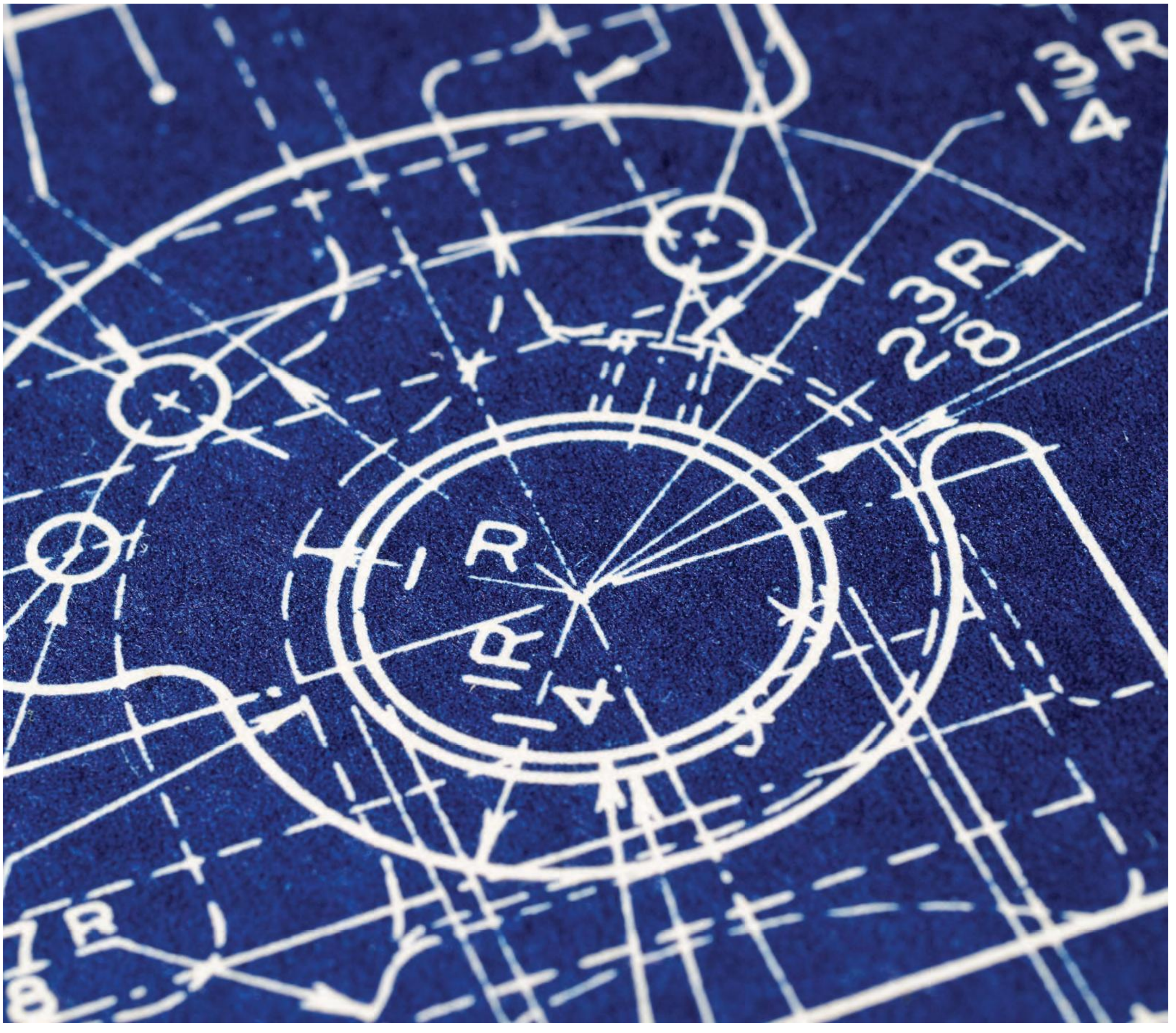
AUGUST 2016 | STRUCTURED PRODUCTS

MANAGING COUNTERPARTY AND INVESTMENT RISK

ADVISER SUPPORT PACK – UK GILTS VERSION



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SOCIETE GENERALE

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ABOUT THIS GUIDE

This guide is designed to be read in conjunction with Walker Crips Plan brochures or SG Platform Only brochures. The aim of this brochure is to provide financial advisers with supporting information on the process by which Societe Generale:

i. mitigates Counterparty Risk

ii. embeds an element of investment risk linked to the UK Government.

