SOCIETE GENERALE STRUCTURED PRODUCTS

Ben Thompson, Societe Generale Listed Products

Thursday 31st January 2013

SOCIETE GENERALE

RISK WARNING

- The following products are suitable for sophisticated retail and professional investors in the UK, who have a good understanding of the underlying markets and the characteristics of Listed Products. In particular, it is important that an investor appreciates at the outset that they could lose all their capital when investing in these products.
- These products are Securitised Derivatives (SD) which are securities listed on the London Stock Exchange and issued by a bank via an Issuing Programme which is approved by the UK Listing Authority. Final Terms are published for each SD which provide investors with its characteristics and its pay-off at maturity. The product features given in the Final Terms are prescribed by the approved Base Prospectus.
- Autocall products: Capital is at risk on a one for one basis from the Initial Index Level if the Underlying Asset is below the Protection Level at Maturity.
- Listed structured products are issued by either Societe Generale Acceptance or Societe Generale Effekten, both members of the Societe Generale group of companies. Any failure by Societe Generale Acceptance or Societe Generale Effekten as Issuer, or by Societe Generale as Guarantor, to make payments due under the product may result in the loss of all or part of your investment. You will have no claim for compensation from the Financial Services Compensation Scheme nor by any similar scheme in the country where the Issuer is domiciled.

CONTENTS

- 78 countries, 160,000 employees, 116 nationalities and over 33 million customers
- A universal bank based on a diversified business mix and a balanced business model
- Resolutely focused on its clients, in order to become THE reference for relationship banking

SOCIETE GENERALE

SOCIETE GENERALE
Corporate & Investment Banking

Selftrade

SOCIETE GENERALE
Private Banking

SG
Equipment Finance

ALD
Automotive

SOCIETE GENERALE LISTED PRODUCTS

- Over 20 years in Listed Products globally
- Societe Generale remains the **world leader** in Listed Products by volume with **EUR 51,161bn** traded*
- **Introduced Listed Products to the UK in 2002**
  - SG was the first issuer of Covered Warrants
  - Now nearly 700 products offered in the UK, catering for practically any investment objective
  - Won the Shares Award for best Covered Warrants provider for three consecutive years
  - In 2012 we won best Structured Products/Warrants at the Shares Awards
  - Voted best Covered Warrants provide by FT's Investor's Chronicle in 2011 and 2012.

*Source: Societe Generale Listed Products, January 2013. Information compiled from the global exchanges

PRODUCT STRUCTURES

WHAT ARE THE GENERAL RISKS FOR LISTED STRUCTURED PRODUCTS?

- **Counterparty Risk** – Any failure by the Issuer to make payments due under the product may result in the loss of all or part of your investment. You will have no claim for compensation from the Financial Services Compensation Scheme or any other scheme where the Issuer is domiciled.

- **Underlying Risk** – The value of the product will depend on many factors including the Underlying Asset which may be complex and subject to fluctuation

- **Liquidity Risk / Early Sale Risk** – The Issuer may be the only market maker and therefore the only party providing prices for the Product. Trading prices will only be available in normal market conditions. You can sell a Covered Warrant before the end of its term but may get back less than you invested irrespective of the performance of the Underlying Asset.

TYPES OF STRUCTURED PRODUCT WRAPPER

A key difference between wrapper types is their potential tax treatment:

- **STRUCTURED DEPOSITS:** Take the form of: Direct, Cash ISA, SSAS/SIPP. Often liable for income tax*
- **BONDS:** Onshore/Offshore investment bonds can be either listed on an exchange or traded over the counter. Often liable for capital gains tax*
- **RETAIL PLAN:** Packaged structure for financial instruments. Often liable for income tax*
- **FUNDS:** Can be exchange traded or structured. Often liable for capital gains tax*
- **LISTED:** Ability to remain flexible with the added security of exchange listing. Often liable for capital gains tax*

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THE DIFFERENCE WITH LISTED STRUCTURED PRODUCTS

Listed structured products offer all the benefits of traditional structured products, but with the benefit of intraday liquidity

Transparency
Live prices during trading hours are available from the London Stock Exchange (LSE), Bloomberg, Reuters and www.sglistedproducts.co.uk

Simplicity
Simple to trade, simple to book, simple to follow; just like trading an equity through a wrap platform or stockbroker account

