL HOLDINGS LTD (HONG-KONG) Level 38 - Three Pacific Place - 1 Queen's Road - East Hong-Kong - Hong Kong	Investment banking Global Banking and Investor Solutions	USD	154,991	144,312	100.00	146,513	146,513

2016	2016	2016	2016	2016	2016
Unreimbursed loans and advances granted by the company (in EUR)	**Guarantees given by the Company**	**Revenue excluding tax for the last financial year (local currency)(1) (2) (3)**	**Net income (loss) for the last financial year (local currency)(1) (3)**	**Dividends received by the Company during the year in (EUR)**	**Remarks Revaluation differences**
-	-	109,700,249	42,915,893	13,769	1 EUR = 1269.36 KRW
-	-	740	2,029	1,660	
-	-	48,440	(16,872)	-	1 EUR = 8.1751 HKD
105	854	10,147	(45,394)	-	capital = 1 USD 1 EUR = 1.0541 USD
-	-	17,679,872	7,619,625	20,445	1 EUR = 116.42505 DZD
-	-	38,320	6,607	-	1 EUR = 1.4188 CAD
-	-	17,877	3,129	-	
-	-	7,323	3,065	3,076	
42,064	806,375	31,934	15,476	-	1 EUR = 1.5234 SGD
-	510 000	9,156	2,712	3,485	
28,712	-	74,635	37,237	-	1 EUR = 8.1751 HKD
158,023	-	7,925,000	1,538,000	204,818	1 EUR = 123.4 JPY
147,301	102,768	20,488	996	-	1 EUR = 1.4596 AUD
-	-	1,493	(64)	263	
-	2,127	2,961	(592)	-	
-	-	-	(6)	-	1 EUR = 1.4596 AUD
161,643	-	440,821	156,876	538,706	1 EUR = 1.0541 USD

(In thousands of euros or local currency)			2016	2016	2016	2016	
						Book value of shares held	
Company/Head Office or Establishment	Activity/Division		Registered capital (local currency)[1]	Shareholders' equity other than capital (local currency)[1]	Share of capital held (%)	Gross (EUR)	Net (EUR)
SOCIETE GENERALE IMMOBEL 11 Rue des Colonies - 1000 Bruxelles - Belgium	Real estate Global Banking and Investor Solutions	EUR	400,062	66,817	100.00	400,061	400,061
DESCARTES TRADING 17, cours Valmy - 92800 Puteaux - France	Proprietary trading Global Banking and Investor Solutions	EUR	377,000	(21,445)	100.00	376,987	355,036
SOCIETE GENERALE SFH 17, cours Valmy - 92800 Puteaux - France	Credit institution Global Banking and Investor Solutions	EUR	375,000	106,817	100.00	375,000	375,000
BOURSORAMA SA 18, Quai du Point du Jour - 92100 Boulogne-Billancourt - France	Online brokerage French Retail Banking	EUR	35,548	500,468	100.00	783,843	783,843
SOCIETE GENERALE SCF 17, cours Valmy - 92800 Puteaux - France	Mortgages Global Banking and Investor Solutions	EUR	150,000	72,621	100.00	150,000	150,000
SOCIETE GENERALE INTERNATIONAL LIMITED 10 Bishops Square - London E1 6EG - United Kingdom	Brokerage and clearing Global Banking and Investor Solutions	GBP	1,000,000	15,420	100.00	1,313,939	1,313,939
ALD INTERNATIONAL SA 15, allée de l'Europe - 92110 Clichy sur Seine - France	Automobile leasing and financing International Retail Banking and Financial Services	EUR	606,155	430,364	100.00	1,335,250	1,335,250
CREDIT DU NORD 28, place Rihour - 59800 Lille - France	French retail banking French Retail Banking	EUR	890,263	1,428,866	100.00	1,410,255	1,410,255
SOCIETE GENERALE BANKA SRBIJA Bulevar Zorana Djindjica 50 a/b - 11070 Novi Beograd - Serbia	International retail banking International Retail Banking and Financial Services	RSD	23,724,275	15,761,322	100.00	251,951	251,951
SOCIETE GENERALE SECURITIES SERVICES HOLDING 17, cours Valmy - 92800 Puteaux - France	Portfolio management Global Banking and Investor Solutions	EUR	237,555	(207,413)	100.00	237,555	18,659
ROSBANK 34, Masha Poryvaeva Street 107078 - Moscow - Russia	International retail banking International Retail Banking and Financial Services	RUB	17,586,914	94,480,491	99.95	3,882,939	2,059,794
SOCIETE DE LA RUE EDOUARD VII 29, boulevard Haussmann - 75009 Paris - France	Office space Corporate Centre	EUR	11,396	12,375	99.91	59,612	21,646
SG EXPRESS BANK 92, Bld VI Varnentchik - 9000 Varna - Bulgaria	International retail banking International Retail Banking and Financial Services	BGN	33,674	585,501	99.74	62,356	62,356
SOCIETE GENERALE INVESTMENTS (U.K.) LIMITED SG House - 41 Tower Hill - London EC3N 4SG - United Kingdom	Investment banking Global Banking and Investor Solutions	GBP	157,820	97,606	98.96	198,024	198,024
SKB BANKA Adjovscina,4 - 1513 Ljubljana - Slovenia	International retail banking International Retail Banking and Financial Services	EUR	52,784	288,661	97.58	220,221	220,221
SOCIETE GENERALE MAURITANIE Ilot A, n°652 Nouakchott - Mauritania	International retail banking International Retail Banking and Financial Services	MRO	6,000,000	10,849,147	95.50	20,361	20,361
SOGINFO - SOCIETE DE GESTION ET D'INVESTISSEMENTS FONCIERS 29, boulevard Haussmann - 75009 Paris - France	Office space French Retail Banking	EUR	133,292	202,971	92.59	148,720	148,720

2016	2016	2016	2016	2016	2016
Unreimbursed loans and advances granted by the company (in EUR)	Guarantees given by the Company	Revenue excluding tax for the last financial year (local currency)(1) (2) (3)	Net income (loss) for the last financial year (local currency)(1) (3)	Dividends received by the Company during the year in (EUR)	Remarks Revaluation differences
-	-	17,887	15,421	-	
62,000	-	1,819,258	3,474	-	
138,450	-	414,013	19,593	-	
467,247	460,000	153,645	(24,002)	-	
87	-	412,665	7,906	-	
370,249	-	244,783	90,518	-	1 EUR = 0.85618 GBP
1,555,000	315	87,250	306,977	249,518	
5,558,197	197,159	1,246,059	619,793	278,207	
89,601	11,051	12,908,225	4,704,404	-	1 EUR = 123.46 RSD
500	-	-	(17,655)	-	
614,929	-	35,601,252	5,662,098	-	1 EUR = 64.3 RUB
			124	33	
-	110,000	242,946	93,881	-	1 EUR = 1.9558 BGN
10,000	-	24,504	18,627	-	1 EUR = 0.85618 GBP
170,856	1,238	116,050	64,855	33,451	
-	-	9,576,894	501,794	-	1 EUR = 378.29665 MRO
30,000	-	31,162	7,508	-	

(In thousands of euros or local currency)			2016	2016	2016	2016	
						Book value of shares held	
Company/Head Office or Establishment	Activity/Division		Registered capital (local currency)[1]	Shareholders' equity other than capital (local currency)[1]	Share of capital held (%)	Gross (EUR)	Net (EUR)
SOCIETE GENERALE BANKA MONTENEGRO A.D. Bulevar Revolucije 17 - 81000 Podgorica - Montenegro	International retail banking International Retail Banking and Financial Services	EUR	24,731	33,138	90.56	28,819	28,819
BANKA SOCIETE GENERALE ALBANIA SH.A BLV Deshmoret e Kombit Blu Towers - Tower 1, 9th floor -Tirana - Albania	International retail banking International Retail Banking and Financial Services	ALL	6,740,900	1,777,800	88.64	70,024	59,549
BANQUE DE POLYNESIE 355 Bd Pomaré, BP 530, 98713 Papeete - Tahiti - French Polynesia	Retail banking International Retail Banking and Financial Services	XPF	1,380,000	8,037,114	72.10	12,397	12,397
SG DE BANQUES EN COTE D'IVOIRE 5 & 7, avenue J. Anoma - 01 BP 1355 - Abidjan 01 - Côte d'Ivoire	International retail banking International Retail Banking and Financial Services	XOF	15,555,555	82,802,785	71.84	30,504	30,504
OHRIDSKA BANKA Orce Nikolov Str. No.54, Skopje-Centar - Centar - Macedonia	International retail banking International Retail Banking and Financial Services	MKD	1,162,253	1,659,517	71.33	30,371	30,371
MOBIASBANCA GROUPE SOCIETE GENERALE Bd. Stefan cel Mare 81A - MD-2012 mun.-Chisinau - Republic of Moldavia	International retail banking International Retail Banking and Financial Services	MDL	99,944	954,478	67.85	24,960	24,960
BANCO SOCIETE GENERALE MOÇAMBIQUE SA Av. Friedrich Engels no. 400 - Maputo - Mozambique	International retail banking International Retail Banking and Financial Services	MZN	357,714	1,013,430	65.00	16,908	16,908
KOMERCNI BANKA A.S Na Prikope 33 - Building Register number 969 - 114 07 Praha 1 - Czech Republic	International retail banking International Retail Banking and Financial Services	CZK	19,004,926	56,967,554	60.35	1,286,212	1,286,212
BRD - GROUPE SOCIETE GENERALE B-dul Ion Mihalache nr. 1-7 Sector 1 - Bucarest - Romania	International retail banking International Retail Banking and Financial Services	RON	696,902	5,170,706	60.17	227,273	227,273
SOCIETE GENERALE CAMEROUN 78 Avenue Joss - BP 4042 - Douala - Cameroon	International retail banking International Retail Banking and Financial Services	XAF	12,500,000	42,684,295	58.08	16,940	16,940
GENEFIM 29, boulevard Haussmann - 75009 Paris - France	Real estate lease finance French Retail Banking	EUR	72,779	29,097	57.62	89,846	89,846
SG MAROCAINE DE BANQUES 55, boulevard Abdelmoumen - Casablanca - Morocco	International retail banking International Retail Banking and Financial Services	MAD	2,050,000	7,425,270	57.46	141,626	141,626
UNION INTERNATIONALE DE BANQUES 65, avenue Habib Bourguiba - 1000A Tunis - Tunisia	International retail banking International Retail Banking and Financial Services	TND	172,800	119,435	52.34	153,211	153,211

2016	2016	2016	2016	2016	2016
Unreimbursed loans and advances granted by the company (in EUR)	**Guarantees given by the Company**	**Revenue excluding tax for the last financial year (local currency)(1) (2) (3)**	**Net income (loss) for the last financial year (local currency)(1) (3)**	**Dividends received by the Company during the year in (EUR)**	**Remarks Revaluation differences**
-	1,396	24,082	7,151	1,810	
-	25,679	3,504,779	909,659	1,795	1 EUR = 135.275 ALL
37,338	84,353	5,991,543	730,519	43	1 EUR = 119.33174 XPF
-	120,264	92,675,854	36,453,155	17,814	1 EUR = 655.957 XOF
14,000	2,980	1,529,229	468,188	453	1 EUR = 61.51 MKD
-	62,491	655,960	320,723	3,038	1 EUR = 21.0716 MDL
-	-	399,000	(371,100)	-	1 EUR = 74.74125 MZN
370,754	235,789	30,569,885	13,650,648	263,066	1 EUR = 27.021 CZK
135,624	199,273	2,679,010	883,093	29,763	1 EUR = 4.539 RON
-	9,858	50,883,830	7,018,433	6,497	1 EUR = 655.957 XAF
2,180,792	-	43,569	14,029	11,795	
66,870	305,649	3,680,244	584,053	5,509	1 EUR = 10.6603 MAD
32,977	-	251,210	64,886	4,015	1 EUR = 2.42595 TND

(In thousands of euros or local currency) Company/Head Office or Establishment	Activity/Division		2016 Registered capital (local currency)[(1)]	2016 Shareholders' equity other than capital (local currency)[(1)]	2016 Share of capital held (%)	2016 Book value of shares held Gross (EUR)	Net (EUR)
B) Affiliates (10% to 50% owned by Societe Generale)							
SOGEPARTICIPATIONS	Portfolio management						
29, boulevard Haussmann - 75009 Paris - France	Corporate Centre	EUR	411,267	71,253	24.58	234,000	234,000
SG CALEDONIENNE DE BANQUE	Retail banking						
44, rue de l'Alma - BP G2 98848 Nouméa cedex - New Caledonia	International Retail Banking and Financial Services	XPF	1,068,375	14,027,783	20.60	16,266	16,266
SOUTH EAST ASIA COMMERCIAL BANK	International retail banking						
25, Tran Hung Dao Street - Hoan Kiem Dist. - Hanoi - Vietnam	International Retail Banking and Financial Services	VND	5,465,881,000	303,035,000	20.00	92,188	17,592
CAISSE DE REFINANCEMENT DE L'HABITAT	Housing loan refinancing						
35, rue de la Boetie - 75008 Paris - France	Corporate Centre	EUR	539,995	25,329	14.94	83,999	83,999
CREDIT LOGEMENT	Credit institution						
50, boulevard Sébastopol - 75003 Paris - France	Corporate Centre	EUR	1,259,850	489,306	13.50	171,037	171,037

(1) For foreign subsidiaries and affiliates, shareholders' equity is booked in the group consolidated financial statements in their consolidated reporting currency.
(2) For banking and finance subsidiaries, revenue refers to net banking income.
(3) Financial statements not yet audited for French companies.

2016	2016	2016	2016	2016	2016
Unreimbursed loans and advances granted by the company (in EUR)	**Guarantees given by the Company**	**Revenue excluding tax for the last financial year (local currency)(1) (2) (3)**	**Net income (loss) for the last financial year (local currency)(1) (3)**	**Dividends received by the Company during the year in (EUR)**	**Remarks Revaluation differences**
814,701	-	-	423,431	252,700	
13,750	74,770	9,177,555	2,798,231	4,310	1 EUR = 119.33174 XPF
-	-	1,177,898,000	91,885,000		Data as at 31.12.2015 1 EUR = 24,024 VND
-	-	1,588,892	63	-	
307,193	-	274,871	107,795	-	

TABLE OF SUBSIDIARIES AND AFFILIATES (CONT.)

(In thousands of euros)	**Book value of shares held**		**Unreimbursed loans and advances made by the Company**	**Guarantee given by the Company**	**Dividends received during the year**		**Remarks**
	Gross	**Net**					
II - INFORMATION CONCERNING OTHER SUBSIDIARIES AND AFFILIATES							
A) Subsidiaries not included in paragraph 1:							
1) French subsidiaries	56,179	52,323	8,116,026	1,492,784	97,488	Revaluation difference:	-
2) Foreign subsidiaries	286,379	87,090	103,703	73,100	23,729	Revaluation difference:	1,447
B) Affiliates not included in paragraph 1:							
1) French companies	5,604	4,922	200,000	-	507	Revaluation difference:	-
2) Foreign companies	9,794	9,794	-	-	4,133	Revaluation difference:	-
	357,956	154,129	8,419,729	1,565,884	125 ,857		

NOTE 7.7 - PROVISIONS

ACCOUNTING PRINCIPLES

Under balance sheet liabilities, *Provisions* are comprised of provisions for financial instruments, disputes, employee benefits and tax adjustments.

(In EUR m)	31.12.2016	31.12.2015
Provisions on financial instruments (See Note 2.6)	21,959	17,520
Provisions for employee benefits (See Note 4.2)	1,532	1,084
Provisions for tax adjustments (See Note 5)	139	84
Other provisions	77	43
Total	23,707	18,731

7. STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verifications of information given in the management report and in the documents addressed to the shareholders.