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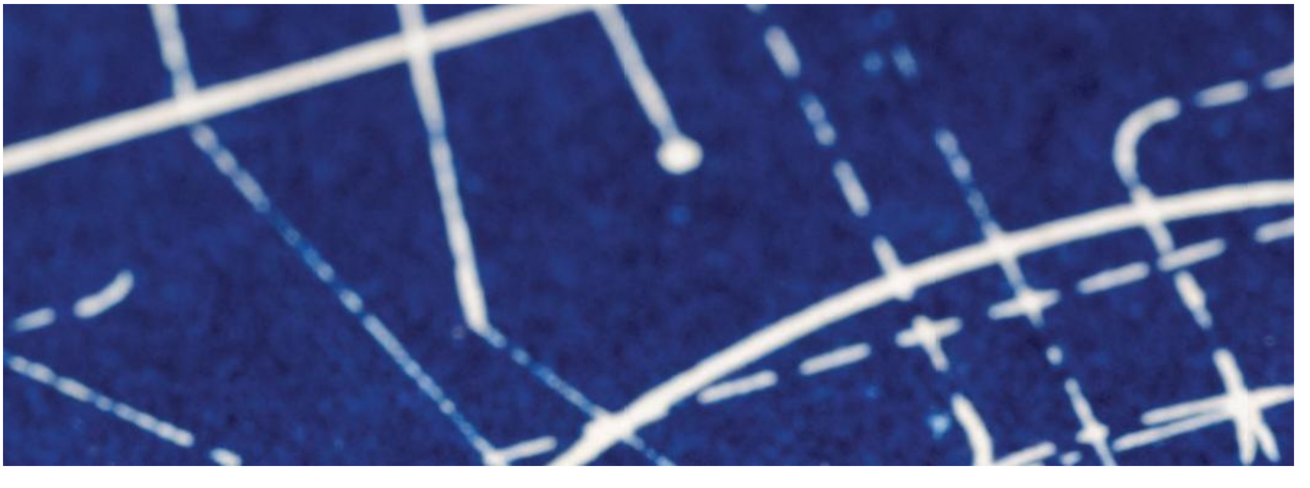


KEY TERMS YOU WILL COME ACROSS IN THIS BROCHURE

TERM	DESCRIPTION
Affected Portion	100% of the Plan's value is at risk at maturity if the UK Government becomes subject to a Credit Event. This is the Affected Portion of the Plan.
Collateral	A pool of assets consisting of Gilts, Investment Grade Bonds and/or equities comprising the FTSE 100 Index, the S&P 500 Index, the Nikkei 225 Index, the EuroStoxx 600 Index, the Hang Seng Index and the SMI Index. The Collateral provides security against the default of the Issuer.
Counterparty Risk	The risk that the Issuer defaults or becomes insolvent during the Investment Term and as such is unable to meet its obligations to return investors their capital and any return at Maturity.
Custodian	The Bank of New York Mellon. The Custodian holds the Collateral in a segregated account, monitors its value and deals with the sale of the assets should the Issuer default.
Guarantor	Societe Generale acts as Guarantor. It guarantees the obligations of the Issuer and is responsible for making payments on the securities if the Issuer defaults.
Investment Risk	The risk of sustaining a full or complete loss on the value of the Plan, including any possible income, if a defined entity or basket of entities (i.e. the UK Government via Gilts) was to become subject to a Credit Event.
Issuer	The Issuer issues the securities of the Plan. The Issuer obligation is to pay the redemption amount and any applicable return at maturity. In the event of a Credit Event on the UK Government, the Issuer's obligation is to repay the Recoverable Amount plus any applicable return at maturity.
Recoverable Amount	The value of the Affected Portion which can be recovered if a Credit Event occurs. This is calculated by multiplying the value of the Affected Portion by the Recovery Rate.
Recovery rate	The rate determined in accordance with the processes of The International Swaps and Derivatives Association Determinations Committee ("ISDA").

COUNTERPARTY RISK

What is Counterparty Risk? In the context of an Investment Plan, Counterparty Risk refers to the risk that the bank or entity issuing the securities of a Plan ("The Issuer"), or the Guarantor of such securities (the "Guarantor") could fail or become insolvent during the investment term.

If this was to occur, the Issuer or the Guarantor would be unable to repay investors their invested capital or provide any return at maturity. As such, investors would face losing some or all of their investment.