Flexibility
With a single issuing programme which is approved once a year by the UK listing authority, we can quickly provide multiple different pay offs on all asset classes

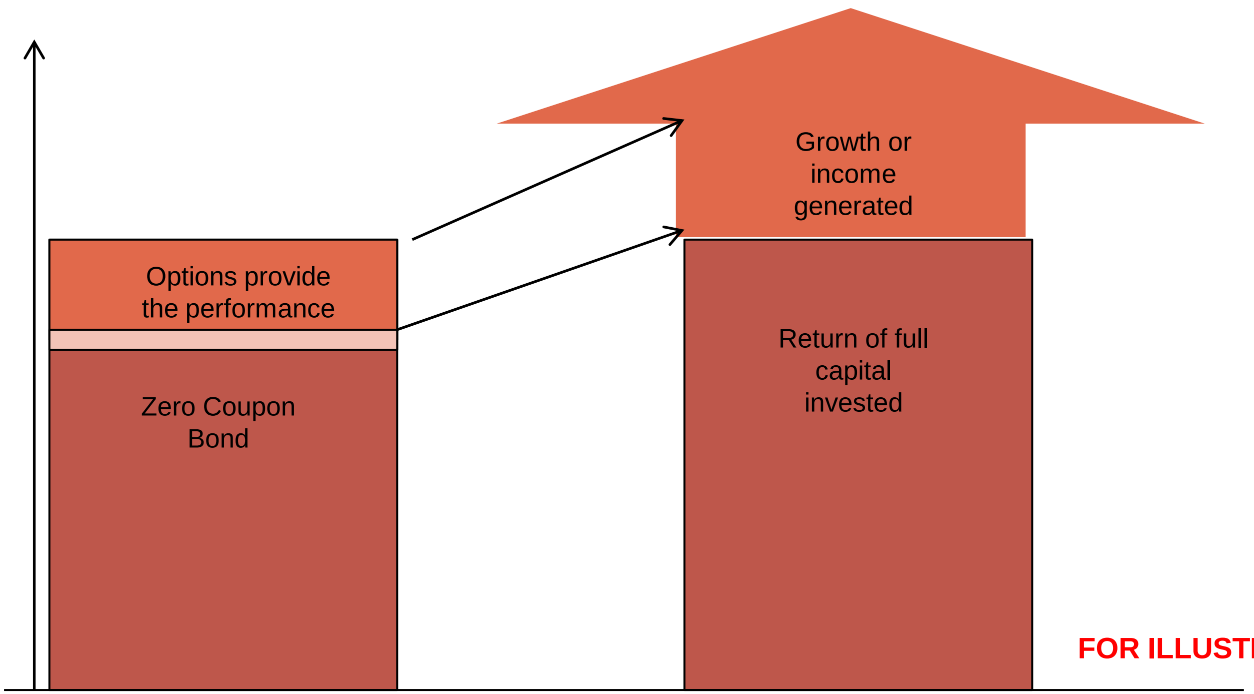
Liquidity
Products trade like a share on the through at least one market maker, which is monitored by the LSE, and bound to providing continuous prices during normal market conditions

RDR ready
Listed structured products do not include commission for IFAs

HOW ARE STRUCTURED PRODUCTS CONSTRUCTED?

There are three main components to a structured product:

- **ZERO COUPON BOND:** Purchased to provide the capital protection at Maturity
- **PERFORMANCE OPTION:** Bullish or Bearish, Neutral or Defensive Options provide the performance element of a Structured Product
- **CAPITAL AT RISK OPTION:** European Maturity or American (Daily) Maturity



The practically endless combination of these building Blocks can be used to suit a huge range of different investment scenarios, risk profiles and market conditions