This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

DELOITTE & ASSOCIES

185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
S.A. au capital de € 1.723.040

Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

ERNST & YOUNG et Autres

1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

SOCIETE GENERALE
YEAR ENDED 31st DECEMBER 2016

Statutory auditors' report on the financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31st December 2016, on:

- the audit of the accompanying financial statements of Societe Generale;
- the justification of our assessments;
- the specific verifications and information required by law.

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

I. OPINION ON THE FINANCIAL 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 financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at 31st December 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to note 1 "Significant accounting principles - 2. Changes in accounting policies and account comparability" to the financial statements, which sets out changes of accounting policies related to:

- the definition of goodwill, the measurement of tangible and intangible assets and of the goodwill after the entry date, and the merger deficit;
- the evaluation and recognition of pension liabilities.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- For the purpose of preparing the financial statements, your company records depreciation and provisions to cover the credit risks inherent to its activities and performs significant accounting estimates related in particular to the valuation of investments in subsidiaries and of its securities portfolio, to the assessment of the deferred tax assets as well as the assessment of provisions for disputes as described in the following notes to the financial statements : 1 "Significant accounting principles – 5. Use of estimates and judgement", 2.1 "Securities portfolio", 5 "Taxes" and 2.6 "Depreciation and provisions – 2. Provisions". We have reviewed and tested the processes implemented by management, the underlying assumptions and the valuation parameters, and we have assessed whether these accounting estimates are based on documented procedures consistent with the accounting policies disclosed in the above-mentioned notes to the financial statements.

- As detailed in notes 1 "Significant accounting principles" and 2.2 "Operations on forward financial instruments" to the financial statements, your company uses internal models to measure financial instruments that are not listed on active markets. Our procedures consisted in reviewing the control procedures for the models used, assessing the underlying data and assumptions as well as their observability, and verifying that the risks generally expected from the markets were taken into account in the valuations.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the board of directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remuneration and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests, the identity of the shareholders or holders of the voting rights and mutual shareholders has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris-La Défense, 7th March 2017

The Statutory Auditors

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
José-Luis Garcia	Isabelle Santenac

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SHARE, SHARE CAPITAL AND LEGAL INFORMATION

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1. THE SOCIETE GENERALE SHARE

STOCK MARKET PERFORMANCE

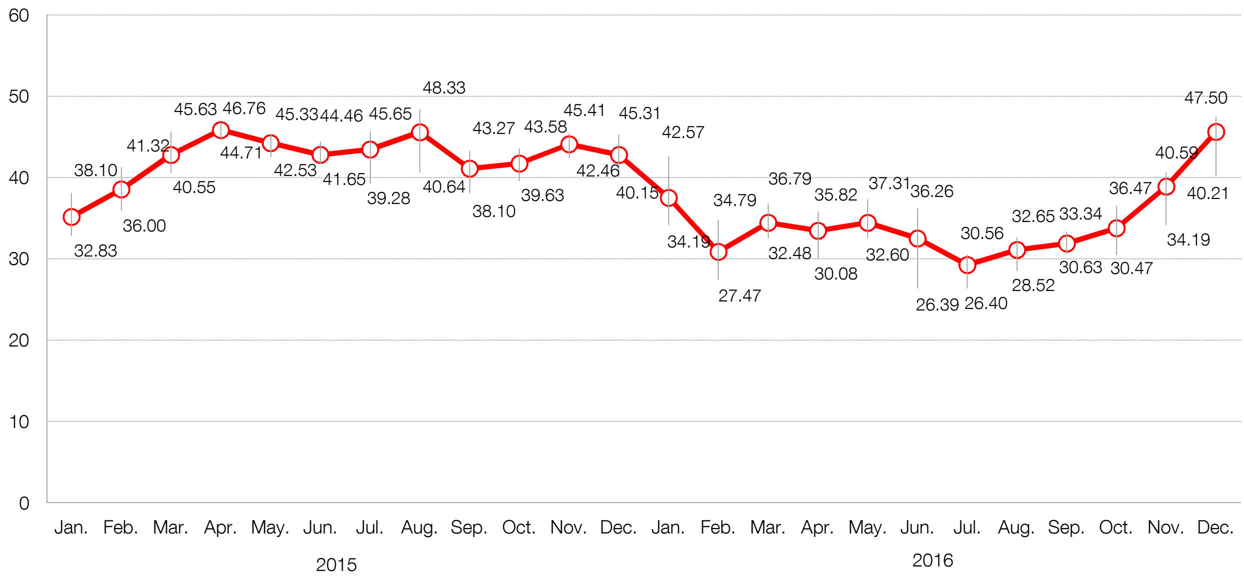
Societe Generale's share price increased by 9.8% in 2016, closing at EUR 46.75 at 31st December. This performance can be compared over the same period to a decrease of 8.0% for the Eurozone bank index (DJ EURO STOXX BANK) and to an increase of 4.9% for the CAC 40.

At 31st December 2016, the Societe Generale Group's market capitalisation stood at EUR 37.8 billion, ranking it 13th among CAC 40 stocks (13th at 31st December 2015), 12th in terms of free float (11th at 31st December 2015) and 6th among Eurozone banks (6th at 31st December 2015).

The market for the Group's shares remained highly liquid in 2016, with an average daily trading volume of EUR 165 million, representing a daily capital rotation ratio of 0.60% (versus 0.54% in 2015). In value terms, Societe Generale's shares were the 22nd most actively traded on the CAC 40 index.

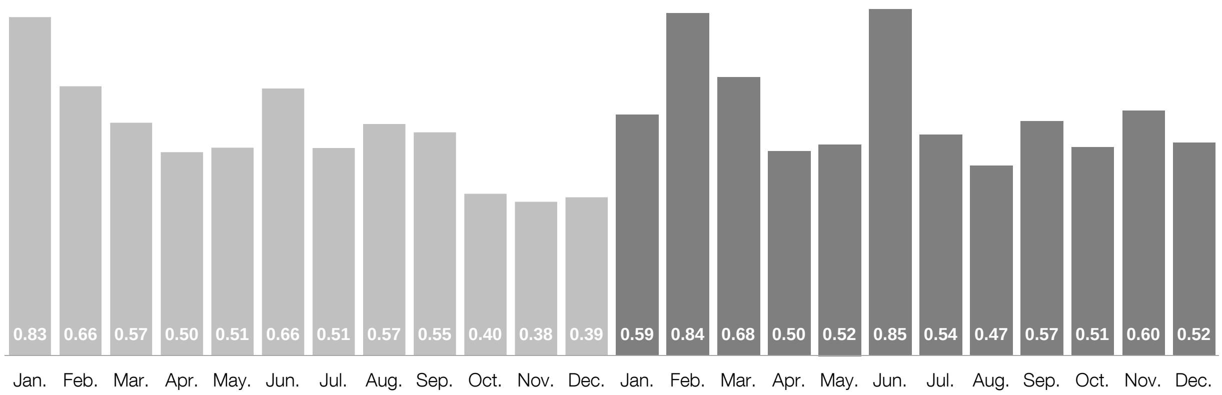
SHARE PERFORMANCE (BASE: SOCIETE GENERALE SHARE PRICE AS AT 31ST DECEMBER 2014)

MONTHLY CHANGE IN SHARE PRICE (AVERAGE MONTHLY PRICE IN EURO)



Source: Datastream.

TRADING VOLUMES (AVERAGE DAILY TRADING VOLUMES AS PERCENTAGE OF CAPITAL)



Source: Datastream.

TOTAL RETURN* FOR SHAREHOLDERS

The following table shows the cumulative and annualised average total return on investment for Societe Generale shareholders over different time periods ending 31st December 2016.

Duration of shareholding	Date	Cumulative total return*	Annualised average total return*
Since privatisation	8th July 1987	856.4%	8.0%
15 years	31st December 2001	36.0%	2.1%
10 years	31st December 2006	-47.7%	-6.3%
5 years	31st December 2011	205.8%	25.0%
4 years	31st December 2012	85.6%	16.7%
3 years	31st December 2013	22.8%	7.1%
2 years	31st December 2014	44.8%	20.3%
1 year	31st December 2015	15.8%	15.7%

Source: Datastream.

* Total return = capital gain + net dividend reinvested in shares.

STOCK EXCHANGE LISTING

Societe Generale's shares are listed on the Paris Stock Exchange (deferred settlement market, continuous trading group A, ISIN code FR0000130809) and are also traded in the United States under an American Depository Receipt (ADR) programme.

STOCK MARKET INDICES

The Societe Generale share is a component stock of the CAC 40, STOXX All Europe 100, EURO STOXX 50, Euronext 100, MSCI PAN EURO, FTSE4Good Global and ASPI Eurozone indices.

2016 DIVIDEND

- The Board of Directors of Societe Generale, which met on 8th February 2017, decided to propose the distribution of a dividend of EUR 2.20 per share to the General Meeting of 23rd May 2017:
  - dividend detachment will take place on 31st May 2017;
  - the dividend will be paid as from 2nd June 2017.

DIVIDEND HISTORY

	2016*	2015	2014	2013	2012
Net dividend *(in EUR)*	2.20	2.00	1.20	1.00	0.45(1)
Payout ratio (%)(2)	51.6	44.5	41.2	41.7	70.0
Net yield (%)(3)	4.7	4.7	3.4	2.4	1.6

* Dividend proposed by the Board of Directors to the General Meeting to be held on 23rd May 2017.

(1) Dividend with option of payment in new shares.

(2) Net dividend/diluted earnings per ordinary share (see Chapter 6, p. 396, note 7.2 to the consolidated financial statements). In 2016, the dividend payout ratio was 48.4% of net income excluding revaluation of own financial liabilities and DVA (Debit Valuation Adjustment).

(3) Net dividend/closing price at end-December.

Stock market data		31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Share capital (number of outstanding shares)		807,713,534	806,239,713	805,207,646	798,716,162	780,273,227
Market capitalisation (in EUR bn)		37.8	34.3	28.2	33.7	22.1
Earnings per share (in EUR)		4.26	4.49	2.90(3)	2.23(2)	0.66(1)
Book value per share at year-end (in EUR)		63.7	61.6	58.0(3)	56.5(2)	56.2(1)
Share price (in EUR)	high	47.5	48.3	48.4	42.5	29.8
	low	26.4	32.8	33.9	24.3	15.0
	closing	46.8	42.6	35.0	42.2	28.3

(1) The amount for the 2012 financial year has been restated due to the implementation of the revised IAS 19, resulting in the publication of adjusted data for the previous financial year.

(2) The amount for the 2013 financial year has been restated due to the implementation of IFRS 11, resulting in the publication of adjusted data for the previous financial year.

(3) The amount for the 2014 financial year has been restated due to the implementation of the IFRIC21, resulting in the publication of adjusted data for the previous financial year.

2. INFORMATION ON SHARE CAPITAL

SHARE CAPITAL

At 31st December 2016, Societe Generale's paid-up share capital amounted to EUR 1,009,641,917.50 and comprised 807,713,534 shares with a nominal value of EUR 1.25 per share, all eligible for dividends paid out of income earned from 1st January 2016.

As part of the Group's capital market activities, transactions involving indices or underlying assets with a Societe Generale share component may be carried out. These transactions do not have any impact on the Group's future capital.

The increase by 1,473,821 shares in 2016 included:

- the issue of 1,264,296 shares corresponding to the vesting, in March 2016, of the second instalment of the "Free Share Plan" for employees;
- the creation of 146,818 new shares further to the exercise between 1st January and 31st December 2016 of stock options granted in March 2009;
- the creation of 62,707 new shares further to the exercise between 1st January and 31st December 2016 of stock options granted in March 2010.

SHARE BUYBACKS AND TREASURY SHARES

At 31st December 2016, Societe Generale held 8,251,751 shares under its share buyback programme, representing 1.02% of its capital. The Group disposed of all its treasury shares during the first half of 2015.

BREAKDOWN OF CAPITAL AND VOTING RIGHTS OVER 3 YEARS

	31.12.2016(1)				31.12.2015(2)			31.12.2014(3)		
	Number of shares	% of capital	% of voting rights(4)	% of voting rights exercisable at AG(4)	Number of shares	% of capital	% of voting rights(4)	Number of shares	% of capital	% of voting rights(4)
Group Employee Share Ownership Plan	53,380,553	6.61%	11.98%	12.09%	55,092,330	6.83%	11.52%	59,714,957	7.42%	12.07%
Shareholders with more than 1.5% of the capital or voting rights	32,106,201	3.97%	5.48%	5.53%	31,914,497	3.96%	5.52%	31,914,497	3.96%	5.55%
CDC	*21,036,889*	*2.60%*	*3.00%*	*3.03%*	*20,845,185*	*2.59%*	*3.01%*	*20,845,185*	*2.59%*	*3.03%*
Meiji Yasuda Life Insurance Cy	*11,069,312*	*1.37%*	*2.48%*	*2.51%*	*11,069,312*	*1.37%*	*2.51%*	*11,069,312*	*1.37%*	*2.52%*
Free float	713,975,029	88.39%	81.62%	82.38%	709,719,318	88.03%	81.88%	693,136,270	86.08%	80.05%
Share buybacks	8,251,751	1.02%	0.93%	0.00%	9,513,568	1.18%	1.08%	11,454,906	1.42%	1.31%
Treasury stock	0	0.00%		0.00%	0	0.00%	0.00%	8,987,016	1.12%	1.02%
Total		**100.00%**	**100.00%**	**100.00%**					**100.00%**	**100.00%**
Number of outstanding shares		807,713,534	891,445,181	883,193,430		806,239,713	881,251,888		805,207,646	877,054,745

(1) At 31st December 2016, the share of European shareholders in the capital is estimated at 45%.
(2) At 31st December 2015, the share of European shareholders in the capital is estimated at 44%.
(3) At 31st December 2014, the share of European shareholders in the capital is estimated at 43%.
(4) In accordance with Article 223-11 of the AMF's General Regulation, the calculation of the total voting rights includes voting rights associated with share buybacks and treasury shares, but these shares do not give the right to vote at annual General Meetings.

In addition, during the 2016 financial year, BlackRock, Inc. reported to the AMF (French Financial Markets Authority) that it had crossed (upwards and downwards) the 5% thresholds of Societe Generale's share capital and voting rights. For the last time in the 2016 financial year, BlackRock, Inc., acting on behalf of customers and funds under its management, stated that, on 14th October 2016, it had exceeded 5% of Societe Generale's voting rights and held 45,032,378 Societe Generale shares representing as many voting rights, i.e. 5.58% of the share capital and 5.04% of Societe Generale's voting rights.

SHARE BUYBACKS

The Combined General Meeting of 18th May 2016 authorised the Company to buy or sell its own shares with a view to cancelling bought-back shares, granting, honouring or covering stock options, otherwise allocating shares or making any other form of allocation to employees and Chief Executive Officers of the Group, granting shares when rights attached to convertible securities are exercised, holding and subsequently using shares in exchange or as payment for acquisitions, and executing a liquidity contract.

Societe Generale did not buy back any of its own shares in 2016, excluding the liquidity contract.

Under the liquidity contract implemented on 22nd August 2011, Societe Generale acquired 8,860,566 shares in 2016, with a value of EUR 309,476,131, and sold 8,860,566 shares with a value of EUR 310,460,976.

At 31st December 2016, the liquidity contract held no shares.

From 1st January 2017 to 8th February 2017, excluding the liquidity contract, Societe Generale did not buy back any of its own shares on the market. At 8th February 2017, 170,000 shares were recorded in the liquidity contract account.