Counterparty Risk is an important issue that all investors should be aware of. It first hit the headlines during the financial crisis when the collapse of Lehman Brothers left many investors facing large losses.

Since then, issuers have developed their understanding of Counterparty Risk and are not only educating and communicating on it more efficiently, they are also finding more efficient methods to manage and mitigate it for investors.

Mitigating Counterparty Risk

Traditional securities used within a standard Walker Crips Plan would be issued by one bank or entity and guaranteed by another. What this means is that you would be exposed to the Counterparty Risk of both the Issuer and Guarantor, for example SG Issuer and Societe Generale. If SG Issuer and Societe Generale were to default or become insolvent, investors could lose up to 100% of their investment.

However, unlike traditional Plans, the securities of the Walker Crips (UK Gilts) Plans are designed to mitigate Counterparty Risk to SG Issuer and Societe Generale through the use of Collateral.

This Collateral is designed to be equivalent to 100% of the market value of the Plans and is re-balanced daily. The Collateral may consist of Gilts, Investment Grade Bonds and/or equities comprising the FTSE 100, S&P 500, Nikkei 225, EuroStoxx 600, Hang Seng and SMI Indices.

In the event that SG Issuer or Societe Generale should default or become insolvent, the Plan would terminate early and the Collateral assets will be sold with the aim of recovering the market value of the Plan.

It must be noted that a fall in the value of the Collateral could mean that the value of the Plan is not 100% protected. In such a case, investors will hold a claim to Societe Generale for any difference or shortfall. This claim may be paid on full or part depending on the full range of creditors who hold similar claims against Societe Generale.

For the purpose of this brochure we will refer to the Walker Crips (UK Gilts) Plans, however the UK Gilts range can also be transferred and used as part of SG Platform only Plans too.

Independent Custody and Monitoring

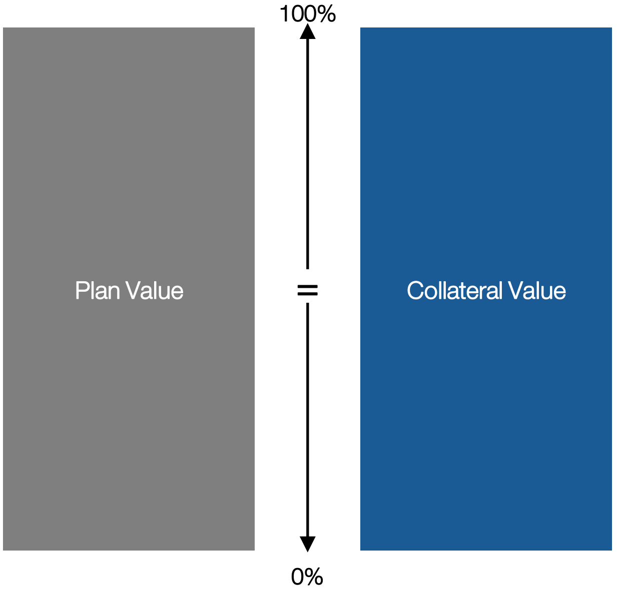
The Collateral is held with The Bank of New York Mellon (Luxembourg) S.A. who act as an independent custodian. The type and value of Collateral is monitored daily by The Bank of New York Mellon London Branch, to ensure that it is of sufficient value to cover the value of the Plan each day.

The independence of the Custodian from the Issuer is key so that they can efficiently and accurately:

- Ensure the segregation of the Collateral assets used to back the Plan securities
- Monitor the value and type of the Collateral assets posted by the Issuer
- Ensure operational efficiency in case of default on the Issuer

This means that should SG Issuer and Societe Generale default or become insolvent, the Collateral would be easily accessible, and could be quickly sold to recover some or all of the current market value of the Plan.

Collateral aims to cover the full value of the Plan



INVESTMENT RISK: UK GOVERNMENT

We have already seen how Counterparty Risk can be mitigated using a pool of Collateral Assets which act as security against the default or insolvency of the Issuer and Guarantor. However, for Walker Crips' (UK Gilts) range of Plans, they also embed an additional element of risk linked to the UK Government. This is known as Investment Risk.

What this Investment Risk means is that if the UK Government was to experience a 'Credit Event', investors could lose up to 100% of the final value of the Plan.