FOR ILLUSTRATIVE PURPOSES ONLY

PRODUCT TYPES

THE 3 BROAD CATEGORIES OF STRUCTURED PRODUCT

	Capital Protection	Yield Enhancement	Growth Participation
Objective	Invest in the markets with the re-assurance that at least the capital will be returned at Maturity	The potential to generate a fixed level of return based on a specific investment scenario, i.e. the underlying asset achieving a certain level on a certain date	The potential to enhance returns from rising, falling or both rising and falling markets.
Products	•Capital protected	•Autocalls •Synthetic Zero •Range Accrual •Money Builder	•Accelerated Tracker •Bear Accelerator •Twin Win •Bonus •Recovery
Benefits and Risks	• Fixed term investments • Benefit from rising or falling market • Capital not at risk as long as held to expiry • Counterparty risk with Societe Generale	• Accept a higher level of risk to secure the opportunity for higher returns • Allow investors to fine tune their risk/return profile • Opportunities to profit from flat or slightly falling markets • Capital is at risk on a 1 for 1 basis if underlying closes below the protection level	• Provide either enhanced performance on the upside, on the downside, or both. • Risk to capital can be limited in some cases • Returns are typically capped • Capital is at risk

CAPITAL PROTECTED PRODUCTS

AN INTRODUCTION TO CAPITAL PROTECTED PRODUCTS

- **Offer cautious investors access to riskier equity or commodity markets with no or limited risk to their initial investment, as long as the investment is held to maturity:**
- A particularly appealing idea in times of low interest rates or bond yields, when cautious investors may struggle to generate an acceptable return on their investment
- Can be capped or un-capped exposure
  - In a regular Capital Protected product the potential profit is infinite and investors can benefit from the full growth of the underlying asset during the life of the investment
  - in some cases, in order to provide Capital Protection, a 'Cap Level' is placed on the product which will limit the potential payout to a pre-defined level

Calculating your payoff

At Expiry, did the underlying close <u>at</u> or above the Initial Level?

NO

Capital is Protected
The investor receives the Initial Investment

YES

The investor receives the Initial Investment + Positive Performance of the underlying

Capped or not capped depending on the Product's Payoff

YIELD ENHANCEMENT

AN INTRODUCTION TO YIELD ENHANCEMENT

Yield Enhancement products are suitable for investors who are looking for a fixed return in relatively range-bound markets

- Offer opportunities to profit in flat or moderately rising or falling markets
- Structured to **generate an income** payment, **or lock in growth** based on the Underlying Asset achieving a certain level at a certain time in the Investment Term
- Typically offer **soft capital protection** where investors' capital is protected as long as the underlying asset remains above a pre-defined level known as the **'Protection Level'**

Autocalls Potential for early expiry and a fixed return if the Underlying Asset achieves a fixed level on a certain date	**Synthetic Zero** Potential fixed return at Maturity if the Underlying Asset is above a fixed level, Typically up to 40% below starting level
Range Accrual Potential to lock in or pay a fixed return each year as long as the Underlying Asset trades within a range	**Money Builder** Potential to lock in or pay a fixed return each year as long as the Underlying Asset trades above a fixed level

RISKS AND BENEFITS OF AUTOCALLS

KEY RISKS

- **Capital at Risk** – should the Underlying Asset close below the Protection Level at Maturity, investors' capital will be at risk.
- **No income** is paid during the life of the product
- **Returns are capped**, therefore if the Underlying Asset outperforms the reference level, there is risk on the opportunity cost.

KEY BENEFITS

- Pre-defined return
- Potential early payout
- Capital protection at Maturity subject to a Protection Level
- Available as Classic, Step Down or Defensive structures
- No stamp duty on purchases*
- SIPP* / CGT* eligible

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AN EXAMPLE: FTSE DEFENSIVE AUTOCALL

