



SOCIETE GENERALE

(Incorporated in France as a Public Limited Company)

INDIAN BRANCHES

Basel II disclosures of the Indian Branches for the year ended 31 March 2011

All amts in Rs.' 000s, unless otherwise stated

1. Scope of application

The Framework applies to Societe Generale, Indian branches. There is no consolidation of the results of any subsidiary or group company with the financials of Societe Generale, Indian Branches.

The Bank has no interest in any of the insurance entities of the group.

2. Capital structure

The Tier 1 Capital of the Bank primarily comprises of interest free funds received from Head Office, balance in Statutory reserves and Capital reserves, and non repatriable balance in the Profit & Loss account.

The Tier 2 capital of the Bank comprises of the Provision on Standard Assets and balance in Investment reserve account created in accordance with extant RBI guidelines.

The details of Capital funds are stated in the following table

	31.03.2011	31.03.2010
Capital	2,697,781	2,697,781
Statutory Reserves	596,172	543,753
Capital Reserves	1,577	-
Remittable Surplus Retained for CRAR	316,871	285,683
Balance in Profit & Loss account	-	27,803
Less: Intangible assets	(29,940)	(38,701)
Tier I capital	3,582,461	3,516,319
Provision for Standard Assets & Country risk	108,293	54,544
Investment Reserve	33,252	76,312
Tier II capital	141,545	130,856
Total (Tier I + Tier II Capital)	3,724,006	3,647,175

The Bank has not raised any capital in India.

3. Capital Adequacy

The Bank has assessed its capital requirement taking into account the 3 main risks as defined by Pillar 1 of the Basel 2 norms viz: Credit Risk, Market Risk and Operational Risk. The Credit Risk is computed using the Standardised Approach, the Market Risk is calculated using the Standardised Duration Approach and the Operational Risk is calculated using the Basic Indicator Approach. The risk computation under each of these 3 categories is adequately covered by the Capital of the Bank.

The Bank has assessed its future capital requirement and the same has been documented in the ICAAP (Internal Capital Adequacy Assessment Process) - Pillar 2 requirements of Basel 2 norms based on the position as of March 31, 2010. The capital requirement will be re-assessed taking into consideration the position of the Bank for the financial year ended March 31, 2011.

The existing level of Capital is adequate to meet the Bank's current and future business requirements and the CRAR ratio of the Bank is significantly higher than that prescribed by the regulators.

Capital requirements for credit risk:

	As at 31.03.2011	As at 31.03.2010
Portfolios subject to standardised approach	1,132,347	726,404
Securitisation exposures	-	-
Capital requirement for credit risk	1,132,347	726,404

Capital requirements for market risk:

	As at 31.03.2011	As at 31.03.2010
Standardised duration approach		
Interest rate risk	705,094	478,672
Foreign exchange risk	67,500	67,500
Equity risk	-	-
Capital requirements for market risk	772,594	546,172



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Capital requirements for operational risk:

Rs.' 000s

	As at 31.03.2011	As at 31.03.2010
Basic Indicator approach	159,547	168,756

Capital ratios:

	As at 31.03.2011	As at 31.03.2010
Total capital ratio	16.23%	22.77%
Tier I capital ratio	15.62%	21.96%

4. Credit risk: general disclosures

Credit Risk has been defined as the risk of financial loss if counterparty defaults on an obligation under a contract. It arises mainly from direct lending, off-balance sheet exposures such as guarantees and from the Bank's investments in debt securities.

Strategy and processes (including credit risk management policy of the Bank)

The credit risk management framework is based upon Societe Generale group policies and revolves around certain key principles

- All transactions and facilities must be authorized in advance.
- All requests for authorizations relating to a specific client or client group are handled by a single operating division.
- All authorizations are given by an independent risk department, and approval rests on a framework based on internal counterparty risk ratings, Loss given default and a risk-adjusted return on capital analysis.
- There are internal caps on the total sub-investment grade exposure (defined as internal rating of 6+ or below), exposure to sensitive sectors and on the extent of unsecured exposure.
- There are also specific controls on exposures to banks and financial institutions, designed to ensure against excessive risk concentration.

Structure and Organization:

The risk ratings are provided by operating divisions and are validated by the risk officers. The Risk department is independent of the operating divisions and is located in the regional hubs / Head Office. Risk ratings are included in all credit proposals and are factored into all credit decisions.

There is a specialized and centralized department for financial institutions which is located in Paris.