For example, if the final value of the Walker Crips (UK Gilts) Plan was recorded at £10,000 and the UK Government was to suffer a Credit Event, the full £10,000 would be at risk. The amount that investors would receive from the Plan would depend on the Recovery Rate of the UK Government, something we discuss in more detail below and on the next page.

It is therefore important to understand that this Investment Risk is different to Counterparty Risk and is not mitigated.

The Collateral used to mitigate the Counterparty Risk of the Issuer and Guarantor does not provide any protection against a default on the UK Government.

When is a Credit Event* on the UK Government deemed to have occurred?

The UK Government becomes subject to a Credit Event when an independent committee of CDS participants (the ISDA Credit Derivatives Determinations Committee) determines that the institution has become subject to a Credit Event. In certain extreme cases, where the ISDA committee is unable or unwilling to confirm the occurrence of a Credit Event, Societe Generale can make such a decision based on publicly available data.

Credit Events include, but are not limited to, the following:

A. The UK Government is unable to pay its debts as they fall due, or fails to make, when and where due, any payment under one or more of its obligations;

B. an insolvency official is appointed in relation to the UK Government or insolvency proceedings are taken with respect to the UK Government;

C. the UK Government decides to restructure its debts and enters into a voluntary arrangement or a scheme of arrangement with its creditors, or reduces, postpones or defers any principal or interest payments due under one or more of its obligations in a form that binds all holders of such obligation.

How is the Recovery Rate calculated?

The Recovery Rate is calculated by a committee established by The International Swaps and Derivatives Association (ISDA). In the unlikely event that this committee fails to determine the Recovery Rate, Societe Generale will seek quotations from at least five leading dealers to determine the Recovery Rate. If no Recovery Rate can be established, for instance if Societe Generale are unable to obtain quotes from leading dealers in the market, the final Recovery Rate will be deemed to be zero and investors would lose the full 100% portion of their invested capital.

*Such term as defined in the 2014 ISDA Credit Derivatives Definitions, as published by the International Swaps and Derivatives Association, Inc. ("ISDA")

WHAT HAPPENS IF THE UK GOVERNMENT IS SUBJECT TO A CREDIT EVENT?

If the UK Government was to become subject to a Credit Event during the Investment Term:

1. The final value of the Plan to be paid on the Investment End Date would be affected. That includes both your initially invested capital and any potential returns. This may be lower than your initially invested capital and in a worst case you could sustain a complete loss of your capital.
2. Even if the UK Government is subject to a Credit Event, the final value of the Plan will still be paid on the Investment End Date. Although the Plan may terminate early should Societe Generale become insolvent or default, this is not the case if the UK Government experiences a Credit Event.

In order to determine how much you may receive back should the UK Government experience a Credit Event, the value of the Plan would be multiplied by the Recovery Rate. The Recovery Rate may be zero, and therefore in some cases none of the Plan value may be recovered.

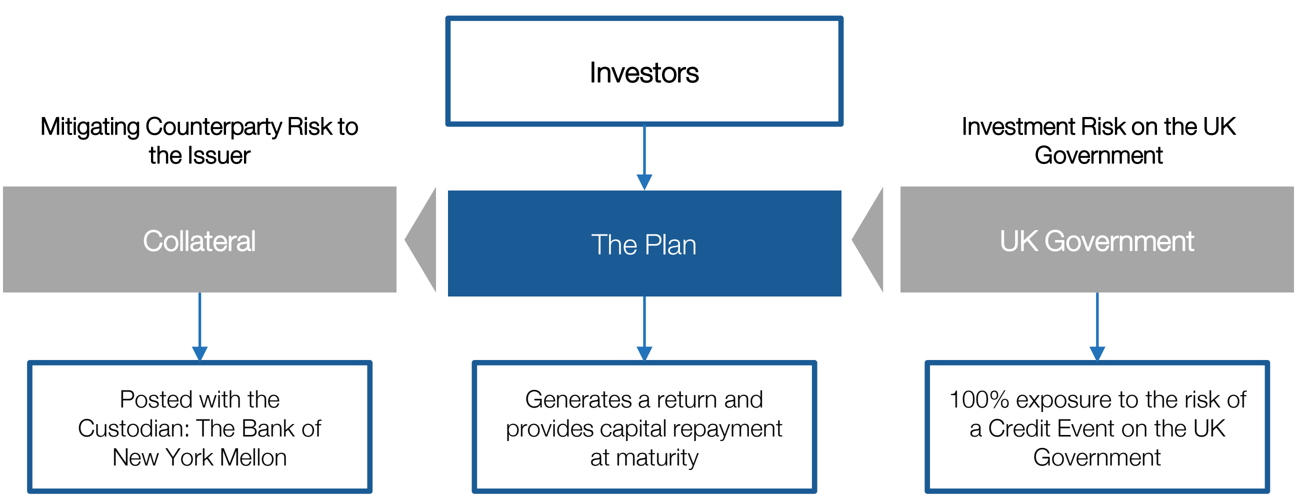
Let's take a look at an example investment of £10,000 which is held for the full Investment Term. In this scenario, the investment risk is transferred to the UK Government and the Final Value of the Plan at Maturity is calculated to be i) 100% of the initial amount invested and ii) 100% of the initial amount invested plus a 25% return. Should the UK Government become subject to a Credit Event, the amount an investor will receive could be as follows.