From 1st January 2016 to 31st December 2016

	Purchases			Transfers/Disposals				
	Number		**Purchase price**	**Number**		**Purchase price**		**Disposal/ transfer price**
Cancellation	0	-	0.00					
Acquisitions	0	-	0.00					
Allocation to employees	0	-	0.00	1,261,817	22.05	27,819,125	0.00	0
Liquidity contract	8,860,566	34.93	309,476,131	8,860,566	34.93	309,507,537	35.04	310,460,976
Total	**8,860,566**	**34.93**	**309,476,131**	**10,122,383**	**33.32**	**337,326,662**	**30.67**	**310,460,976**

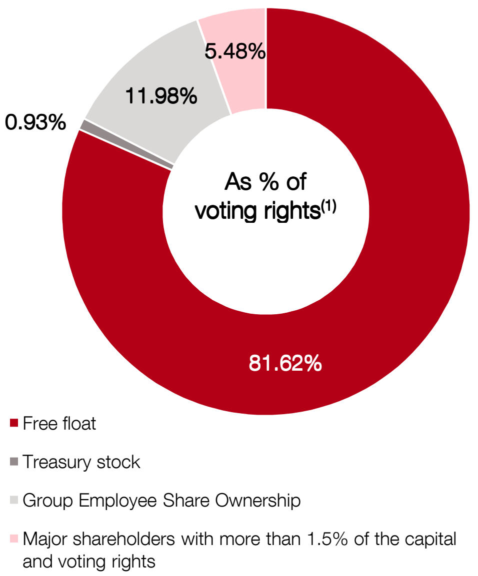
VALUE OF TREASURY SHARES AND BUYBACKS AT 31ST DECEMBER 2016

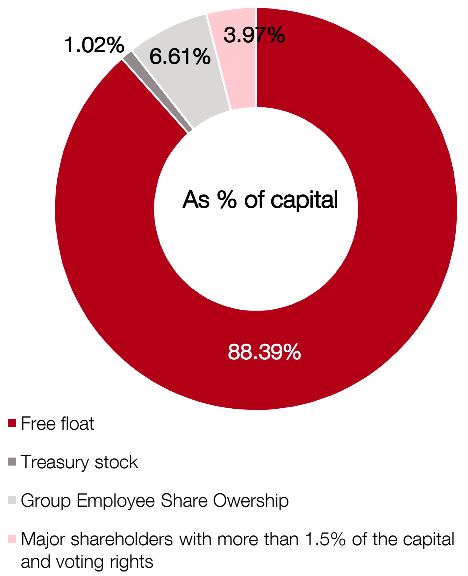
Percentage of capital held directly or indirectly	**1.02%**
Number of shares cancelled over the last 24 months	0
Number of shares held directly	8,251,751
Book value of shares held directly	EUR 296,037,482
Market value of shares held directly(1)	EUR 376,048,011

(1) The current value is equal to the average share price of the last month for available-for-sale listed securities.

At 31.12. 2016	Number of shares	Nominal value (in EUR)	Book value (in EUR)
Societe Generale*	8,251,751	10,314,689	296,037,482
Total	**8,251,751**	**10,314,689**	**296,037,482**

* Of which liquidity contract (0 share).





(1) As of 2006 and in accordance with Article 223-11 of the AMF General Regulation, the calculation of the total voting rights includes voting rights associated with share buybacks and treasury shares; however, these shares do not give the right to vote at General Meetings.

Note: Societe Generale's by-laws stipulate that shareholders are obliged to notify the company whenever their holding of capital or voting rights exceeds an additional 0.5% and as soon as the threshold of holding 1.5% of capital or voting rights is exceeded. At end-December 2016, no other shareholder claimed to have over 1.5% of the capital or voting rights, with the exception of mutual funds and trading activities at financial institutions.

CHANGES IN SHARE CAPITAL

Operation	Date of record or completion	Change	Number of shares	Share capital (in EUR)	Change in share capital resulting from operation (%)
Issue of preference shares (B shares)	recorded on 28.05.2009	+45,045,045 B shares	625,772,289 divided into 580,727,244 A shares and 45,045,045 B shares	782,215,361.25	+7.76
Increase through the exercise of the option for the payment of dividends in shares	recorded on 17.06.2009	+13,810,504 A shares	639,582,793 divided into 594,537,748 A shares and 45,045,045 B shares	799,478,491.25	+2.21
Increase through 2009 Company Savings Plan	recorded on 10.07.2009	+10,757,876 A shares	650,340,669 divided into 605,295,624 A shares and 45,045,045 B shares	812,925,836.25	+1.68
Exercise of stock options in 2009	recorded on 15.10.2009	+411 A shares	650,341,080 divided into 605,296,035 A shares and 45,045,045 B shares	812,926,350.00	
Capital increase with pre-emptive subscription rights decided on 5th October 2009	recorded on 02.11.2009	+134,510,230 A shares	784,851,310 divided into 739,806,265 A shares and 45,045,045 B shares	981,064,137.50	+20.68
Cancellation of preference shares (B shares) decided on 3rd November 2009	recorded on 23.12.2009	-45,045,045 B shares	739,806,265 A shares	924,757,831.25	-5.74
Increase through the exercise of the option for the payment of dividends in shares	recorded on 21.06.2010	+2,323,887	742,130,152	927,662,690.00	+0.31
Increase through 2010 Company Savings Plan	recorded on 16.07.2010	+4,291,479	746,421,631	933,027,038.75	+0.58
Increase through the exercise of the option for the payment of dividends in shares	recorded on 21.06.2011	+23,901,432	770,323,063	962,903,828.75	+3.2
Increase through 2011 Company Savings Plan	recorded on 13.07.2011	+5,756,928	776,079,991	970,099,988.75	+0.75
Increase through 2012 Company Savings Plan	recorded on 26.06.2012	+4,191,357	780,271,348	975,339,185.00	+0.54
Exercise of stock options in 2012	recorded on 08.01.2013	+1,879	780,273,227	975,341,533.75	
Free grant of shares for employees	recorded on 02.04.2013	+884,912	781,158,139	976,447,673.75	+0.11
Increase through the exercise of the option for the payment of dividends in shares	recorded on 19.06.2013	+8,835,256	789,993,395	987,491,743.75	+1.13
Increase through 2013 Company Savings Plan and exercise of stock options until 10th July 2013	recorded on 12.07.2013	+8,662,904(1)	798,656,299	998,320,373.75	+1.10
Exercise of stock options from 11th July 2013 to 31st December 2013	recorded on 08.01.2014	+59,863	798,716,162	998,395,202.50	
Free grant of shares for employees	recorded on 31.03.2014	+1,303,272	800,019,434	1,000,024,292.50	+0.16
Increase through 2014 Company Savings Plan and exercise of stock options until 30th June 2014	recorded on 11.07.2014	+5,172,260(2)	805,191,694	1,006,489,617.50	+0.65
Exercise of stock options from 1st July 2014 to 31st December 2014	recorded on 08.01.2015	+15,952	805,207,646	1,006,509,557.50	
Free grant of shares for employees	recorded on 31.03.2015	+892,416	806,100,062	1,007,625,077.50	+0.11
Exercise of stock options from 1st January 2015 to 31st December 2015	recorded on 08.01.2016	+139,651	806,239,713	1,007,799,641.25	+0.01
Free grant of shares for employees	recorded on 31.03.2016	+1,264,296	807,504,009	1,009,380,011.25	+0.15
Exercise of stock options from 1st January 2016 to 31st December 2016	recorded on 09.01.2017	+209,525	807,713,534	1,009,641,917.50	+0.02

(1) Including 15,137 shares from exercise of stock options in 2013.

(2) Including 55,292 shares from exercise of stock options in 2014.

EXISTING AGREEMENTS BETWEEN SOCIETE GENERALE AND ITS SHAREHOLDERS

On 24th July 2000, Societe Generale entered into an agreement with Santander Central Hispano (which became "Banco Santander") relating to the management of their cross-holdings. According to this agreement, Societe Generale and Santander Central Hispano each grant the other party a pre-emptive right to the shares held, directly or through a subsidiary, by each of the parties in the share capital of the other, although this right does not apply in the event of a public tender offer initiated by a third party for the shares of either party.

The agreement was concluded for an initial period of three years from the date of its signature and is subsequently renewable for two-year periods.

This pre-emptive clause was published by the French Financial Markets Council (*Conseil des Marchés Financiers*) in Decision No. 201C1417 dated 30th November 2001. This agreement was still in force on 31st December 2016. However, as at 31st December 2016, Banco Santander no longer held any shares in Societe Generale and Societe Generale no longer held any shares in Banco Santander.

INFORMATION REQUIRED BY ARTICLE L. 225-100-3 OF THE FRENCH COMMERCIAL CODE

Within the framework of the provisions of Article L. 225-100-3 of the French Commercial Code, Societe Generale must disclose and, where applicable, explain the following items when they are likely to have an impact in case of a public tender offer.

To the best of its knowledge, Societe Generale does not have any specific measures likely to have an impact in case of public tender offer. However, the information required by Article L. 225-100-3 of the French Commercial Code is listed below as it has been included in the Registration Document to meet other obligations.

1. Share capital structure: this information appears in this Chapter 7, section 2 "Information on share capital", under the heading "Breakdown of capital and voting rights over 3 years".
2. Statutory restrictions on the exercise of voting rights: this information appears in this Chapter 7, section 4 "By-laws", more specifically in Articles 6 and 14.
3. Direct or indirect holdings in the share capital of which Societe Generale is aware pursuant to Articles L. 233-7 and L. 233-12 of the French Commercial Code: this information appears in this Chapter 7, section 2 "Information on share capital", under the heading "Breakdown of capital and voting rights over 3 years".
4. The list of holders of any securities bearing special control rights: not applicable since the cancellation of the preference shares on 23rd December 2009.
5. Control mechanisms provided for under a potential employee share ownership plan, when the control rights are not exercised by the latter: this information appears in Chapter 5 "Corporate Social Responsibility", section 5 "Societe Generale supports its employees on a daily basis", under the heading "Mandatory employer contributions, voluntary profit-sharing and company savings plan".
6. Shareholders agreements of which Societe Generale is aware and which may result in restrictions on the transfer of shares and the exercise of voting rights: not applicable.
7. Rules applicable to the appointment and replacement of members of the Board of Directors as well as to the amendment of the Company's By-laws. This information appears in this Chapter 7, section 4 "By-laws", more specifically in Articles 7 and 14.
8. Powers of the Board of Directors to issue or buy back shares: the delegations granted by the General Meeting to the Board of Directors in this respect appear in this Chapter 7, section 2 "Information on share capital", under the heading "List of outstanding delegations and their use in 2016 and early 2017 (up to 8th February 2017)" and the information about share buybacks appears in this Chapter 7, section 2 "Information on share capital", under the heading "Share buybacks".
9. Agreements concluded by Societe Generale that are amended or terminated in case of a change of control of Societe Generale, unless this disclosure would, except in cases where disclosure is a legal obligation, seriously undermine its interests: not applicable.
10. Agreements providing for compensation for members of the Board of Directors or employees if they resign or are dismissed without real and serious grounds, or if their employment is terminated due to a public tender offer: this information appears in Chapter 3 "Corporate Governance", section 3 "Remuneration of Group senior management" for the Directors.

LIST OF OUTSTANDING DELEGATIONS AND THEIR USE

Type of authorisation	Purpose of the authorisation granted to the Board of Directors	Validity of the delegation
Share buybacks	To buy Societe Generale shares	**Granted by:** AGM of 19th May 2015, 13th resolution **For a period of:** 18 months **Start date:** 20th May 2015 **Early termination:** 18th May 2016
		Granted by: AGM of 18th May 2016, 13th resolution **For a period of:** 18 months **Start date:** 19th May 2016 **Expiry date:** 18th November 2017
Capital increase	To increase the share capital with pre-emptive subscription rights through the issuance of ordinary shares or securities giving access to the share capital	**Granted by:** AGM of 20th May 2014, 12th resolution **For a period of:** 26 months **Early termination:** 18th May 2016
		Granted by: AGM of 18th May 2016, 14th resolution **For a period of:** 26 months **Expiry date:** 18th July 2018
	To increase the share capital through the incorporation of reserves, profits, premiums or others	**Granted by:** AGM of 20th May 2014, 12th resolution **For a period of:** 26 months **Early termination:** 18th May 2016
		Granted by: AGM of 18th May 2016, 14th resolution **For a period of:** 26 months **Expiry date:** 18th July 2018
	To increase the share capital without pre-emptive subscription rights through the issuance of ordinary shares or securities giving access to the share capital	**Granted by:** AGM of 20th May 2014, 13th resolution **For a period of:** 26 months **Early termination:** 18th May 2016
		Granted by: AGM of 18th May 2016, 15th resolution **For a period of:** 26 months **Expiry date:** 18th July 2018
	Over-allotment option in the event of oversubscription during capital increase operations with or without pre-emptive subscription rights decided by the Board	**Granted by:** AGM of 20th May 2014, 14th resolution **For a period of:** 26 months **Expiry date:** 20th July 2016
	To increase the share capital in order to remunerate contributions in kind consisting of securities	**Granted by:** AGM of 20th May 2014, 15th resolution **For a period of:** 26 months **Early termination:** 18th May 2016
		Granted by: AGM of 18th May 2016, 16th resolution **For a period of:** 26 months **Expiry date:** 18th July 2018

IN 2016 AND EARLY 2017 (UP TO 8th FEBRUARY 2017)

Limit	Use in 2016	Use in 2017 (up to 8th February)
5% of the share capital at the completion date of the purchases	Excluding the liquidity agreement: none. On 18th May 2016, no share was recorded in the liquidity agreement's account.	NA
5% of the share capital at the completion date of the purchases	Excluding the liquidity agreement: none. On 31st December 2016, no share was recorded in the liquidity agreement's account. (see details on p. 496 of the 2017 Registration Document)	Excluding the liquidity agreement: none. On 8th February 2017, 170,000 shares were recorded in the liquidity agreement's account. (see details on p. 496 of the 2017 Registration Document)
Nominal EUR 399 million for shares, i.e. 39.97% of the share capital at the date on which the authorisation was granted Nominal EUR 6 billion for debt securities giving access to the share capital *Note: these limits count towards those set forth in resolutions 13 to 18 of the AGM of 20th May 2014*	None	NA
Nominal EUR 403 million for shares, i.e. 39.99% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards those set forth in resolutions 15 to 20 of the AGM of 18th May 2016* Nominal EUR 6 billion for debt securities giving access to the share capital *Note: this limit counts towards those set forth in resolutions 15 to 18 of the AGM of 18th May 2016*	None	None
Nominal EUR 550 million	None	NA
Nominal EUR 550 million	None	None
Nominal EUR 99.839 million for shares, i.e. 10% of the share capital at the date on which the authorisation was granted Nominal EUR 6 billion for debt securities giving access to the share capital *Note: these limits count towards those set forth in resolution 12, and include those set forth in resolutions 14 to 16 of the AGM of 20th May 2014*	None	NA
Nominal EUR 100.779 million for shares, i.e. 10% of the share capital at the date on which the authorisation was granted Nominal EUR 6 billion for debt securities giving access to the share capital *Note: these limits count towards those set forth in resolution 14, and include those set forth in resolutions 16 to 17 of the AGM of 18th May 2016*	None	None
15% of the initial issuance *Note: such operation would be carried out at the same price as the initial issuance and within the limits of those set forth in resolutions 12 and 13 of the AGM of 20th May 2014*	None	None
10% of the share capital *Note: this limit counts towards those set forth in resolutions 12 and 13 of the AGM of 20th May 2014*	None	NA
10% of the share capital *Note: this limit counts towards those set forth in resolutions 14 and 15 of the AGM of 18th May 2016*	None	None