Scope and nature of risk reporting and measurement:

The internal rating models measure counterparty risk (expressed as a probability of default by the borrower in one year) and transaction risk (expressed as the amount that will be lost should a borrower default). An in house database stores all credit limits.

The risk on counterparty exposure on market transactions is measured by modeling the future mark to market value of transactions, after taking into effect netting and correlation effects.

Non-performing advances:

Non performing advances are identified by regular appraisals of the portfolio by management or in accordance with RBI guidelines, whichever is earlier. Specific provision is made on a case by case basis, subject to minimum provisioning levels prescribed by RBI. Special attention is paid to early identification of problem exposures. The Bank's approach towards problem exposures is:

- Quick identification and isolation of potential weak /non-performing credits for concentrated attention through inclusion in the watch list. Watch list discussions are attended by Senior Management, Head of Credit and the Relationship Manager.
- Continued and rigorous follow up of these credits with the intention to monitor a possible turnaround or an early exit.
- A structured and sustained pro-active approach complemented by a rigorous follow up procedures.

a) Total gross credit risk exposure

Rs.' 000s

	Fund Based	Non Fund Based	Total(1)
As at 31.03.2011	8,116,286	29,596,129	37,712,415
As at 31.03.2010	7,139,981	20,622,009	27,761,990

1. The above amounts represent exposures before credit risk mitigants.
2. Non fund based exposures exclude credit lines which are unconditionally cancellable at the Bank's sole discretion or, effectively provide for automatic cancellation of credit lines due to deterioration of borrower's creditworthiness.
3. The credit risk exposures or equivalents in respect of Non fund based exposures are computed as under:
 - In case of exposures other than FX and derivatives, credit equivalent is arrived at by multiplying the notional principal amount with the credit conversion factors prescribed under the Basel II framework.
 - In case of FX and derivatives, credit equivalents are computed using the current exposure method.



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b) Geographic distribution of exposures

Rs.' 000s

As at 31.03.2011

	Fund Based	Non Fund Based	Total
Overseas	-	-	-
Domestic	8,116,286	29,596,129	37,712,415
Total	8,116,286	29,596,129	37,712,415

Rs.' 000s

As at 31.03.2010

	Fund Based	Non Fund Based	Total
Overseas	-	-	-
Domestic	7,139,981	20,622,009	27,761,990
Total	7,139,981	20,622,009	27,761,990

c) Industry type distribution of exposures

Rs.' 000s

As at 31.03.2011

Industry	Fund based	Non fund based	Total
All Engineering	469,013	806,586	1,275,598
Banking and finance	566,070	4,882,214	5,448,284
Computer Software	123,920	465,233	589,152
Drugs & Pharmaceuticals	737,666	1,373	739,039
Gems and Jewellery	194,969	-	194,969
Infrastructure Roads-Ports	790,851	683,878	1,474,729
NBFC	1,065,166	-	1,065,166
Other Industries	1,897,560	28,051	1,925,611
Other Metal and Metal Products	120,000	83,245	203,245
Other Residual Advances	1,017	-	1,017
Petroleum	120,000	-	120,000
Telecom	-	295,418	295,418
Trading	14,819	26,506	41,325
Automobiles	200,000	123,028	323,028
Chemicals, Dyes and Paints	705,935	12,479	718,413
Total	7,006,986	7,408,010	14,414,996

Rs.' 000s

As at 31.03.2010

Industry	Fund based	Non fund based	Total
All Engineering	417,889	179,218	597,107
Banking & Finance	513,491	7,414,105	7,927,596
Chemicals, dyes, paints	194,500	171,823	366,323
Computer Software	89,800	686,199	775,999
Cotton Textiles	88,479	1,623	90,102
Gems and Jewellery	185,706	-	185,706
NBFC	37,710	548,708	586,418
Other Industries	523,883	-	523,883
Other Metal & Metal Products	1,285,444	22,373	1,307,817
Other residual advances	118,551	62,294	180,845
Petroleum	7,777	-	7,777
Drugs & Pharmaceuticals	320,224	-	320,224
Telecom	-	294,773	294,773
Trading	380,000	10,000	390,000
Grand Total	4,163,454	9,391,117	13,554,571



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d) Residual contractual maturity breakdown of assets