Final Value of the Plan before Credit Event	Has a Credit Event occurred on the UK Government	Recovery Rate	Final Value of the Plan after Credit Event
£10,000	No	N/A	£10,000
£10,000	Yes	80%	£8,000
£10,000	Yes	50%	£5,000
£10,000	Yes	0%	£0
£12,500	No	N/A	£12,500
£12,500	Yes	80%	£10,000
£12,500	Yes	50%	£6,250
£12,500	Yes	0%	£0

This example is for illustrative purposes only.

Although the risk to the initial capital is linked to the UK Government, neither the Plan or the underlying securities of the Plan are endorsed by the UK Government . They have not entered into any financial commitment with the Plan and are under no obligation to undertake any regulated activity in relation to the Plan.

Summary of collateralisation and investment risk diversification in practice



YOUR QUESTIONS ANSWERED

What happens if one (or more) asset(s) defaults within the Collateral pool?

There will be no impact for investors. Societe Generale will simply replace the concerned asset(s) with another (others), according to the Collateral guidelines. The value of the Collateral will be adjusted daily to maintain a value equal to 100% of the value of the Plan.

What happens if there is a disagreement on the valuation of the Collateral assets between Societe Generale and the Bank of New York Mellon?

A dispute resolution procedure will be activated. If the problem is not resolved within 2 business days, an independent third party may be assigned to determine whether there is any breach of the mutually approved guidelines and evaluation rules.

If the dispute is not solved, the value of the Collateral assets will be recalculated based on firm and executable quotations provided by multiple market participants

What happens if Bank of New York Mellon defaults or becomes insolvent?

This would have a limited impact for investors as new service providers will replace Bank of New York Mellon and the collateral would remain an independent source of security for the securities of the Walker Crips Plan. All the roles previously assumed by Bank of New York Mellon will then be performed by the newly assigned service providers (Security Trustee, Collateral Monitoring Agent, Disposal Agent and Substitute Paying Agent).

Who is The Bank of New York Mellon Group?

The Bank of New York Mellon, established in 2007 following the merger between The Bank of New York Company, Inc., and Mellon Financial Corporation, is a leading investment management and investment services company.

Headquartered in New York, The Bank of New York Mellon has $28.6 trillion* in assets under custody and administration, and $1.7 trillion* in assets under management. The Bank of New York Mellon operates in 35 countries and over 100 markets*.

The Bank of New York Mellon is rated Aa1 by Moody's*, AA- by Standard & Poor's* and AA- by Fitch Ratings*.

*Source Bank of New York Mellon, June 2015.

What happens if Societe Generale defaults or becomes insolvent?

Following a specific escalation process towards the Guarantor (and if the Guarantor fails to fulfil its obligations), The Bank of New York Mellon enforces a pledge over the Collateral assets. In such a case the Collateral assets will be sold with the aim of recovering the value of the investor's investment.

The Bank of New York Mellon has committed to comply with key principles should a liquidation of assets become necessary. The aim of these guiding principles is to avoid any forced sale and to allow The Bank of New York Mellon to potentially attain the highest possible prices for sold assets.

It is also important to remember that there are strict guidelines in place regarding collateral in order to provide multiple layers of security for investors: collateral assets are segregated with other SG accounts, there are clearly defined collateral eligibility guidelines, an independent collateral monitoring agency is used, there remain clear and robust provisions within Luxembourg law regarding the pledge over collateral assets including the rule that a particular Collateral pool will not be available to satisfy amounts due in respect of any Plan which is not secured by the same Collateral pool.

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