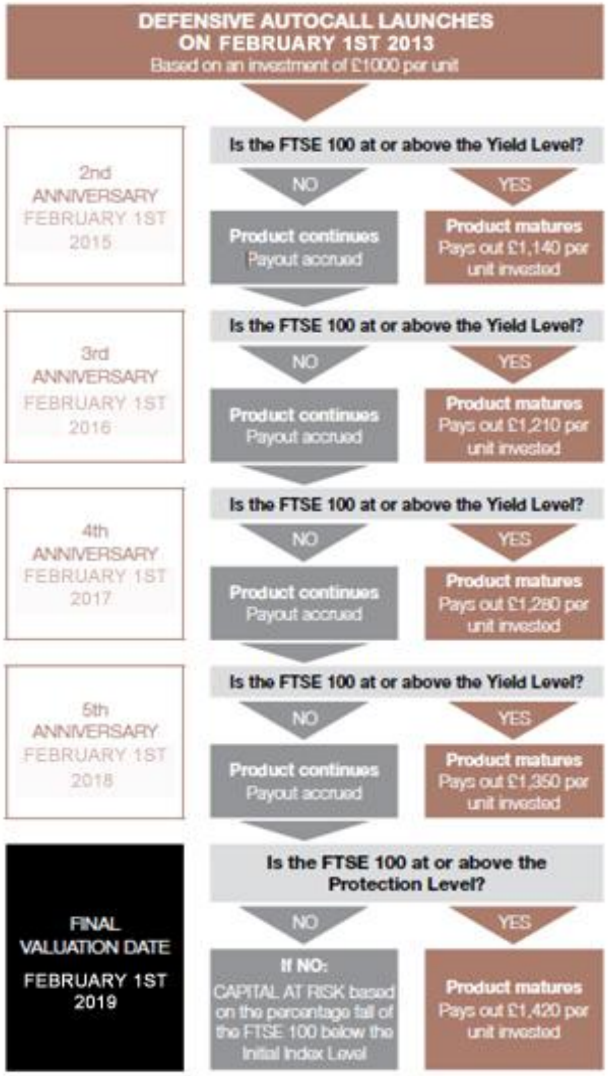
Example Product

Underlying Asset	FTSE 100 Index	Protection Level	3,553.06
Maturity	27/12/18	Yield Level (Yrs 2-5)	5,9271.76
Initial Index Level	5,921.76	Yield Level (Yr 6)	3,553.06

- A **6 year investment** which can **expire early** and generate a return on any one of four Anniversary Dates between year 2-5
- Potential return equivalent to 7% gross per annum
- Capital protected at Maturity subject to the FTSE 100 remaining above the Protection Level

How does it work?

- The level of the FTSE 100 is recorded on the Initial Valuation Date
- This is gives us two important levels:
  1. A Yield Level = 5,921.76
  2. A Protection Level = 3,553.06 (60% of the Initial Index Level)
- To expire early, the FTSE 100 needs to be at or above its Yield Level on one of four Anniversary Dates between year 2 and 5
- Each Anniversary Date that the FTSE 100 remains below the Yield Level, the 7% gross payout rolls to the next year



POTENTIAL RETURNS ON EACH ANNIVERSARY DATE

- The table below is based on an initial investment of £5,000 at the issue price of £1,000 per unit
- This demonstrates the theoretical payout that investors would receive if the FTSE 100 was at or above the Yield Level on any one of the four Anniversary Dates from year 2 to year 5

ANNIVERSARY DATES	Is the Index at or above the Yield Level?	Target Return per unit (£1,000)	Capital Repayment per Unit	Final payment from a £5,000 investment. i.e. 5 units of £1,000
2nd Anniversary Date: February 1st, 2015	Yes	£140.00	£1,000	£5,700
3rd Anniversary Date: February 1st, 2016	Yes	£210.00	£1,000	£6,050
4th Anniversary Date: February 1st, 2017	Yes	£280.00	£1,000	£6,400
5th Anniversary Date: February 1st, 2018	Yes	£350.00	£1,000	£6,750

Please note: This is for illustrative purposes only . The figures are examples only and used to illustrate the return that could be achieved on each Anniversary Date if the Index closes at or above the Yield Level on that specific date.

WHAT HAPPENS IF IT HASN'T EXPIRED EARLY?

- **If the FTSE 100 has not been at or above its Yield Level on any one of the four Anniversary Dates between year two and year 5, the product will mature after 6 years.**
- There are two possible scenarios **depending on the level of the FTSE 100** on the Final Valuation Date:

The FTSE 100 is at or above the Protection Level	**If the FTSE 100 is below the Protection Level**
Investors receive the maximum return of **£420 plus their initial investment** of £1,000 per unit invested.	Investors **lose all or part of their capital** • The loss is directly related to the percentage fall in the FTSE 100 from the Initial Index Level. • If the FTSE 100 had fallen 60%, investors would receive back £400

GROWTH PARTICIPATION

AN INTRODUCTION TO PARTICIPATION

Participation products are suitable for investors who want to enhance their exposure to the rise, fall or both rise and fall of an Underlying Asset