Type of authorisation	Purpose of the authorisation granted to the Board of Directors	Validity of the delegation
Issuance of subordinated bonds	Issuance of contingent convertible bonds without pre-emptive subscription rights	**Granted by:** AGM of 20th May 2014, 16th resolution **For a period of:** 26 months **Early termination:** 18th May 2016
		Granted by: AGM of 18th May 2016, 17th resolution **For a period of:** 26 months **Expiry date:** 18th July 2018
Transactions in favour of employees	To increase the share capital through the issuance of ordinary shares or securities giving access to the share capital reserved for members of a Societe Generale company or Group Savings Plan	**Granted by:** AGM of 20th May 2014, 17th resolution **For a period of:** 26 months **Early termination:** 18th May 2016
		Granted by: AGM of 18th May 2016, 18th resolution **For a period of:** 26 months **Expiry date:** 18th July 2018
Allocation of free shares	To allocate free shares, existing or to be issued, to employees and Directors	**Granted by:** AGM of 20th May 2014, 18th resolution **For a period of:** 26 months **Early termination:** 18th May 2016
	To allocate free shares, existing or to be issued, to regulated persons and assimilated	**Granted by:** AGM of 18th May 2016, 19th resolution **For a period of:** 26 months **Expiry date:** 18th July 2018
	To allocate free shares, existing or to be issued, to employees other than regulated persons and assimilated	**Granted by:** AGM of 18th May 2016, 20th resolution **For a period of:** 26 months **Expiry date:** 18th July 2018
Cancellation of shares	To cancel shares purchased as part of share buyback programmes	**Granted by:** AGM of 20th May 2014, 19th resolution **For a period of:** 26 months **Early termination:** 18th May 2016
		Granted by: AGM of 18th May 2016, 21st resolution **For a period of:** 26 months **Expiry date:** 18th July 2018

Limit	Use in 2016	Use in 2017 (up to 8th February)
10% of the share capital *Note: this limit counts towards those set forth in resolutions 12 and 13 of the AGM of 20th May 2014*	None	NA
10% of the share capital *Note: this limit counts towards those set forth in resolutions 14 and 15 of the AGM of 18th May 2016*	None	None
2% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards the limit set forth in resolution 12 of the AGM of 20th May 2014*	None	NA
1% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards the limit set forth in resolution 14 of the AGM of 18th May 2016*	None	None
2% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards the limit set forth in resolution 12 of the AGM of 20th May 2014* 0.50% of the share capital for regulated persons *Note: this limit counts towards the 2% limit set forth in resolution 18 of the AGM of 20th May 2014*	None	NA
1.4% of the share capital at the date on which the authorisation was granted including a maximum of 0.5% of the share capital with a 2-year vesting period for the payment of deferred variable compensation *Note: this limit counts towards the limit set forth in resolution 14 of the AGM of 18th May 2016* 0.1% of the share capital for the Chief Executive Officers *Note: this limit counts towards the 1.4% and 0.5% limits set forth in resolution 19 of the AGM of 18th May 2016*	On 31st December 2016, allocation of 1,270,000 shares, i.e. 0.16% of the share capital at the date of allocation	None
0.6% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards the limit set forth in resolution 14 of the AGM of 18th May 2016*	On 31st December 2016, allocation of 1,215,000 shares, i.e. 0.15% of the share capital at the date of allocation	None
5% of the total number of shares per 24-month period	None	NA
5% of the total number of shares per 24-month period	None	None

3. ADDITIONAL INFORMATION

GENERAL INFORMATION

Name

Societe Generale

Registered office

29 boulevard Haussmann, 75009 Paris (France)

Administrative office

17 Cours Valmy, 92972 Paris-La Défense (France)

Postal address: Société Générale, Tours Société Générale, 75886 Paris cedex 18 (France)

Telephone number: +33 (0)1 42 14 20 00

Website: www.societegenerale.com

Legal form

Societe Generale is a public limited company (*société anonyme*) established under French law and having the status of a bank.

Governing law

Subject to the legislative and regulatory provisions relating to credit institutions, in particular the articles of the French Monetary and Financial Code that apply to them, Societe Generale is governed by French commercial legislation, in particular by Articles L. 210-1 et seq. of the French Commercial Code, as well as by its By-laws.

Societe Generale is a credit institution licensed as a bank. As such, it may carry out all banking transactions. It may also in particular perform all investment-related services or related services referred to by Articles L. 321-1 and L. 321-2 of the French Monetary and Financial Code, except for operating a multilateral trading facility. As an investment services provider, Societe Generale is subject to the regulations applicable to the same. It must in particular comply with a number of prudential rules and is subject to the controls carried out by the European Central Bank (ECB) and the French Prudential Supervisory and Resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution* - ACPR). Its management and all its employees are bound by professional secrecy, the breach of which is punishable by criminal law. Societe Generale also acts as an insurance broker.

Date of incorporation and duration

Societe Generale was incorporated following a deed approved by decree dated 4th May 1864. The duration of Societe Generale will expire on 31st December 2047, unless its duration is extended or the Company is wound up before that date.

Corporate purpose

Article 3 of the Company's By-laws describes the corporate purpose. The purpose of Societe Generale is, under the conditions determined by the laws and regulations applicable to credit institutions, to carry out with individuals or legal entities, in France and abroad:

- all banking transactions;
- all transactions related to banking operations, including in particular investment services or related services referred to in Articles L. 321- 1 and L. 321-2 of the French Monetary and Financial Code;
- all acquisitions of interests in other companies.

Societe Generale may also, on a regular basis, as defined in the conditions set by the French Financial and Banking Regulation Committee (*Comité de la réglementation bancaire et financière*), engage in all transactions other than those mentioned above, in particular insurance brokerage.

Generally, Societe Generale may carry out, on its own behalf, on behalf of a third party or jointly, all financial, commercial, industrial or agricultural, security or property transactions, directly or indirectly related to the above-mentioned activities or likely to facilitate their accomplishment.

Identification

552 120 222 RCS PARIS
ISIN code (International Securities Identification Number): FR 0000130809
NAF (trade sector) code: 6419Z
LEI (Legal Entity Identifier): O2RNE8IBXP4R0TD8PU41

Corporate documents

Documents relating to the Company and in particular its By-laws, its accounts, the reports submitted to its General Meetings by the Board of Directors or the Statutory Auditors, are available at Tours Société Générale, 17 cours Valmy, 92972 Paris-La Défense Cedex (France).

The By-laws of Societe Generale are filed with the notary office "Thibierge, Pône, Fremeaux, Palud, Sarazin, Sagaut et Chaput" in Paris (France).

Financial year

From 1st January to 31st December of each year.

Categories of shares and attached rights

Under Article 4 of the Company's By-laws, the share capital is divided into 807,713,534 fully paid-up shares with a nominal value of EUR 1.25.

Double voting rights

In accordance with Article 14 of the Company's By-laws, double voting rights, in relation to the amount of share capital they represent, are allocated to all those shares which are fully paid-up and which have been registered in the name of the same shareholder for at least two years as from 1st January 1993, as well as to new registered shares that may be freely allocated to a shareholder, in the event of a capital increase by incorporation of reserves, profits or premiums, at the rate of shares benefiting from this right.

According to the law, double voting rights cease for shares which have been converted into bearer form or if ownership of the shares is transferred. Nevertheless, transfer through inheritance, liquidation of marital assets, donation *inter vivos* to a spouse or a direct relative entitled to inherit, does not result in the loss of rights and does not affect the minimum two-year vesting period. The same applies, unless otherwise stated in the Company's By-laws, in case of transfer following a merger or a spin-off of a shareholder company.

Restriction on voting rights

In accordance with Article 14 of the Company's By-laws, the number of votes at General Meetings to be used by one shareholder, either personally or through a proxy, may not exceed 15% of the total voting rights existing at the date of the Meeting. This 15% limit does not apply to the Chairman or any other proxy with respect to the total number of voting rights they hold on a personal basis and in their capacity as proxy, provided that each proxy complies with the 15% rule. For the purposes of applying this 15% limit, shares held by a single shareholder include shares held indirectly or jointly in accordance with the conditions described in Articles L. 233-7 et seq. of the French Commercial Code. This limit ceases to apply when a shareholder comes to hold, following a public tender offer, either directly or indirectly or jointly with another shareholder, more than 50.01% of the Company's voting rights.

Disclosure of statutory threshold crossings

In accordance with the provisions of Article 6.2 of the Company's By-laws, any shareholder acting alone or jointly, who comes to hold directly or indirectly at least 1.5% of the share capital or of the voting rights in the Company, must inform the latter within fifteen days following the crossing of this threshold, and must also indicate in this statement the number of securities giving access to the share capital it holds. Mutual fund management companies must provide this information for all shares in the Company held by the funds they manage. Beyond 1.5%, each crossing of an additional 0.5% threshold of the share capital or of the voting rights must be notified to the Company, as provided by Article 6.2 of the Company's By-laws.

Failure to comply with this requirement will be punished in accordance with legal provisions, at the request, duly recorded in the minutes of the General Meeting, of one or more shareholders holding at least 5% of the share capital or of the voting rights in the Company.

Any shareholder, acting alone or jointly, is also required to inform the Company within fifteen days when the percentage of share capital or voting rights it holds falls below each of the thresholds mentioned in Article 6.2 of the Company's By-laws.

Convening and rules for attending General Meetings of Shareholders

Under Article 14 of the Company's By-laws, General Meetings are convened and deliberate in accordance with the conditions set forth by the laws and regulations in force. They meet at the registered office or in any other place in metropolitan France indicated in the convening notice. Such meetings are chaired by the Chairman of the Board of Directors or, failing this, by a Director appointed for this purpose by the Chairman of the Board of Directors.

Regardless of the number of shares held, any shareholder whose shares are registered under the terms and at a date set by decree, has the right, upon proof of its identity and status as a shareholder, to participate in the General Meetings. A shareholder may, in accordance with the laws and regulations in force, personally attend the General Meetings, vote remotely or appoint a proxy. The intermediary registered on behalf of shareholders may participate in the General Meetings, under the conditions set forth by the provisions of the laws and regulations in force.

In order for the ballots to be counted, they must be received by the Company at least two days before the General Meeting is held, unless a shorter period is specified in the convening notice or required by the regulations in force.

Shareholders may participate in General Meetings by videoconference or any other means of telecommunication, when provided for in the convening notice and subject to the conditions defined therein.

The General Meeting may be publicly broadcast by means of electronic communication subject to the approval of and under the terms set by the Board of Directors. Notice will be given in the notice of meeting and/or the convening notice.

In all General Meetings, the voting right attached to shares with a right of usufruct is exercised by the usufructuary.

Identifiable bearer securities

Article 6.3 of the Company's By-laws provides that Societe Generale may at any time, in accordance with the provisions of the laws and regulations in force, request the organisation responsible for securities clearing to provide information relating to the securities granting the right to vote in its General Meetings, either immediately or in the future, as well as information about the holders of these securities.

PUBLICLY AVAILABLE DOCUMENTS

The Company's By-laws are included in this Registration Document. All reports, letters and other documents, historical financial data, assessments and statements prepared by any expert at the request of the issuer and included in part or referred to in the present document, as well as all financial information, including on subsidiaries, for each of the two financial years preceding the publication of this document, are available either on the Societe Generale Group website or at its administrative office.

4. BY-LAWS

(Updated as at 31st December 2016)

TYPE OF COMPANY – NAME – REGISTERED OFFICE – PURPOSE

Article 1

The Company, named Societe Generale, is a public limited company incorporated by deed approved by the Decree of 4th May 1864, and is approved as a bank.

The duration of Societe Generale, previously fixed at 50 years with effect from 1st January 1899, was then extended by 99 years with effect from 1st January 1949.

Under the legislative and regulatory provisions relating to credit institutions, notably the articles of the French Monetary and Financial Code that apply to them, the Company is subject to commercial laws, in particular Articles L. 210-1 et seq. of the French Commercial Code, as well as these By-laws.

Article 2

Societe Generale's registered office is at 29, boulevard Haussmann, Paris (9th arrondissement).

In accordance with current legislative and regulatory provisions it may be transferred to any other location.

Article 3

The purpose of Societe Generale is, under the conditions determined by the laws and regulations applicable to credit institutions, to carry out with individuals and corporate entities, in France or abroad:

- all banking transactions;
- all transactions related to banking operations, including in particular investment services or allied services as listed by Articles L. 321-1 and L. 321-2 of the Monetary and Financial Code;
- all acquisitions of interests in other companies.

Societe Generale may also, on a regular basis, as defined in the conditions set by the French Financial and Banking Regulation Committee, engage in all transactions other than those mentioned above, including in particular insurance brokerage.

Generally, Societe Generale may carry out, on its own behalf, on behalf of a third party or jointly, all financial, commercial, industrial, agricultural, security or property transactions, directly or indirectly related to the abovementioned activities or likely to facilitate the accomplishment of such activities.

CAPITAL – SHARES

Article 4

4.1 SHARE CAPITAL

The share capital amounts to EUR 1,009,641,917.50. This is divided into 807,713,534 fully paid-up shares, each with a nominal value of EUR 1.25.

4.2 CAPITAL INCREASE AND REDUCTION

The capital may be increased or reduced on the decision of the competent General Meeting or Meetings.

Any capital reduction motivated by losses shall be divided between shareholders in proportion to their share of the capital.

Article 5

Unless otherwise provided by legislative and regulatory provisions, all shares have the same rights.

All shares which make up or which will make up the share capital will be given equal rank as regards taxes. Consequently, all taxes which, for whatever reason, may become payable on certain shares following capital reimbursement, either during the life of the Company or during its liquidation, shall be divided between all the shares making up the capital on such reimbursement(s) so that, while allowing for the nominal and non-amortised value of the shares and for their respective rights, all present or future shares shall entitle their owners to the same effective advantages and to the right to receive the same net sum.

Whenever it is necessary to possess a certain number of shares in order to exercise a right, it is incumbent on shareholders who own fewer shares than the total number required to assemble the necessary number of shares.

Article 6

6.1. FORM AND TRANSFER OF SHARES

The shares may, in accordance with the holder's wishes, be registered or bearer shares and shall be freely negotiable, unless otherwise stipulated by law.

6.2. STATUTORY THRESHOLDS

Any shareholder acting on his own or jointly, who comes to hold directly or indirectly at least 1.5% of the capital or voting rights, must inform the Company within fifteen days of the time at which he exceeds this threshold, and must also indicate in his declaration the number of shares he holds in the share capital. Mutual fund management companies must provide this information based on the total number of shares held in the Company by the funds they manage. Beyond the initial 1.5%, shareholders are obliged to notify the Company, under the aforementioned conditions, whenever their holding of capital or voting rights exceeds an additional 0.50%.

Failure to comply with this requirement will be penalised in accordance with legal provisions on this matter, at the request of one or more shareholders with at least a 5% holding in the Company's capital or voting rights. Said request will be duly recorded in the minutes of the General Meeting.

Any shareholder acting on his own or jointly, is also required to inform the Company within fifteen days if the percentage of his capital or voting rights falls below each of the thresholds described in this article.

6.3. IDENTIFICATION OF SHAREHOLDERS

The Company can at any time, in accordance with current legislative and regulatory provisions, request that the organisation responsible for securities clearing provide information relating to the shares granting the right to vote in its General Meetings, either immediately or in the long term, as well as information about the holders of these shares.

6.4. SHAREHOLDERS' RIGHTS

The rights of shareholders shall comply with applicable legislative and regulatory provisions, subject to the specific provisions of the current by-laws.

BOARD OF DIRECTORS

Article 7

I – DIRECTORS

The Company is managed by a Board of Directors made up of two categories of Directors:

1. DIRECTORS APPOINTED BY THE ORDINARY GENERAL MEETING OF SHAREHOLDERS.

There are at least nine of these Directors, and thirteen at the most.

The term of office of Directors appointed by the Ordinary General Meeting shall expire four years after the approval of the current article. This provision does not apply to Directors in office at the time of this approval.

When, in application of current legislative and regulatory provisions, a Director is appointed to replace another, then his term of office shall not exceed the term of office remaining to be served by his predecessor.

Each Director must hold at least six hundred shares.

2. DIRECTORS ELECTED BY EMPLOYEES

The status and methods of electing these Directors are laid down by Articles L. 225-27 to L. 225-34 of the French Commercial Code, as well as by these By-laws.

There are two Directors, one to represent the executives and one to represent all other Company employees.

In any event, their number may not exceed one-third of the Directors appointed by the General Meeting.

Their term of office is three years.

Regardless of the appointment procedure, the duties of a Director cease at the end of the Ordinary General Meeting called to approve the financial statements of the previous fiscal year and held during the year in which his term of office expires.

Directors may be re-elected, as long as they meet the legal provisions, particularly with regard to age.