Rs.' 000s

	As at 31.03.2011
1 day	5,222,114
2-7 days	528,735
8-14 days	4,317
15-28 days	1,183,210
29 days -3 months	402,178
Over 3 months -6 months	1,469,687
Over 6 months -upto 1 year	1,709,462
Over 1 year -upto 3 years	8,303,731
Over 3 years to 5 years	10,242,463
Over 5 years	888,212
Total	29,954,109

Rs.' 000s

	As at 31.03.2010
1 day	1,272,770
2-7 days	498,348
8-14 days	336,456
15-28 days	54,720
29 days - 3 months	1,640,105
Over 3 months - 6 months	798,473
Over 6 months - upto 1 year	4,769,549
Over 1 year - upto 3 years	11,849,690
Over 3 years - upto 5 years	842,820
Over 5 years	1,611,430
Total	23,674,361

e) Amount of NPAs (Gross) – 11,758 (P.Y. 12,124)

f) Net NPAs- Nil (P.Y. Nil)

g) NPA Ratios

Gross NPAs to gross advances 0.17% (P.Y.0.29%)

Net NPAs to net advances- 0% (P.Y.0%)

h) Movement of NPAs

Rs.' 000s

2010-11

	Gross NPAs	Provision	Net NPA
Opening balance	12,124	12,124	-
Additions	-	-	-
Reduction (including write backs/write offs)	366	366	-
Closing balance	11,758	11,758	-

Rs.' 000s

2009-10

	Gross NPAs	Provision	Net NPA
Opening balance	-	-	-
Additions	12,124	12,124	-
Reduction (including write backs/write offs)	-	-	-
Closing balance	12,124	12,124	-

i) Non performing investments – Nil

j) Provisions held for non-performing investments – Nil



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k) Movement of provisions for depreciation on investments **Rs.' 000s**

	2010-11
Opening Balance	34,284
Provisions made during the year	133,667
Write-off/write-back of excess provisions during the year	34,284
Closing Balance	133,667

Rs.' 000s

	2009-10
Opening Balance	102,516
Provisions made during the year	34,284
Write-off/write-back of excess provisions during the year	102,516
Closing Balance	34,284

5. Credit risk: disclosures for portfolios subject to the standardised approach

The Bank relies on the ratings given by the following External Credit Rating Agencies (ECRAs) approved by the RBI to calculate its capital requirement under the standardised approach for credit risk

Domestic Credit Rating Agencies for external ratings of Indian Corporates:

- 1) Credit Analysis and Research Ltd.
- 2) CRISIL Ltd.
- 3) FITCH India
- 4) ICRA Ltd.

The Bank has used issue-specific solicited ratings available in the public domain (for both Long Term and Short Term facilities) from the above domestic rating agencies to allocate appropriate risk weighting for both funded as well as non-funded exposures on corporate customers.

The process used by the Bank to use such ratings for comparable assets in the banking book is in line with the provisions advised in Reserve Bank of India's Prudential Guidelines on Capital Adequacy and Market Discipline-New Capital Adequacy Framework (NCAF) dated February 8th, 2010

The mapping of external credit ratings and risk weights for corporate exposures is provided in the tables below:

Risk weight mapping of long term corporate ratings

Long term ratings	Risk weights
AAA	20%
AA	30%
A	50%
BBB	100%
BB & Below	150%
Unrated	100%

Risk weight mapping of short term corporate ratings

Short Term Ratings			Risk weights	
CARE	CRISIL	FITCH	ICRA	
PR1+	P1+	F1+	A1+	20%
PR1	P1	F1	A1	30%
PR2	P2	F2	A2	50%
PR3	P3	F3	A3	100%
PR4 & PR5	P4 & P5	F4/F5	A4 & A5	150%
Unrated	Unrated	Unrated	Unrated	100%

The claims on banks incorporated in India and foreign banks branches in India, excluding investment in equity shares and other instruments eligible for capital status are risk weighted as under:

CRAR %	Scheduled Banks	Other Banks
> 9	20%	100%
6 to < 9	50%	150%
3 to < 6	100%	250%
0 < 3	150%	350%
Negative	625%	625%



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International ECRAs for external ratings of Foreign Banks, Foreign Sovereigns, Foreign Public Sector Entities and Non-Resident Corporates:

- a) Fitch
- b) Moodys
- c) Standard & Poor's

The process used by the Bank to transfer public issue ratings onto comparable assets in the banking book is in line with the provisions advised in Reserve Bank of India's Prudential Guidelines on Capital Adequacy and Market Discipline-New Capital Adequacy Framework (NCAF) dated 08, February, 2010.