- Offer opportunities to enhance profit up to a cap in rising markets
- Structured to generate a **growth payment** at Maturity based on how far the Underlying Asset has risen or fallen over the Investment Term
- Typically offer **soft capital protection** where investors' capital is protected as long as the underlying asset remains above a pre-defined level known as the **'Protection Level'**

Accelerated Tracker Potential to generate an enhanced return up to a cap based on how far the Underlying Asset rises over the investment term	**Bear Accelerator** Potential to generate an enhanced return down to a floor based on how far the Underlying Asset falls over the investment term
Twin Win Potential to generate a payout at Maturity based on how far the Underlying Asset rises or falls over the investment term	**Bonus** Potential to lock in a fixed return if, at Maturity, the Underlying Asset closes between the Protection Level and a Bonus Level during investment term.

KEY RISKS

Capital at Risk:
Should the value of the Index trade, at any time, at or below the Protection Level over the life of the product, the investors capital will be at risk.

Underlying Risk:
The value of the product will depend on the value of the Index which may be volatile.

KEY BENEFITS

- Potential to profit in rising and falling markets
- Capital protection at Maturity subject to a Protection Level
- No stamp duty on purchases*
- SIPP* / CGT* eligible

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AN EXAMPLE: TWIN WIN – FOR UNCERTAIN TIMES

Twin Wins offer the potential to benefit from a rise or fall in an underlying asset

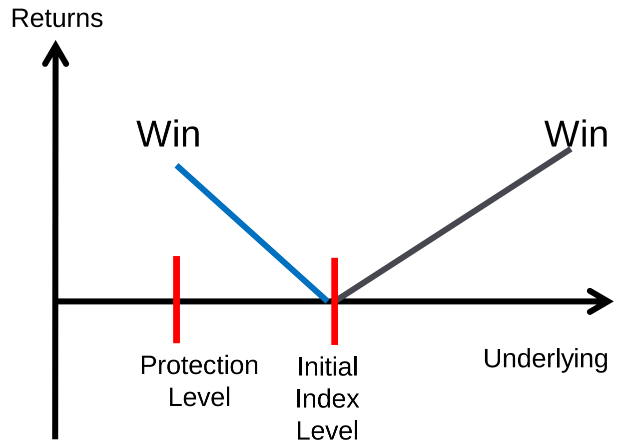
- Typical investment term of 3-6 years

How do they work?

- At Maturity, the investor can benefit from either:
  - the full upside movement of an underlying
  - or a limited downside movement

- As long as the underlying **never touches** a pre-defined **Protection Level**, any negative performance will be converted into a positive return

- If the underlying touches the Protection Level at any point, the investor's capital is at risk as if they had bought the underlying itself from the initial Index level.



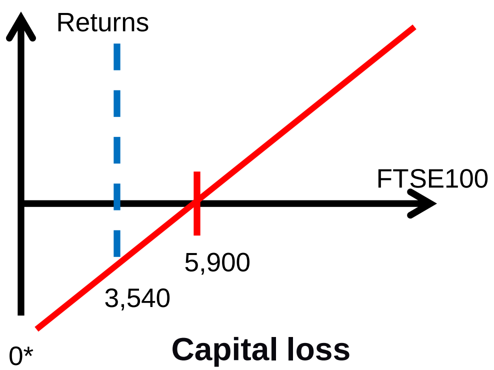
TWIN WIN EXAMPLE

An example product

Underlying Asset	FTSE 100 Index	Initial Index Level	5,900
Listing Date	04/01/11	Protection Level	3,540
Maturity	04/01/16		

- **At Maturity the product will do one of three things depending on the level of the FTSE 100 on the Final Valuation Date after 5 years**

FTSE 100 closes below 3,540

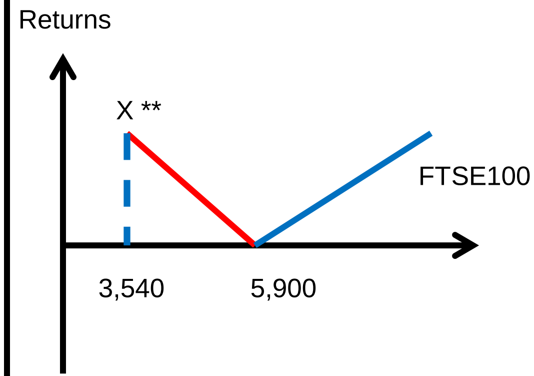


Capital loss

Capital at risk based on how far the underlying has fallen below the Initial Index Level