II – METHODS OF ELECTING DIRECTORS ELECTED BY EMPLOYEES

For each seat to be filled, the voting procedure is that set forth by law.

The first Directors elected by employees will begin their term of office during the Board of Directors' meeting held after publication of the full results of the first elections.

Subsequent Directors shall take up office upon expiry of the outgoing Directors' terms of office.

If, under any circumstances and for any reason whatsoever, there shall remain in office less than the statutory number of Directors before the normal end of the term of office of such Directors, vacant seats shall remain vacant until the end of the term of office and the Board shall continue to meet and take decisions validly until that date.

Elections shall be organised every three years so that a second vote may take place at the latest fifteen days before the normal end of the term of office of outgoing Directors.

For both the first and second ballot, the following deadlines should be adhered to:

- posting of the date of the election at least eight weeks before the polling date;
- posting of the lists of the electors at least six weeks before the polling date;
- registration of candidates at least five weeks before the polling date;
- posting of lists of candidates at least four weeks before the polling date;
- sending of documents required for postal voting at least three weeks before the polling date.

The candidatures or lists of candidates other than those entered by a representative trade union should be accompanied by a document including the names and signatures of the one hundred employees presenting the candidates.

Polling takes place the same day, at the work place, and during working hours. Nevertheless, the following may vote by post:

- employees not present on the day of polling;
- employees working abroad;
- employees of a department or office or seconded to a subsidiary in France not having a polling station, or who cannot vote in another office.

Each polling station consists of three elective members, the Chairman being the oldest one among them. The Chairman is responsible for seeing that voting operations proceed correctly.

Votes are counted in each polling station, and immediately after the closing of the polls; the report is drawn up as soon as the counting has been completed.

Results are immediately sent to the Head Office of Societe Generale, where a centralised results station will be set up with a view to drafting the summary report and announcing the results.

Methods of polling not specified by Articles L. 225-27 to L. 225-34 of the French Commercial Code or these By-laws are decreed by the General Management after consulting with the representative trade unions.

These methods may include electronic voting, whose organisation may deviate from the practical organisation of the election described herein.

III – NON-VOTING DIRECTORS

On the proposal of the Chairman, the Board of Directors may appoint one or two Non-Voting Directors.

Non-Voting Directors are convened and attend Board of Directors' meetings in a consultative capacity.

They are appointed for a period not exceeding four years and the Board can renew their terms of office or terminate them at any time.

They may be selected from among shareholders or non-shareholders, and receive an annual remuneration determined by the Board of Directors.

Article 8

The Board of Directors determines the Company's strategy and ensures its implementation. Subject to the powers expressly attributed to the General Meeting and within the scope provided for in the corporate purpose, it considers all matters that affect the Company's operations and settles by its decisions matters that concern it.

It carries out all the controls and verifications it deems appropriate. The Chairman or Chief Executive Officer is required to furnish each Director with all documents required to carry out their function.

Article 9

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

No member of 70 years of age or more shall be appointed Chairman. If the Chairman in office reaches the age of 70, his duties shall cease after the next Ordinary General Meeting called to approve the financial statements of the preceding fiscal year.

The Chairman organises and manages the work of the Board of Directors and reports on its activities to the General Meeting. He ensures that the Company's bodies operate correctly and in particular ensures that the Directors are able to fulfil their functions.

Article 10

The Board of Directors meets as often as is required by the interests of the Company, upon convocation by the Chairman, either at the registered office or in any other place indicated in the Notice of Meeting. The Board examines the items placed on the agenda.

It shall meet when at least one-third of Board members or the Chief Executive Officer submits a request for a meeting with a specific agenda to the Chairman.

If the Chairman is unable to attend, the Board of Directors can be convened either by one-third of its members, or by the Chief Executive Officer or a Deputy Chief Executive Officer, provided they are members of the Board.

Unless specifically provided for, Directors are called to meetings by letter or by any other means. In any event, the Board may always deliberate validly if all its members are present or represented.

Article 11

Board meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a Director designated for this purpose at the beginning of the meeting.

Every Director may give his proxy to another Director, but a Director may act as proxy for only one other Director and a proxy can only be given for one specific meeting of the Board.

In all cases, deliberations of the Board are valid only if at least half the members are present.

The Chief Executive Officer attends meetings of the Board.

One or several delegates of the Central Works Council attend Board meetings, under the conditions laid down by the legislation in force.

At the request of the Chairman of the Board of Directors, members of the General Management, the Statutory Auditors or other persons outside the Company with specific expertise relating to the items on the agenda may attend all or part of a Board meeting.

Resolutions are adopted by a majority vote of the Directors present or represented. In the event of a tie, the Chairman holds a casting vote.

A member of the Management appointed by the Chairman serves as Secretary of the Board.

Minutes are prepared and copies or extracts certified and delivered in accordance with the law.

Article 12

Members of the Board may receive Director's fees in the form of a global sum set by the General Meeting distributed by the Board among its members as it sees fit.

GENERAL MANAGEMENT

Article 13

The General Management of the Company is the responsibility of either the Chairman of the Board of Directors or any other individual appointed by the Board of Directors to act as Chief Executive Officer.

The Board of Directors may choose between the two general management structures, and its decision is only valid if:

- the agenda with respect to this choice is sent to members at least 15 days before the date of the Board meeting;
- at least two-thirds of Directors are present or represented.

Shareholders and third parties shall be informed of this decision in accordance with the regulations in force.

When the Chairman of the Board of Directors assumes responsibility for the general management of the Company, the following provisions relating to the Chief Executive Officer shall be applicable to him.

The Chief Executive Officer shall be granted exhaustive powers to act on behalf of the Company in all matters. He shall exercise these powers within the scope of the Company's purpose and subject to those powers expressly assigned by law to meetings of shareholders and the Board of Directors. He shall represent the Company vis-à-vis third parties.

The Board of Directors sets the remuneration and the duration of the Chief Executive Officer's term, which may not exceed that of the dissociation of the functions of Chairman and Chief Executive Officer nor, where applicable, the term of his Directorship.

No person aged 70 or more may be appointed Chief Executive Officer. If the Chief Executive Officer in office reaches 70 years of age, his functions shall end at the end of the next Ordinary General Meeting called to approve the financial statements of the preceding fiscal year.

On recommendation by the Chief Executive Officer, the Board of Directors can appoint up to five persons to assist the Chief Executive Officer, who shall have the title Deputy Chief Executive Officer.

In agreement with the Chief Executive Officer, the Board of Directors determines the extent and duration of the powers granted to Deputy Chief Executive Officers. The Board of Directors sets their remuneration. With respect to third parties, Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

SHAREHOLDERS' MEETING

Article 14

General Meetings are comprised of all shareholders.

The General Meeting is called and deliberates as provided for by the legal and regulatory provisions in force.

It meets at the Company's head office or in any other place in mainland France indicated in the Notice to attend the General Meeting.

Such meetings are chaired by the Chairman of the Board or, in his absence, by a Director appointed for this purpose by the Chairman of the Board.

Regardless of the number of shares held, all shareholders whose shares are registered under the terms and at a date set forth by decree have the right, upon proof of their identity and status as a shareholder, to participate in the General Meetings. They may, as provided for by the legal and regulatory provisions in force, personally attend the General Meetings, vote remotely or appoint a proxy.

The intermediary registered on behalf of shareholders may participate in the General Meetings as provided for by the legal and regulatory provisions in force.

In order for the ballots to be counted, they must be received by the Company at least two days before the General Meeting is held, unless otherwise specified in the Notice of Meeting or required by the regulations in force.

Shareholders may participate in General Meetings by videoconference or any other means of telecommunication, when stipulated in the Notice of Meeting and subject to the conditions provided therein.

The General Meeting may be publicly broadcast by means of electronic communication subject to the approval and under the terms set by the Board of Directors. Notice will be given in the preliminary Notice of Meeting and/or Notice to attend the Meeting.

Double voting rights, in relation to the share of capital stock they represent, are allocated to all those shares which are fully paid up and which have been registered in the name of the same shareholder for at least two years as from 1st January 1993. Double voting rights are also allocated to new registered shares that may be allocated free of charge to a shareholder in respect of the shares with double voting rights already held by him, in the case of a capital increase by incorporation of reserves, earnings, or additional paid-in capital.

The number of votes at General Meetings to be used by one shareholder, either personally or by a proxy, may not exceed 15% of total voting rights at the date of the Meeting.

This 15% limit does not apply to the Chairman or any other proxy with respect to the total number of voting rights they hold on a personal basis and in their capacity as proxy, provided each shareholder for whom they act as proxy complies with the rule stipulated in the previous paragraph.

For the purposes of applying this limit, shares held by a single shareholder include shares held indirectly or jointly in accordance with the conditions described in Articles L. 233-7 et seq. of the French Commercial Code.

This limit ceases to apply when a shareholder acquires – either directly or indirectly or jointly with another shareholder – more than 50.01% of the Company's voting rights following a public offering.

In all General Meetings, the voting right attached to shares that include a usufructuary right is exercised by the usufructuary.

SPECIAL MEETINGS

Article 15

When different categories of shares exist, the Special Meetings of the shareholders of such categories of shares deliberate as provided by applicable legislative and regulatory provisions and Article 14 herein.

AUDITORS

Article 16

The Statutory Auditors are appointed and carry out their duties according to the applicable statutory and regulatory provisions.

ANNUAL FINANCIAL STATEMENTS

Article 17

The financial year starts on 1st January and ends on 31st December.

The Board of Directors prepares the financial statements for the year under the conditions set by the applicable laws and regulations.

All other documents prescribed by the applicable laws and regulations are also drawn up.

Article 18

The results for the year are determined in accordance with the applicable legal and regulatory provisions.

At least 5% of the profits for the year, less any previous losses, must be set aside by law to form a reserve fund until said fund reaches 10% of the capital.

The net income available after this deduction, increased by any net income brought forward, constitutes the profits available for distribution, to be successively allocated to ordinary, extraordinary or special reserves or to be carried forward in those amounts which the General Meeting may deem useful, upon the recommendation of the Board of Directors.

The balance is then allocated to the shareholders in proportion to their stake in the share capital.

The General Meeting may also resolve to distribute amounts from available reserves.

The General Meeting approving the annual financial statements may, with regard to the whole or part of the dividend or interim dividend, grant each shareholder the option to choose between payment of the dividend or interim dividend in cash or in shares in accordance with the conditions set by the laws in force. A shareholder who exercises this option must do so for all of the dividends or interim dividends attached to their shares.

Except in cases of a reduction in capital, no distribution may be made to shareholders if the shareholders' equity of the Company is or may subsequently become less than the minimum capital and reserves that may not be distributed by law or under the Company's By-laws.

FORUM SELECTION CLAUSE

Article 19

Any dispute arising during the life of the Company or during its liquidation, between the Company and its shareholders or among the shareholders themselves, related to Company matters shall be brought before the courts under the proper jurisdiction effective at the Company's registered office.

DISSOLUTION

Article 20

In the event that Societe Generale is wound up and unless otherwise provided for by law, the General Meeting determines the method of liquidation, appoints the liquidators on the proposal of the Board of Directors and continues to exercise its assigned powers during said liquidation until completion thereof.

The net assets remaining after repayment of the nominal value of the shares are distributed among the shareholders, in proportion to their share of the capital.

5. INTERNAL RULES OF THE BOARD OF DIRECTORS[1]

(Updated on 13th January 2017)

Preamble

The Board of Directors collectively represents all shareholders and acts in the Company's interest. Each Director, regardless of the manner in which he/she was appointed, must act in all circumstances in the Company's corporate interest.

Societe Generale applies the AFEP-MEDEF Corporate Governance Code for listed companies. As a credit institution, Societe Generale is subject to the provisions of the French Commercial Code, the French Monetary and Financial Code and more generally the regulatory texts applicable to the banking sector.

The purpose of these Internal Rules is to define the Board of Directors' organisation and operating procedures and to specify the rights and obligations of its members.

The Board of Directors ensures that Societe Generale has a solid governance system including, in particular, a clear organisation ensuring a well-defined, transparent and coherent sharing of responsibilities, effective procedures for the detection, management, monitoring and reporting of risks to which the Company is or could be exposed, an adequate internal control system, sound administrative and accounting procedures and compensation policies and practices enabling and promoting sound and effective risk management.

Article 1: Powers of the Board of Directors

1.1 - The Board of Directors shall deliberate on any issue falling within its legal or regulatory powers and devote sufficient time to perform its missions.

1.2 - The Board of Directors is competent, the enumeration is not to be regarded as exhaustive, in the following areas:

a) *Strategic directions and operations*

The Board of Directors:

- approves the Group's strategic directions, ensures their implementation and reviews them at least once a year; these directions include the values and the code of conduct of the Group as well as the main thrusts of the policy followed with respect to social and environmental responsibility, human resources, information systems and organisation;
- approves the plans for strategic operations, in particular acquisitions or disposals, which may have a significant impact on the Group's earnings, its balance sheet structure or its risk profile.

This prior approval process concerns:

- organic growth transactions of a unit amount higher than EUR 250 million and not already approved as part of the annual budget or the strategic plan;
- external growth transactions of a unit amount higher than 3% of the Group's consolidated shareholders' equity or higher than 1.50% of the Group's consolidated shareholders' equity if these transactions do not fall within the development priorities approved in the strategic plan;
- disposal transactions of a unit amount higher than 1.50% of the Group's consolidated shareholders' equity;
- partnership transactions with a compensation (*soulte*) of an amount higher than 1.50% of the Group's consolidated shareholders' equity;
- transactions substantially degrading the Group's risk profile.

The Chairman shall assess, on a case-by-case basis, the appropriateness of a referral to the Board of Directors to deliberate on a transaction that does not fall under the aforementioned circumstances.

During each Board of Directors' meeting, an update is made on the transactions concluded since the previous meeting as well as on the main projects in progress and likely to be concluded before the next Board of Directors' meeting.

b) *Financial statements and communication*

The Board of Directors:

- ensures the accuracy and truthfulness of the annual and consolidated annual accounts and the quality of the information provided to the shareholders and the market;
- controls the publication and communication process, the quality and reliability of the information to be published and communicated.

c) *Risk management*

The Board of Directors:

- approves the global strategy and the appetite in terms of risks of any kind and controls the related implementation. To this end, it approves and regularly reviews the strategies and policies governing the taking, management, monitoring and reduction of the risks to which the Company is or could be exposed, including the risks created by the economic environment; ensures, in particular, the adequacy and effectiveness of the risk management systems, controls the risk exposure from its activities and approves the overall risk limits; ensures the effectiveness of the corrective measures taken in the event of a default;
- decides on the dismissal of the Chief Risk Officer who cannot be removed from his/her functions without the prior consent of the Board of Directors.

(1) This document does not form part of Societe Generale's By-laws.

d) *Governance*

The Board of Directors:

- appoints the Chairman, the Chief Executive Officer and, upon the latter's proposal, the Deputy Chief Executive Officer(s); it determines any possible limitations on the powers of the Chief Executive Officer and the Deputy Chief Executive Officer(s);
- reviews the governance system, periodically assesses its effectiveness and ensures that corrective measures to remedy potential shortcomings have been taken; ensures, in particular, compliance with the banking regulations with respect to internal control;
- determines the orientations and controls the implementation by the Effective Senior Managers[1] of the oversight systems in order to ensure effective and prudent management of the institution, in particular the avoidance of conflicts of interest;
- deliberates on changes to the Group's management structures prior to their implementation and is informed of the main changes to its organisation;
- deliberates at least once a year on its operation and that of its Committees, as well as on the conclusions of the periodic assessment thereof;
- approves the "Corporate Governance" chapter of the Registration Document, which includes in particular the Report of the Chairman on corporate governance and internal control and risk management procedures as well as the description of the compensation policy for the chief executive officers (*dirigeants mandataires sociaux*) and the principles applicable to the compensation of other regulated persons.

e) *Compensation and wage policy*

The Board of Directors:

- distributes the attendance fees in accordance with Article 15 of these Internal Rules;
- establishes the compensation policy principles applicable in the Group, in particular regarding the categories of staff whose activities have a significant impact on the Group's risk profile, and ensures that the internal control systems enable to verify that these principles comply with the regulations and professional standards and are consistent with the objectives for risk control;
- sets the compensation of the chief executive officers (*dirigeants mandataires sociaux*), in particular their fixed and variable compensation, including benefits in kind, allocations of stock options or performance shares or any compensation instruments, as well as post-employment benefits;
- deliberates once a year on the Company's policy regarding professional and wage equality between men and women.

f) *Preventive recovery plan*

The Board of Directors:

- establishes the preventive recovery plan that is communicated to the European Central Bank and deliberates on any similar plan requested by foreign supervisory authorities.