The mapping of external credit ratings and risk weights for the above entities are provided in the tables below to the extent applicable.

Risk weight mapping of foreign banks

S&P and Fitch ratings	AAA to AA	A	BBB	BB to B	Below B	Unrated
Moody's rating	Aaa to Aa	A	Baa	Ba to B	Below B	Unrated
Risk weight	20%	50%	50%	100%	150%	50%

Amount outstanding under various risk buckets:

Rs.' 000s

	As at 31.03.2011
Below 100 % risk weight	6,386,530
100 % risk weight	6,056,633
More than 100 % risk weight	138,475
Deducted	-
Total	12,581,638

Amount outstanding under various risk buckets:

Rs.' 000s

	As at 31.03.2010
Below 100 % risk weight	4,700,043
100 % risk weight	3,370,361
More than 100 % risk weight	747
Deducted	-
Total	8,071,151

6. Credit risk mitigation: disclosures for standardised approaches

Policy for collateral valuation and Management

All corporate and institutional facilities are reviewed (and hence revalued) at least on an annual basis. All deeds of ownership/ titles related to collateral are held in physical custody under the control of executives independent of the business. Unsecured exposures cannot exceed the overall ceiling fixed for such facilities.

The main categories of recognized collateral taken by the Bank conform to the list of eligible financial collateral advised in Section 7.3.5 of RBI's Prudential guidelines on Capital Adequacy and Market discipline and include cash on deposits, marketable equities, and recognized debt securities.

The Bank also extends credit facilities against guarantees from international corporates and banks. For a corporate guarantee to be recognized as a credit risk mitigant, the guarantor must have a rating of AA- or above from Standard & Poor's, Fitch and / or Moody's.

The Bank is not active in securitization of standard assets in India.

As on March 31, 2011, the total exposure covered by eligible financial collateral after application of haircuts was Rs. 155,476 (P.Y. Rs. 132,945)

7. Securitisation: disclosure for standardised approach

The Bank has not undertaken any securitization operation during the year.

8. Market risk in trading book

The objective of the Bank's market risk management is to manage market risk exposures to optimise the returns, keeping the risk at acceptable level.

Market risk arises out of the fluctuation in the interest rates, foreign exchange rates and the consequent change in the prices of various financial instruments held by the Bank. The financial instruments are revalued on a daily basis as per the guidelines issued by the regulatory authorities. The change in the valuation of the financial instruments may result in profit or loss for the Bank.

Strategy and Process:

The Bank monitors the exposure to market risk by combining the "Trading Book" and "Banking Book". All open market risk is subject to approved limits. The market risk limits are reviewed at periodic intervals. The approved market risk limit is based on capital allocated to trading activity, market environment and the risk perception at Head office.

Structure and organisation of market risk management

The Bank has an independent market risk management and control officer reporting directly to top management on a daily basis. The tool used for computing various market risk parameters is called TRAAB.

Scope and nature of risk measurement, risk reporting and risk monitoring system:

Market risk is monitored and controlled using parameters, such as Value at Risk (VaR), Sensitivity limit (parallel shift in interest rates), net open position limit (Foreign exchange positions) and stress test limits.

VaR estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The limits are set for Trading as well as a Global VaR (Global VaR includes both Trading and the banking book). The Bank calculates the VaR using the historical simulation methodology covering the last 250 working days market data and at 99% confidence level for a one-day holding period.

The sensitivity limit measures the profit/loss arising out of a 10 basis point parallel shift in the interest rates of the respective financial instruments. The adverse movements are defined based on the historical and hypothetical scenarios adopted by the Bank.

Capital requirements for market risk:

	Rs.' 000s	
	As at 31.03.2011	As at 31.03.2010
Standardised duration approach		
Interest rate risk	707,296	478,672
Foreign exchange risk	67,500	67,500
Equity risk	-	-
Capital requirements for market risk	774,796	546,172

9. Operational risk

Operational risk refers to the risk of loss resulting from a weakness or anomaly attributable to procedures, personnel, internal system driven or external events, including events with a low probability of occurrence but a high level of risk. Operational risk also includes legal risk but excludes strategic and reputation risks. It is inherent to each business organization and covers a wide range of issues.