*nb Maximum loss is initial investment

FTSE 100 closes below 5,900 but above 3,540

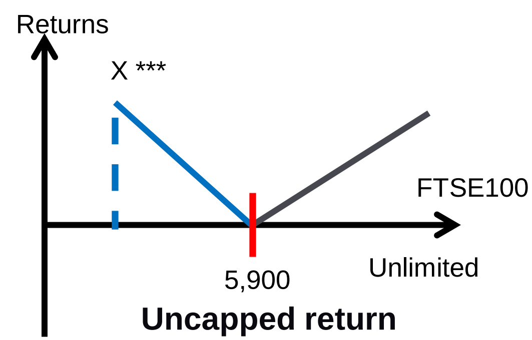


Limited return

Positive return based on how far the underlying has fallen below the Initial Index Level

**nb From this point onwards, investors are exposed to losses on a 1 for 1 basis. All returns cease

FTSE 100 closes above 5,900



Uncapped return

Return based on how far the underlying has risen above the Initial Index Level

***nb From this point onwards, investors are exposed to losses on a 1 for 1 basis. All returns cease

IMPORTANT INFORMATION:

This presentation is intended for educational purposes only and as such is not a solicitation or recommendation to make an investment based on the contents of this presentation. Investors should be aware that investments can fall as well as rise and if there is any doubt over the suitability of a particular investment then you should seek independent advice.

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The products described within this document are not suitable for everyone. Investors' capital is at risk. Investors should not deal in these product unless they understand their nature and the extent of their exposure to risk. The value of the products can go down as well as up and can be subject to volatility due to factors such as Level changes in the underlying instrument and interest rates.

Prior to any investment in these products, investors should make their own appraisal of the risks from a financial, legal and tax perspective, without relying exclusively on the information provided by us, both in this document and the Pricing Supplement of the product available on the website www.sglistedproducts.co.uk. We recommend that investors consult their own independent professional advisors.

Investors should note that holdings in these products will not be covered by the provisions of the Financial Services Compensation Scheme, nor by any similar scheme.

The securities can be neither offered in nor transferred to the United States.

The tax statement is only a general guide. The tax treatment of investments will depend on an individual's circumstances. If investors are in any doubt as to their tax position, they must consult with an appropriate professional tax adviser. This statement of the UK tax treatment of the product is based on our understanding of the laws and practice in force as of the date of this document and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect.

Covered Warrants can be volatile investments and may expire worthless. They are not suitable for everyone and investors should not deal unless they understand their nature and the extent of their exposure to risk. If in any doubt investors must consult an independent financial advisor.

There is a risk that any failure by a member of the SOCIETE GENERALE group of companies to perform obligations when due may result in the loss of all or part of an investment. The investor still ultimately bears a credit risk on Societe Generale.

For more information: see the Terms and Conditions available on our website www.sglistedproducts.co.uk

SECONDARY MARKET:

- Investors can buy or sell a Securitised Derivative (SD) at any time in the Secondary Market prior to the Exercise Date on any regular LSE trading day from 8.15am to 4.30pm. The value of the SD will vary on an intraday basis.
- Investors must note that the final value of the underlying is taken into account on the Exercise Date. Should the investor not sell the SD in the Secondary Market before the Exercise Date, they will receive the cash settlement amount on the Settlement Date. Between the Exercise Date and Settlement Date, the value of the SD may be subject to small variations according to fluctuations in interest rates. This is why the value of the SD on the Exercise Date will not exactly equal the final value on the Settlement Date.
- Societe Generale is the only market-maker and therefore the only liquidity provider for all SG Listed securities. Societe Generale will refresh the prices throughout the trading day according to LSE rules. The liquidity offered is monitored by the LSE monitoring team, both in terms of spreads and sizes.
- Cases in which there is no guarantee that liquidity or live prices will be available on the secondary market includes where:
  - The Underlying Asset level is suspended or not tradable;
  - There is a failure in the LSE or Societe Generale systems;
  - Abnormal trading situations e.g. sudden and sharp volatility increase or lack of liquidity in the underlying.
  - This means that an investor may find it difficult or impossible in certain circumstances to sell the SD or may be offered a price less than they paid for it