Article 2: Skills/Aptitudes of the members of the Board of Directors

2.1 - The members of the Board of Directors shall have at all times the good repute, knowledge, skills and experience necessary for the performance of their duties and, collectively, the knowledge, skills and experience necessary to understand the Company's activities, including the main risks to which it is exposed.

2.2 - Each Director continually ensures to improve his/her knowledge of the Company and its sector of activity.

Article 3: Availability of the members of the Board of Directors

3.1 - The members of the Board of Directors shall devote sufficient time to the performance of their functions.

Under the conditions defined by the legislation in force, they may hold, within any legal entity, only one executive directorship and two non-executive directorships or only four non-executive directorships. For the purpose of this rule, directorships held within the same group are considered to be a single directorship. The European Central Bank may authorise a member of the Board of Directors to hold an additional non-executive directorship.

3.2 - Any Director holding an executive directorship in the Group must obtain the opinion of the Board of Directors before accepting a mandate in a listed company; the Director must comply with the procedure set out in Article 14 "Conflicts of interest".

3.3 - The Director shall promptly inform the Chairman of any change in the number of directorships held, including his/her participation in a committee of a Board, as well as any change in professional responsibility.

He/she undertakes to let the Board of Directors decide whether he/she should continue to serve as a Director in the event of a significant change in his/her professional responsibilities or mandates.

He/she undertakes to resign from his/her directorship when he/she no longer considers himself/herself able to perform his/her duties within the Board of Directors and the Committees of which he/she is a member.

3.4 - The Registration Document reports on the attendance of Directors at meetings of the Board of Directors and the Committees.

3.5 – The Director shall attend the General Meetings of Shareholders.

(1) Persons designated as such with the European Central Bank (ECB) and the French Prudential Supervisory and Resolution Authority (ACPR) pursuant to banking regulations. For Societe Generale, these are the Chief Executive Officer and the Deputy Chief Executive Officers.

Article 4: Ethics of the members of the Board of Directors

4.1 - The Director keeps, in all circumstances, his/her independence of analysis, judgement, decision and action.

He/she undertakes not to seek or accept any benefit likely to compromise his/her independence.

4.2 - Each Director must comply with the provisions of the rules on market abuse (regulation (EU) n° 596/2014 dated 16th April 2014 and its delegated and implementing regulations supplementing it and defining technical standards; French Monetary and Financial Code; General Regulations, position-recommendation and instruction of the French Financial Markets Authority) in particular the ones relating to the communication and the use of inside information with regard to Societe Generale shares, debt securities and derivatives instruments or other financial instruments related to the Societe Generale share (hereinafter, Financial instruments). He/she must also comply with these same rules for Financial instruments of his/her subsidiaries or listed investments or companies on which he/she may hold inside information received as a result of his/her participation in the Board of Directors of Societe Generale.

4.3 - Directors shall abstain from intervening on the market of Societe Generale Financial instruments during the 30 calendar days preceding the publication of Societe Generale's quarterly, half-yearly and annual results as well as on the day of the said publication.

They shall refrain from carrying out speculative or leveraged transactions on Societe Generale Financial instruments or those of a listed company controlled directly or indirectly by Societe Generale within the meaning of Article L. 233-3 of the French Commercial Code.

They shall inform the Secretary of the Board of Directors of any difficulty they may encounter in enforcing the above.

4.4 - In accordance with the regulations in force, Directors and persons closely associated with them must report to the French Financial Markets Authority (AMF) the transactions carried out on Societe Generale Financial instruments.

A copy of this statement is also sent to the Secretary of the Board of Directors.

4.5 - Directors must hold in registered form all Societe Generale shares they have under the obligation provided for in Article 16 of these Internal Rules.

Article 5: The Chairman of the Board of Directors

5.1 - The Chairman convenes and chairs the Board of Directors meetings. He/she sets the timetable and agenda of the meetings. He/she organises and manages the work of the Board of Directors and reports on its activities to the General Meeting. He/she chairs the General Meetings of Shareholders.

5.2 - The Chairman ensures the proper functioning of the Company's bodies and the implementation of the best corporate governance practices, in particular as regards the Committees set up within the Board of Directors, which he/she may attend without the right to vote. He/she may submit questions for the consideration of these Committees. He/she is responsible for the Report on corporate governance, internal control and risk management.

5.3 - He/she receives all information relevant to his/her missions. He/she is regularly informed by the Chief Executive Officer and, where applicable, the Deputy Chief Executive Officers, of significant events relating to the life of the Group. He/she may request the disclosure of any information or document that may inform the Board of Directors. For the same purpose, he/she may hear the Statutory Auditors and, after having informed the Chief Executive Officer, any Group senior manager.

5.4 - He/she ensures that the Directors are in a position to fulfil their missions and ensures that they are properly informed.

5.5 - He/she is the only person authorised to speak on behalf of the Board of Directors, except in exceptional circumstances or with a specific mandate entrusted to another Director.

5.6 - He/she devotes his/her best efforts to promote in all circumstances the values and the image of the Company. In consultation with the General Management, he/she may represent the Group in its high-level relations, in particular with major clients, regulators, major shareholders and public authorities, both domestically and internationally.

5.7 - He/she has the material resources necessary for the performance of his/her missions.

5.8 - The Chairman has no executive responsibilities, these responsibilities being exercised by the General Management which proposes and applies the Company's strategy, within the limits defined by law and in compliance with the corporate governance rules and directions set by the Board of Directors.

Article 6: Meetings of the Board of Directors

6.1 - The Board of Directors shall hold at least eight meetings per year.

6.2 - The Directors who participate in the meeting of the Board of Directors by means of videoconference or telecommunication enabling their identification and guaranteeing their effective participation shall be deemed present for the calculation of the quorum and the majority. To this end, the means chosen shall transmit at least the voice of the participants and comply with technical characteristics enabling the continuous and simultaneous transmission of the deliberations.

This provision does not apply when the Board of Directors is convened to carry out the work for establishing and adopting the annual and consolidated annual accounts and the Management Report.

6.3 – Convening notices, which may be transmitted by the Secretary of the Board of Directors, are sent by letter, fax, e-mail or by any other means, including verbally.

6.4 - Upon decision of the Chairman, the Deputy Chief Executive Officers or other Group senior managers or, where relevant, external persons whose attendance is useful to the deliberations may attend all or part of the meetings of the Board of Directors.

Article 7: Information provided to the Board of Directors

7.1 - The Chairman or the Chief Executive Officer shall provide each Director with all information and documents necessary for the performance of his/her missions; he/she is provided with computer equipment enabling easy access to them.

7.2 - Effective Senior Managers shall inform the Board of Directors of all significant risks, risk management policies and changes made to them.

7.3 - If necessary, in the event of changes in the risks affecting or likely to affect the Company, the Chief Risk Officer may report directly to the Board of Directors.

7.4 - Meetings of the Board of Directors and the Committees are preceded by the on-line publication or availability in due course of a file on the agenda items that require special analysis and prior reflection whenever the respect of confidentiality so permits.

Moreover, between meetings, Directors shall receive all useful information, including critical information, about events or transactions significant for the Company. In particular, they shall receive press releases issued by the Company.

Article 8: Training of Directors

8.1 - The Company devotes the necessary human and financial resources to the training of the Directors and, especially, the Directors representing the employees.

8.2 - Training sessions on the specificities of the banking activity are organised each year.

Each Director may, on his/her appointment or throughout his/her term of office, benefit from any training that he/she deems necessary for the performance of the mandate.

8.3 - These training sessions shall be organised by the Company which shall bear their costs.

Article 9: Committees of the Board of Directors

9.1 - In certain areas, the Board of Directors' deliberations are prepared by specialised Committees composed of Directors appointed by the Board of Directors, which examine matters within their remit and submit their opinions and proposals to the Board of Directors.

9.2 - These Committees are composed of members of the Board of Directors who do not hold any executive function within the Company and who have suitable knowledge for the performance of the missions of the Committee in which they participate.

These Committees may decide, as necessary, to involve other Directors, without the right to vote, in their meetings.

9.3 - They shall have the necessary means to perform their missions and act under the responsibility of the Board of Directors.

9.4 - In the performance of their respective duties, they may request the communication of any relevant information, hear the Chief Executive Officer, the Deputy Chief Executive Officers as well as the Group's senior managers and, after having informed the Chairman, request the carrying out of external technical studies, at the Company's expense. They shall report on the information obtained and the opinions collected.

9.5 - There are four standing Committees:

- the Audit and Internal Control Committee;
- the Risk Committee;
- the Compensation Committee; and
- the Nomination and Corporate Governance Committee.

9.6 - Upon decision of the Chairmen of the relevant Committees, joint meetings between Committees may be arranged on topics of common interest. These meetings are co-chaired by the Chairmen of the Committees.

9.7 - The Board of Directors may create one or more "ad hoc" Committees.

9.8 - The Risk Committee, the Compensation Committee and the Nomination and Corporate Governance Committee may perform their missions for Group companies on a consolidated or sub-consolidated basis.

9.9 - Each Committee shall be chaired by a Chairman appointed by the Board of Directors based on a proposal from the Nomination and Corporate Governance Committee.

The Secretariat of each Committee is provided by a person designated by the Secretary of the Board of Directors.

9.10 - The Chairman of each Committee shall report to the Board of Directors on the Committee's work. A written report of the Committees' work shall be regularly circulated to the Board of Directors.

Each Committee shall submit its annual work programme to the Board of Directors.

9.11 - Each Committee shall give an opinion to the Board of Directors on the part of the Registration Document dealing with the issues falling within its scope of activity and prepare an annual activity report, submitted to the Board of Directors' approval, to be inserted in the Registration Document.

Article 10: The Audit and Internal Control Committee

10.1 - The Audit and Internal Control Committee's mission is to monitor issues concerning the preparation and control of accounting and financial information as well as the monitoring of the effectiveness of internal control, measurement, monitoring and risk control systems.

10.2 - In particular, it is responsible for:

a) ensuring the monitoring of the process for the production of the financial information, particularly reviewing the quality and reliability of existing systems, making proposals for their improvement and ensuring that corrective actions have been implemented in the event of a malfunction in the process;

b) analysing the draft accounts to be submitted to the Board of Directors in order to, in particular, verify the clarity of the information provided and assess the relevance and consistency of the accounting methods adopted for drawing up annual accounts and consolidated annual accounts;

c) conducting the procedure for selecting the Statutory Auditors and giving an opinion to the Board of Directors, developed in accordance with the provisions of Article 16 of the regulation (EU) n° 537/2014 dated 16th April 2014, concerning their appointment or renewal as well as their remuneration;

d) ensuring the independence of the Statutory Auditors in accordance with the regulations in force;

e) approving, in accordance with Article L. 822-11-2 of the French Commercial Code and the policy adopted by the Board of Directors, the provision of services other than the certification of accounts after analysing the risks to the Statutory Auditor's independence and the safeguard measures applied by the latter;

f) reviewing the work programme of the Statutory Auditors and, more generally, monitoring the control of the accounts by the Statutory Auditors in accordance with the regulations in force;

g) ensuring the monitoring of the effectiveness of internal control, risk management and internal audit systems, with regard to the procedures for the preparation and processing of the accounting and financial information. To this end, the Committee is responsible in particular for:

   – reviewing the internal control and risk control of the business segments, divisions and main subsidiaries;

   – reviewing the Group's periodic monitoring programme and giving its opinion on the organisation and functioning of the internal control departments;

   – reviewing the follow-up letters from the banking and markets supervisors and issuing an opinion on draft replies to these letters;

h) reviewing the reports prepared in order to comply with the regulations in terms of internal control.

10.3 - It regularly reports to the Board of Directors on the performance of its missions, including the outcomes of the mission of certification of the accounts, how this mission contributed to the integrity of the financial information and the role it played in this process. It informs the Board of Directors without delay of any difficulty encountered.

10.4 - The Statutory Auditors shall be invited to the meetings of the Audit and Internal Control Committee, unless the Committee decides otherwise. They may also be consulted outside these meetings.

10.5 - The Audit and Internal Control Committee or its Chairman also hear the heads of the internal control functions (risk, compliance, internal audit) as well as the Chief Financial Officer and, as necessary, the managers in charge of drawing up the accounts, internal control, risk control, compliance control and periodic control.

10.6 - The Audit and Internal Control Committee is composed of at least three Directors appointed by the Board of Directors, who have the appropriate financial, accounting, auditing or internal control skills. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code.

Article 11: The Risk Committee

11.1 - The Risk Committee advises the Board of Directors on the overall strategy and the appetite regarding all kinds of risks, both current and future, and assists it when it controls the implementation of this strategy.

11.2 - In particular, it is responsible for:

a) preparing the debates of the Board of Directors on documents relating to risk appetite;

b) reviewing the risk control procedures and is consulted for the setting of overall risk limits;

c) undertaking a regular review of the strategies, policies, procedures and systems used to detect, manage and monitor the liquidity risk and communicating its conclusions to the Board of Directors;

d) issuing an opinion on the Group's global provisioning policy, as well as on specific provisions for significant amounts;

e) reviewing the reports prepared to comply with the banking regulations on risks;

f) reviewing the policy concerning risk control and the monitoring of off-balance sheet commitments, especially in the light of the memoranda prepared to this end by the Finance Division, the Risk Division and the Statutory Auditors;

g) reviewing, as part of its mission, whether the prices for the products and services mentioned in books II and III of the French Monetary and Financial Code and offered to clients are consistent with the Company's risk strategy. When these prices do not correctly reflect the risks, it informs the Board of Directors accordingly and gives its opinion on the action plan to remedy the situation;

h) without prejudice to the Compensation Committee's missions, reviewing whether the incentives provided for by the compensation policy and practices are consistent with the Company's situation with regard to the risks to which it is exposed, its capital and its liquidity, as well as the probability and timing of expected benefits;

i) reviewing the enterprise risk management related to the Company's operations in the United States[(1)].

(1) In accordance with the requirements of the U.S. Federal Reserve's Enhanced Prudential Standards Rules, the Risk Committee will hold quarterly meetings to review the Company's operations in the United States. The Risk Committee's obligations in this regard include the review of the enterprise risk management related to the Company's operations in the United States. As such, the Risk Committee must:

(a) receive regular reports from the US-based Chief Risk Officer of the Company;

(b) review the risk management system for the Company's combined operations in the United States; and

(c) review the Company's liquidity risk in the United States.

11.3 - It has all information on the Company's risk situation. It may use the services of the Chief Risk Officer or external experts.

11.4 - The Statutory Auditors are invited to the meetings of the Risk Committee, unless the Committee decides otherwise. They may also be consulted outside these meetings.

The Risk Committee or its Chairman hear the heads of the internal control functions (risk, compliance, internal audit) as well as the Chief Financial Officer and, as necessary, the managers responsible for drawing up the accounts, internal control, risk control, compliance control and periodic control.

11.5 - The Risk Committee is composed of at least three Directors appointed by the Board of Directors who have knowledge, skills and expertise concerning risks. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code.

Article 12: The Compensation Committee

12.1 - The Compensation Committee prepares the decisions that the Board of Directors adopts concerning compensation, especially those related to the chief executive officers (*dirigeants mandataires sociaux*) as well as those that have an impact on the risk and the management of risks in the Company.