Strategy and Process

The Bank has an Operational risk policy in place which classifies Operational Risk events into 8 major heads and 49 sub heads to map with the Basle II Loss Event Type Classifications, Event Description, Corrective & Preventive Action plan and loss amounts & recoveries. The risk is managed through a system of prevention, control and coverage that comprises detailed procedures, permanent supervision, and insurance policies, further supported by reviews by the internal audit and the Head-office General Inspection Department.

Structure and Organisation

The Operational Risk Management (ORM) policy defines the key objectives and ensures the active involvement of the top and senior management in the process by formalizing the roles and responsibilities of the key functionaries involved in the ORM. It covers all aspects of Operational Risk in terms of prevention, protection, monitoring and remedial actions.

The Operational risk committee is chaired by Chief Operating Officer -India and has the local Operational Risk Managers, Business Line Heads, Support function Heads, Compliance, Legal and Audit as members. The mandatory agenda for such meetings has also been spelt out in the Operational Risk Management Policy.

This committee is responsible to identify and control all risks of legal, administrative and or disciplinary penalties, financial losses or injury to the image arising out of or in connection with failure to comply with the Head Office, Local/Legislative/Regulatory banking provisions/ethics and professional practices as well as SG Group instructions, standards and/or processes.

Scope and nature of Risk reporting / measurement system

The Bank has clearly defined the nature, scope of risk reporting by putting in place systems and thresholds for loss data collection, measurement and reporting by category and sub category of events. The Bank's internal classification has been mapped to the Basle II Loss Event Type Classifications. Based on this classification Risk Drivers (KRIs) that convey any control weakness that could cause an Operational Risk Event are identified and assessed through multiple evaluation questions. The current threshold for India is EUR 10,000 or equivalent local currency. A comprehensive reporting on Operational Risk is done on a quarterly basis to the Head office.

The Bank also has a very rigorous RCSA (Risk Control & Self Assessment) process in place which helps to evaluate the inherent risk in the business and the controls in place to mitigate it. The actual process comprehensively covers Compliance, KYC, AML, Permanent Supervision (as a major tool of internal control for transaction processing), Business Continuity Planning and Crisis Management, Information Security, Quality Management, Project Management and New Product Committee and Significant Changes Committee

Hedging / Mitigating techniques

The ORM policy is also designed to alert the operating divisions as soon as possible if they are vulnerable to risks so as to ensure that they react immediately to reduce potential losses and/or the severity of such losses. The gaps / residual risk identified during the above mentioned RCSA exercise are addressed by implementing additional controls to ensure a robust ORM structure.

The Bank has adopted the Basic Indicator approach to compute the capital requirement for operational risk as prescribed by RBI. The Societe Generale Group will use the Advanced Measurement Approach (AMA) for the calculation of capital for operational risk as approved by the home regulator namely the French Banking Commission

10. Interest Rate Risk in the Banking Book (IRRBB)

In order to manage the risk optimally, the market risk in the banking book is transferred to the treasury such that the Interest rate risk in the banking book is also covered by the market risk procedures detailed above. Consequently, the Interest rate risk on the banking book is measured on a daily basis.

The strategic investments held in the HTM category are classified under “structural risk” and a separate limit has been assigned for such risks. The risks arising out of various commercial banking activities are also covered by the market risk procedures cited above since they are transferred to the treasury using the internal transfer pricing mechanism.

Quantitative Disclosures
Market Risk Limits

(Amounts in EUR)
31.03.2011

1 - Value at Risk : VaR 99%

VaR	Limit	Usage	
Global	5,000,000	-506,500	10%
Trading	5,000,000	-506,500	10%
CountryRisk - India	40,000,000	-29,020,637	73%

2 - Interest Rate Sensitivity Limits (expressed in EUR for +10bps)

Parallel	Limit	Usage	
GLOBAL	500,000	127,000	25%

3 - Stress Tests

	Limit	Usage	
Adverse Stress Test	30,000,000	-2,991,000	10%

Market Risk Limits

(Amounts in EUR)
31.03.2010

1 - Value at Risk : VaR 99%

VaR	Limit	Usage	
Global	3,000,000	-868,000	29%
Trading	3,000,000	-868,000	29%
Country Risk - India	40,000,000	-24,907,609	62%

2 - Interest Rate Sensitivity Limits (expressed in EUR for +10bps)

Parallel	Limit	Usage	
GLOBAL	500,000	137,000	27%

3 - Stress Tests

	Limit	Usage	
Adverse Stress Test	10,000,000	-2,591,000	26%

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