12.2 - It conducts an annual review of:

a) the principles of the Company's compensation policy;

b) the compensation, allowances and benefits of any kind granted to the Company's executive officers (*mandataires sociaux*) as well as the Effective Senior Managers, if they are different;

c) the compensation policy for regulated employees within the meaning of the banking regulations.

12.3 - It controls the compensation of the Chief Risk Officer and the Chief Compliance Officer.

12.4 - It receives all information necessary for its mission and in particular the annual report sent to the European Central Bank.

12.5 - It may be assisted by the internal control services or by external experts.

12.6 - In particular, the Committee:

a) proposes to the Board of Directors, in compliance with the regulations applicable to credit institutions, the principles given by the AFEP-MEDEF Corporate Governance Code and professional standards, the principles of the compensation policy for the chief executive officers (*dirigeants mandataires sociaux*), and especially the criteria for the determination, the structure and the amount of this compensation, including allowances and benefits in kind, insurance or pension benefits, and compensation of any kind received from all the Group companies; it ensures their application;

b) prepares the annual performance assessment of the chief executive officers (*dirigeants mandataires sociaux*);

c) proposes to the Board of Directors the policy for performance shares and stock options allocation and gives an opinion on the list of beneficiaries;

d) prepares the decisions of the Board of Directors concerning the employee savings plan.

12.7 - It is composed of at least three Directors and includes a Director elected by the employees. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Code[(1)]. Its composition enables it to exercise a competent and independent judgement on the compensation policies and practices with regard to the management of risks, the equity and the liquidities of the Company.

Article 13: The Nomination and Corporate Governance Committee

13.1 - The Nomination and Corporate Governance Committee:

a) is responsible for making proposals to the Board of Directors for the appointment of Directors and Committees' members as well as on the succession of the executive officers (*mandataires sociaux*), especially in the event of an unforeseeable vacancy, after having carried out necessary studies. To this end, it prepares the selection criteria to be submitted to the Board of Directors, proposes to the Board of Directors an objective to be achieved concerning the balanced representation of women and men on the Board of Directors and develops a policy designed to achieve this objective[(2)];

b) periodically reviews the structure, size, composition and effectiveness of the Board of Directors' work and submits to the Board of Directors any recommendation relevant to the carrying out of the annual assessment of the Board of Directors and its members;

c) periodically reviews the Board of Directors' policies concerning the selection and appointment of the Effective Senior Managers, the Deputy Chief Executive Officers and the Chief Risk Officer, and makes recommendations in this area;

d) more generally, prepares the review by the Board of Directors of corporate governance issues. It proposes to the Board of Directors the presentation of the Board of Directors in the Registration Document and in particular the list of independent Directors;

e) is informed in advance of any appointment of a member of the Group's Executive Committee and any corporate department head who is not a member of this Committee. It is informed of the succession plan of these senior officers (*dirigeants*).

13.2 - It is composed of at least three Directors. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code. The Chief Executive Officer is involved, as necessary, in the Committee's work.

(1) For the calculation of the rate of independents within the committees, the AFEP-MEDEF Code does not take employees into account.

(2) The objective and policy of the credit institutions, as well as the terms of implementation, are made public in accordance with paragraph 2 (c) of Article 435 of regulation (EU) n° 575/2013 dated 26th June 2013.

Article 14: Conflicts of interest

14.1 - The Director shall inform the Secretary of the Board of Directors of any conflict of interest, including potential ones, in which he/she may be directly or indirectly involved. He/she shall refrain from taking part in the debates and decision-making on related matters.

14.2 - The Chairman is in charge of managing conflict of interest situations of the members of the Board of Directors. Where appropriate, he/she refers the matter to the Nomination and Corporate Governance Committee. Regarding conflicts which could affect him/her personally, he/she refers to the Chairman of the Nomination and Corporate Governance Committee.

If necessary, the Chairman may invite a Director having a conflict of interest not to attend the deliberation.

14.3 - The Director shall inform the Chairman and the Chairman of the Nomination and Corporate Governance Committee of his/her intention to accept a new mandate, including his/her participation in a committee, in a listed company that does not belong to a group of which he/she is an executive officer, in order to enable the Board of Directors, based on the Committee's proposal, to decide where appropriate that such an appointment would be inconsistent with the directorship in Societe Generale.

14.4 – The Director shall inform the Chairman of the Board of Directors of any conviction for fraud, of any incrimination and/or public sanction, and of any prohibition to manage or administer that may have been pronounced against him/her, as well as any bankruptcy, sequestration or liquidation proceedings to which he/she may have been associated.

14.5 - Each Director shall make a sworn statement as to the existence or otherwise of the situations referred to in 14.1 and 14.3: i) upon taking up his/her office, ii) each year in response to the request made by the Secretary of the Board of Directors upon the preparation of the Registration Document, iii) at any time if the Secretary of the Board of Directors requests it and iv) within 10 working days following the occurrence of any event that renders the previous statement made by him/her in whole or in part inaccurate.

Article 15: Attendance fees

15.1 - The overall amount of attendance fees is set by the General Meeting. The Board of Directors may decide to only partially use it.

15.2 - The Chairman and the Chief Executive Officer, when he/she is also a Director, do not receive attendance fees.

15.3 - As from 1st January 2016, the amount of allocated attendance fees is reduced by a lump sum of EUR 130,000 distributed between the Chairman of the Audit and Internal Control Committee and the Chairman of the Risk Committee.

15.4 - The balance is divided into 50% fixed, 50% variable. The number of fixed portions per Director is 6. Additional fixed portions are allocated:

- Chairman of the Audit and Internal Control Committee or of the Risk Committee: 4 portions;
- Chairman of the Nomination and Corporate Governance Committee or of the Compensation Committee: 3 portions;
- Member of the Nomination and Corporate Governance Committee or of the Compensation Committee: 0.5 portion;
- Member of the Audit and Internal Control Committee or of the Risk Committee: 1 portion.

15.5 - The variable portion of attendance fees is divided up at the end of the year, in proportion to the number of meetings or working meetings of the Board of Directors and of each of the Committees which each Director has attended. However, meetings of the Compensation Committee and the Nomination and Corporate Governance Committee held on the same day are counted as a single unit for members sitting on both Committees. The same applies to the meetings of the Audit and Internal Control Committee and the Risk Committee.

Article 16: Shares held in a personal capacity

16.1 - Each Director appointed by the General Meeting (whether in his/her own name or as a permanent representative of a legal entity) must hold the equivalent of at least 1,000 shares. Each Director has a six-month time frame to hold the 600 shares provided for by the By-laws and an additional six-month time frame to increase his/her holding to 1,000 shares.

16.2 - Each Director shall refrain from hedging his/her shares.

Article 17: Reimbursement of expenses

17.1 - Directors' travel, accommodation, meals and mission expenses pertaining to the meetings of the Board of Directors or of the Committees of the Board of Directors, the General Meeting of Shareholders or any other meetings related to the work of the Board of Directors or the Committees, are paid for or reimbursed by Societe Generale, upon submission of receipts.

At least once a year, the Nomination and Corporate Governance Committee considers these and, as necessary, makes proposals or recommendations.

17.2 - As to the Chairman, the Company also pays the expenses necessary for the performance of his/her duties.

17.3 - The Secretary of the Board of Directors receives and verifies the relevant supportive documents and ensures that the sums due are paid or reimbursed.

Article 18: Secret

18.1 - Each Director is bound by an absolute professional secrecy with regard to the confidential information he/she receives, the discussions in which he/she participates, the decisions taken as long as they are not made public as well as with regard to the views expressed by each of them.

18.2 - He/she obliges himself/herself to a duty of care and a duty to alert.

6. LIST OF REGULATED INFORMATION PUBLISHED IN THE LAST 12 MONTHS*

PRESS RELEASES PUBLISHED UNDER REGULATED INFORMATION

- 05.04.2016 – Pro forma 2015 quarterly series
- 08.04.2016 – Review by the European Commission of the fine paid by Societe Generale in the Euribor case
- 14.04.2016 – Societe Generale remuneration policies and practices report 2015
- 18.05.2016 – Annual General Meeting and Board of Directors dated 18th May 2016
- 29.07.2016 – The EBA publishes the results of the 2016 European Stress Testing Exercise
- 01.12.2016 – Disclosure of new regulatory capital requirements as from 1st January 2017
- 16.01.2017 – Societe Generale enlarges its General Management team

REGISTRATION DOCUMENT AND UPDATES – ANNUAL FINANCIAL REPORT

- 07.03.2016 – 2016 Registration Document
- 07.03.2016 – Availability of the 2016 Registration Document
- 07.03.2016 – Availability of the annual financial report
- 04.05.2016 – Availability of the first update to the 2016 Registration Document
- 04.05.2016 – First update to the 2016 Registration Document, filed on 4th May 2016
- 04.08.2016 – Availability of the second update to the 2016 Registration Document
- 04.08.2016 – Second update to the 2016 Registration Document, filed on 4th August 2016
- 04.11.2016 – Availability of the third update to the 2016 Registration Document
- 04.11.2016 – Third update to the 2016 Registration Document, filed on 4th November 2016

HALF-YEARLY FINANCIAL REPORT

- 04.08.2016 – Availability of the 2016 Interim Financial Report
- 04.08.2016 – Interim Financial Report

QUARTERLY FINANCIAL INFORMATION

- 04.05.2016 – 1st quarter 2016 Results
- 03.08.2016 – 2nd quarter 2016 Results
- 03.11.2016 – 3rd quarter 2016 Results
- 09.02.2016 – 4th quarter and full-year 2016 Results

MONTHLY DECLARATIONS ON THE TOTAL NUMBER OF VOTING RIGHTS AND SHARES

- 12 declaration forms

DESCRIPTION OF THE BUYBACK PROGRAMMES AND STATEMENT ON THE LIQUIDITY AGREEMENT

- 10.05.2016 – Description of share buyback programme
- 04.07.2016 – Half-year statement on the liquidity agreement
- 03.01.2016 – Half-year statement on the liquidity agreement

REPORT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

- 07.03.2016 - Availability of the Report on corporate governance, internal control and risk management

STATUTORY AUDITORS' FEES

- 07.03.2016 – Statutory Auditors' fees

PRESS RELEASES FOR ACCESS TO OR CONSULTATION OF THE INFORMATION ON SHAREHOLDERS' GENERAL MEETINGS

- 15.04.2016 – Availability or consultation of the information relating to the Joint General Meeting of shareholders of 18th May 2016

* Full information available at www.societegenerale.com under "Regulated information".

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PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

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1. PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Mr. Frédéric Oudéa

Chief Executive Officer of Societe Generale.

2. STATEMENT OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

I hereby certify, after taking all reasonable measures for this purpose, that the information contained in this Registration Document is, to my knowledge, in accordance with the facts and contains no omission likely to affect its meaning.

I certify, to the best of my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and are a fair reflection of the assets, liabilities, financial position and profit or loss of the Company and all the undertakings included in the consolidation scope, and that the Management Report (the cross-reference table of the annual financial report in Chapter 9 indicates the contents of said report) presents a fair view of the Company's business, performance and financial position and that of all the undertakings included in the consolidation scope, as well as a description of the main risks and uncertainties to which they are exposed.

I have received a completion letter from the Statutory Auditors, stating that they have audited the information contained in this Registration Document about the financial position and accounts contained herein, and that they have read this Registration Document in its entirety.

Paris, 7th March 2017

Chief Executive Officer

Frédéric Oudéa

3. PERSONS RESPONSIBLE FOR THE AUDIT OF THE FINANCIAL STATEMENTS

STATUTORY AUDITORS

Name: Ernst & Young et Autres
represented by Ms. Isabelle Santenac

Address: 1/2 place des Saisons,
92400 Courbevoie – Paris-La Défense 1

Date of appointment: 22nd May 2012

Term of office: six financial years

End of current term of office: at the close of the Ordinary General Meeting called to approve the accounts for the year ended 31st December 2017

Name: Deloitte & Associés
represented by Mr. José-Luis Garcia

Address: 185 avenue Charles-de-Gaulle,
92524 Neuilly-sur-Seine Cedex

Date of first appointment: 18th April 2003

Date of renewal: 22nd May 2012

Term of office: six financial years

End of current term of office: at the close of the Ordinary General Meeting called to approve the accounts for the year ended 31st December 2017

SUBSTITUTE STATUTORY AUDITORS

Name: Société Picarle et Associés

Address: 1/2 place des Saisons,
92400 Courbevoie – Paris-La Défense 1

Date of appointment: 22nd May 2012

Term of office: six financial years

Name: Société BEAS

Address: 195 avenue Charles-de-Gaulle,
92524 Neuilly-sur-Seine Cedex

Date of appointment: 22nd May 2012

Term of office: six financial years

Ernst & Young et Autres and Deloitte & Associés are registered as Statutory Auditors with the Compagnie régionale des Commissaires aux comptes de Versailles.

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In accordance with Article 28 of EC Regulation No. 809/2004 dated 29th April 2004, the following elements are included by reference in this Registration Document:

- the parent company and consolidated accounts for the year ended 31st December 2015, the related Statutory Auditors' reports and the Group Management Report presented respectively on pages 390 to 449 and 138-139, 148, 156, 158 to 164, 169 to 176, 178 to 179, 188 to 194, 268 to 385, and on pages 450 to 451 and 386 to 387, and on pages 21 to 59 of the Registration Document D. 16-0115 filed with the AMF on 7th March 2016;
- the parent company and consolidated accounts for the year ended 31st December 2014, the related Statutory Auditors' reports and the Group Management Report presented respectively on pages 464 to 517 and 346 to 459, on pages 518 to 519 and 460 to 461, and on pages 22 to 56 of the Registration Document D. 15-0104 filed with the AMF on 4th March 2015;

The chapters of the Registration Documents D. 15-0104 and D. 16-0115 not mentioned above do not apply to investors or are covered in another part of this Registration Document.

Both of the aforementioned Registration Documents are available at the Company's website *www.societegenerale.com* and at the AMF's (French Financial Markets Authority) website *www.amf-france.org*.

ANNUAL FINANCIAL REPORT AND MANAGEMENT REPORT CROSS-REFERENCE TABLE

Pursuant to Article 222-3 of the French Financial Markets Authority's General Regulation, the annual financial report referred to in section I of Article L. 451-1-2 of the French Monetary and Financial Code includes the items described on the following pages:

Annual financial report	Page No.
Statement of the person responsible for the Registration Document	520
Management report	
■ Analysis of results, financial position, parent company and consolidated Group risks, and list of authorisations to increase the share capital (Articles L. 225-100 and L. 225-100-2 of the French Commercial Code)	9-24; 30-49; 56-57; 63; 154-240; 275-278; 338-341; 500-503
■ Information required by Article L. 225-100-3 of the French Commercial Code relating to factors likely to affect the outcome of a public offer	499
■ Information about share buybacks (Article L. 225-211, paragraph 2 of the French Commercial Code)	429-497
■ Information about geographic locations and activities (Article L. 511-45 of the French Monetary and Financial Code)	64-66
Financial statements	
■ Annual accounts	429-487
■ Statutory Auditors' report on the accounts	488-489
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■ Statutory Auditors' report on the consolidated accounts	427-428

GLOSSARY OF MAIN TECHNICAL TERMS

ACRONYM TABLE

Acronym	Definition	Glossary
ABS	Asset-Backed Securities	See: Securitisation
CDS	Credit Default Swap	See: Securitisation
CDO	Collateralised Debt Obligation	See: Securitisation
CLO	Collateralised Loan Obligation	See: Securitisation
CMBS	Commercial Mortgage Backed Securities	See: Securitisation
CRD	Capital Requirement Directive	
CVaR	Credit Value at Risk	
EAD	Exposure at default	
EL	Expected Loss	
GSIB	Global Systemically Important Banks	See: SIFI
LCR	Liquidity Coverage Ratio	
LGD	Loss Given Default	
NSFR	Net Stable Funding Ratio	
PD	Probability of Default	
RMBS	Residential Mortgage Backed Securities	See: Securitisation
RWA	Risk Weighted Assets	
SVaR	Stressed Value at Risk	
VaR	Value at Risk	

Asset Backed Securities (ABS): see securitisation.

Basel 1 (Accords): prudential framework established in 1988 by the Basel Committee to ensure solvency and stability in the international banking system by setting an international minimum and standardised limit on banks' capital bases. It notably establishes a minimum capital ratio – a proportion of the total risks taken on by banks – which must be greater than 8%. (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Basel 2 (Accords): prudential framework used to better assess and limit banks' risks. It is focused on banks' credit, market and operational risks. (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Basel 3 (Accords): changes to prudential banking standards that supplement the Basel 2 accords by improving the quality and quantity of banks' required capital. They also implement minimum requirements in terms of liquidity risk management (quantitative ratios), define measures to limit the financial system's procyclicality (capital buffers that vary according to the economic cycle) and even strengthen requirements related to systemically significant banks. (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012). The Basel 3 accords are defined in Europe in Directive 2013/36/EU ("CRD4") and Regulation 575/2013 ("CRR") that have been in force since 1st January 2014.

Bond: a bond is a fraction of a loan, issued in the form of a security, which is tradable and – in a given issue – grants rights to the issuer according to the issue's nominal value (the issuer being a company, public sector entity or government).

Cash Generating Unit (CGU): the smallest identifiable set of assets which generates incoming cash flow which is generally independent from incoming cash flow generated by other assets or sets of assets in accordance with the IAS 36 accounting standard. "In accordance with IFRS standards, a company must determine the largest number of cash generating units (CGU) which make it up; these CGU should be generally independent in terms of operations and the company must allocate assets to each of these CGU. Impairment testing must be conducted at the CGU level periodically (if there are reasons to believe that their value has dropped) or annually (if they include goodwill)." (Source: Les Echos.fr, quoting Vernimmen).

Collateral: transferable asset or guarantee used as a pledge for the repayment of a loan in the event that the borrower cannot meet its payment obligations. (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Collateralised Debt Obligation (CDO): see securitisation.

Collateralised Loan Obligation (CLO): see securitisation.

Commercial Mortgage Backed Securities (CMBS): see securitisation.

Common Equity Tier 1 capital: includes principally share capital, associated share premiums and reserves, less prudential deductions.

Common Equity Tier 1 ratio: ratio between **Common Equity Tier 1** capital and risk-weighted assets, according to CRD4/CRR rules. **Common Equity Tier 1** capital has a more restrictive definition than in the earlier CRD3 Directive (Basel 2).

Comprehensive Risk Measurement (CRM): capital charge in addition to Incremental Risk Charge (IRC) for the credit activities correlation portfolio which accounts for specific price risks (spread, correlation, collection, etc.). The CRM is a 99.9% risk factor, meaning the highest risk obtained after eliminating the 0.1% most unfavourable incidents.

Core Tier 1 ratio: ratio between Core Tier 1 capital and risk-weighted assets, according to Basel 2 rules and their changes known as Basel 2.5.

Cost/income ratio: ratio indicating the share of Net Banking Income (NBI) used to cover the company's operating costs. It is determined by dividing management fees by the NBI.

Cost of risk in basis points: the cost of risk in basis points is calculated using the ratio of the net cost of commercial risk to loan outstandings at the start of the period.

Net cost of risk corresponds to the cost of risk calculated for on- and off-balance sheet exposures, i.e. Depreciation and reversals (used or not used) + Losses on unrecoverable receivables - Recovery of impaired debts. Provisions and reversals of provisions for litigation issues are excluded from this calculation.

CRD3: European Directive on capital requirements, incorporating the provisions known as Basel 2 and 2.5, notably in respect of market risk: improvement in the incorporation of the risk of default or rating migration for assets in the trading book (tranched and untranched assets), and reduction in the procyclicality of Value at Risk (see definition).

CRD4/CRR (Capital Requirement Regulation): Directive 2013/36/EU ("CRD4") and Regulation (EU) No. 575/2013 ("CRR") constitute the corpus of the texts transposing Basel 3 in Europe. They therefore define the European regulations relating to the solvency ratio, large exposures, leverage and liquidity ratios, and are supplemented by the European Banking Authority's ("EBA") technical standards.

Credit and counterparty risk: risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk also includes the counterparty risk linked to market transactions, as well as that stemming from securitisation activities.

Credit Default Swaps (CDS): insurance mechanism against credit risk in the form of a bilateral financial contract, in which the protection buyer periodically pays the seller in return for a guarantee to compensate the buyer for losses on reference assets (government, bank or corporate bond) if a credit event occurs (bankruptcy, payment default, moratorium, restructuring). (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Credit Value at Risk (CVaR): the largest loss that would be incurred after eliminating the top 1% of the most adverse occurrences, used to set the risk limits for individual counterparties.

Derivative: a financial asset or financial contract, the value of which changes based on the value of an underlying asset, which may be financial (equities, bonds, currencies, etc.) or non-financial (commodities, agricultural commodities, etc.). Depending on the circumstances, this change may be accompanied by a leverage effect. Derivatives can take the form of securities (warrants, certificates, structured EMTNs, etc.) or contracts (forwards, options, swaps, etc.). Listed derivative contracts are called Futures.

Doubtful loan coverage rate: ratio between portfolio provision and depreciation and doubtful outstandings (customer loans and receivables, loans and receivables with credit institutions, finance leases and basic leases).

Expected Loss (EL): losses that may occur given the quality of a transaction's structuring and all measures taken to reduce risk, such as collateral.

Exposure at default (EAD): Group exposure to default by a counterparty. The EAD includes both balance sheet and off-balance sheet exposures. Off-balance sheet exposures are converted to their balance sheet equivalent using internal or regulatory conversion factors (drawdown assumption).

Fair value: the amount for which an asset could be exchanged or a liability settled, between informed and consenting parties under normal market conditions.

Gross rate of doubtful outstandings: the ratio between doubtful outstandings and gross book loan outstandings (customer loans and receivables, loans and receivables with credit institutions, finance leases and basic leases).

Haircut: percentage by which the market value of securities is reduced to reflect their value in the context of stress (counterparty or market stress risk). The extent of the reduction reflects the perceived risk.

Impairment: recording of probable loss on an asset. (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Incremental Risk Charge (IRC): capital cost incurred due to rating migration risk and risk of issuers' default within a one-year horizon for trading book debt instruments (bonds and CDS). The CRM is a 99.9% risk factor, meaning the highest risk obtained after eliminating the 0.1% most unfavourable incidents.

Insurance risk: beyond asset/liability risk management (interest-rate, valuation, counterparty and currency risk), these include underwriting risk, mortality risk and structural risk of life and non-life insurance activities, including pandemics, accidents and catastrophic events (such as earthquakes, hurricanes, industrial disasters, or acts of terrorism or war).

Internal Capital Adequacy Assessment Process (ICAAP): process outlined in Pillar 2 of the Basel Accord, by which the Group verifies its capital adequacy with regard to all risks incurred. Investment grade: long-term rating provided by an external ratings agency, ranging from AAA/Aaa to BBB-/Baa3 for a counterparty or underlying issue. A rating of BB+/Ba1 or lower indicates a Non-Investment Grade instrument.

Leverage ratio: The leverage ratio intends to be a simple ratio that aims to limit the size of banks' balance sheets. The leverage ratio compares the Tier 1 capital with the accounting balance sheet/off-balance sheet, after restatements of certain items. A new definition of the leverage ratio has been implemented in accordance with the application of the CRR.

Liquidity: for a bank, the capacity to cover its short-term maturities. For an asset, this term indicates the potential to purchase or sell it quickly on the market, with a limited discount. (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Liquidity Coverage Ratio (LCR): this ratio is intended to promote the short-term resilience of a bank's liquidity risk profile. The LCR requires banks to hold risk-free assets that may be easily liquidated on markets in order to meet required payments for outflows net of inflows during a thirty-day crisis period without central bank support (source: December 2010 Basel document).

Loss Given Default (LGD): ratio between the loss incurred from exposure to default by a counterparty and the amount of the exposure at the time of default.

Market risk: risk of decline in the value of financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets, including real estate.

Market stress tests: to assess market risks, alongside the internal VaR and SVaR model, the Group monitors its exposure using market stress test simulations to take into account exceptional market occurrences, based on 26 historical scenarios and eight hypothetical scenarios.

Mezzanine: form of financing between equity and debt. In terms of ranking, mezzanine debt is subordinate to senior debt, but it is still above equity.

Minimum requirement of own funds and eligible liabilities (MREL): the EU Bank Recovery and Resolution Directive (BRRD) requires compliance with a minimum ratio of "bail-inable" debt (i.e. debt likely to be used in the event of the bank's resolution). The MREL requirement is determined on a case-by-case basis for each bank.

Monoline insurer: insurance company participating in a credit enhancement transaction and which guarantees bond issues (for example, a securitisation transaction), in order to improve the issue's credit rating.

Net earnings per share: net earnings of the company (adjusted for hybrid securities recorded under equity instruments) divided by the weighted average number of shares outstanding.

Net Stable Funding Ratio (NSFR): this ratio aims to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with more stable sources of funding. This structural ratio has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities (source: December 2010 Basel document).

Netting agreement: a contract in which two parties to a forward financial instrument, securities lending or resale contract agree to offset reciprocal claims arising from these contracts, with the settlement of these claims based only on the net balance, especially in the event of default or termination. A master netting agreement enables this mechanism to be extended to different kinds of transactions, subject to various framework agreements under a master agreement.

Operational risk (including accounting and environmental risk): risk of losses or sanctions, notably due to failures in procedures and internal systems, human error or external events, etc.

Own shares: shares held by the company, especially as part of the Share Buyback programme. Own shares are excluded from voting rights and are not included in the calculation of earnings per share, with the exception of shares held as part of a liquidity contract.

Personal commitment: represented by a deposit, autonomous guarantee or letter of intent. Whoever makes themselves guarantor for an obligation binds themselves to the creditor to honour that obligation, if the debtor does not honour it themselves. An independent guarantee is an undertaking by which the guarantor binds himself, in consideration of a debt subscribed by a third party, to pay a sum either on first demand or subject to terms agreed upon. A letter of intent is an undertaking to do or not to do, the purpose of which is the support provided to a debtor in honouring their obligation.

Physical collateral: guarantees consisting of assets including tangible and intangible property and securities, including commodities, precious metals, cash, financial instruments and insurance contracts.

Prime Brokerage: a bundled package of services dedicated to hedge funds to facilitate and improve their activities. In addition to performing standard brokerage transactions on financial markets (buying and selling on the customer's behalf), the prime broker offers securities lending and borrowing services and financing services specifically suited to hedge funds.

Probability of Default (PD): likelihood that a counterparty of the bank will default within one year.

Rating: assessment by a ratings agency (Moody's, Fitch Ratings, Standard & Poor's, etc.) of an issuer's financial solvency risk (company, government or other public institution) or of a given transaction (bond loan, securitisation, covered bond). The rating has a direct impact on the cost of raising capital. (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Resecuritisation: securitisation of an already securitised exposure where the risk associated with underlyings is divided into tranches and, therefore, at least one of the underlying exposures is a securitised exposure.

Residential Mortgage Backed Securities (RMBS): see securitisation.

Return On Equity (ROE): ratio between the net income restated for interest on hybrid securities recorded under equity instruments and restated book equity (especially hybrid securities), which enables return on capital to be measured.

Risk appetite: level of risk, by type and by business line, that the Group is prepared to take on with regard to its strategic objectives. Risk appetite is derived using both quantitative and qualitative criteria. Exercising risk appetite is one of the strategic steering tools available to the Group's decision-making bodies.

Risk weight: percentage of weighting of exposures which are applied to a particular exposure in order to determine the related risk-weighted asset.

Risk-Weighted Assets (RWA): value of a bank's assets or exposures, weighted according to risk.

Securitisation: transaction that transfers a credit risk (loan outstandings) to an organisation that issues, for this purpose, tradable securities to which investors subscribe. This transaction may involve a transfer of outstandings (physical securitisation) or a transfer of risk only (credit derivatives). Securitisation transactions may, if applicable, enable securities subordination (tranches).

The following products are considered securitisations:

ABS: Asset Backed Securities.

CDO: Collateralised Debt Obligation, a debt security backed by an asset portfolio (bank loans (residential) or corporate bonds). Interest and principal payment may be subordinated (tranche creation).

CLO: Collateralised Loan Obligation, a CDO backed by an asset portfolio of bank loans.

CMBS: Commercial Mortgage Backed Securities, a debt security backed by an asset portfolio of corporate real estate loans leading to a mortgage.

RMBS: Residential Mortgage Backed Securities, a debt security backed by an asset portfolio of residential mortgage loans.

Share: equity stake issued by a company in the form of shares, representing a share of ownership and granting its holder (shareholder) the right to a proportional share in any distribution of profits or net assets as well as a right to vote in a General Meeting of Shareholders.

Stressed Value at Risk (SVaR): identical to the VaR approach, the calculation method consists of a "historical simulation" with "one-day" shocks and a 99% confidence interval. Unlike the VaR, which uses 260 scenarios of daily variation year-on-year, the stressed VaR uses a fixed one-year window that corresponds to a historical period of significant financial tensions.

Structural interest rate and currency risk: risk of loss or of write-downs in the Group's assets arising from variations in interest or exchange rates. Structural interest rate and exchange rate risks are incurred in commercial activities and proprietary transactions.

Structured issue or structured product: a financial instrument combining a bond product and an instrument (an option for example) providing exposure to all types of asset (equities, currencies, interest rates, commodities). Instruments can include a total or partial guarantee in respect of the invested capital. The term "structured product" or "structured issue" also refers to securities resulting from securitisation transactions, where holders are subject to a ranking hierarchy.

Systemically Important Financial Institution (SIFI): the Financial Stability Board (FSB) coordinates all of the measures to reduce moral hazard and risks to the global financial system posed by Globally Systemically Important Financial Institutions (G-SIFI). These banks meet criteria defined in the Basel Committee rules included in the document titled "Global Systemically Important Banks: Assessment methodology and the additional loss absorbency requirement" and published as a list in November 2011. This list is updated by the FSB each November (29 banks to date).

Tier 1 capital: comprises Common Equity Tier 1 capital and Additional Tier 1 capital. The latter corresponds to perpetual debt instruments, with no incentive to redeem, less prudential deductions.

Tier 2 capital: supplementary capital consisting mainly of subordinated notes less prudential deductions.

Tier 1 ratio: ratio between Tier 1 capital and risk-weighted assets.

Total capital ratio or Solvency ratio: ratio between total (Tier 1 and Tier 2) capital and risk-weighted assets.

Total Loss Absorbing Capacity (TLAC): on 10th November 2014, the Financial Stability Board (FSB) published for public consultation a term sheet proposing a "pillar 1" type requirement regarding loss-absorbing capacity in the event of resolution. This new requirement only applies to G-SIBs (Global Systemically Important Banks). It is a ratio of liabilities considered to be "bail-inable" in the event of resolution and calculated with respect to weighted risks or the leverage ratio denominator. (Source: *Revue de l'ACPR No. 25).*

Transformation risk: appears as soon as assets are financed through resources with a different maturity. Due to their traditional activity of transforming resources with a short maturity into longer-term maturities, banks are naturally faced with transformation risk which itself leads to liquidity and interest-rate risk. Transformation occurs when assets have a longer maturity than liabilities; anti-transformation occurs when assets are financed through longer-maturity resources.

Treasury shares: shares held by a company in its own equity through one or several intermediary companies in which it holds a controlling share either directly or indirectly. Treasury shares are excluded from voting rights and are not included in the calculation of earnings per share.

Value at Risk (VaR): composite indicator used to monitor the Group's daily market risk exposure, notably for its trading activities (99% VaR in accordance with the internal regulatory model). It corresponds to the greatest risk calculated after eliminating the top 1% of most unfavourable occurrences observed over a one-year period. Within the framework described above, it corresponds to the average of the second and third largest losses computed.

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