SOCIETE GENERALE

GROUP

Paris, may 6,1999

PRESS RELEASE

**SOCIETE GENERALE Group**
**Results for Period ending March 31, 1999**

**Pre-tax operating income of EUR 861 million (FRF 5.7 billion), up 91% in relation to the first quarter of 1998**
**Net income of EUR 0.6 billion (FRF 3.8 billion), up 51.6% in relation to the first quarter of 1998**

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- **Net banking income stood at EUR 2.8 billion (FRF 18.5 billion), up 18%**
- **Gross operating income was EUR 869 million (FRF 5.7 billion), an increase of 13%**
- **Risk provisioning stood at EUR 200 million (FRF 1.3 billion), down by 40%**
- **Net income from long-term investments was EUR 152 million (FRF 1 billion)**
- **Pre-tax operating income was EUR 861 million (FRF 5.7 billion), up 91%**
- **Net attributable income stood at EUR 576 million, up 51.6% (FRF 3.8 billion)**
- **After-tax ROE came out at 22.6%, against 16.3% in the first quarter of 1998 and 11.2% for the full-year 1998**

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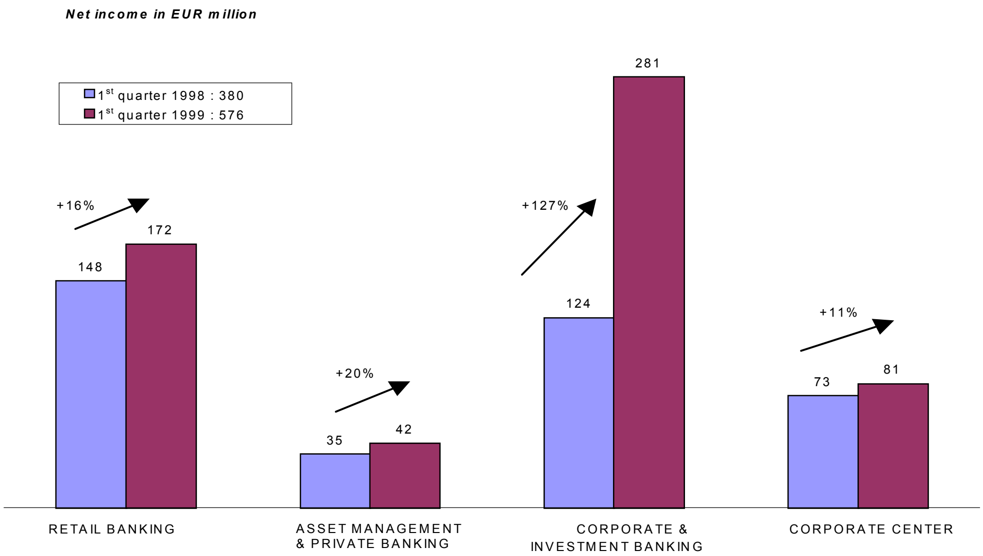
At the meeting of the Board of Directors of Société Générale on May 6, 1999, chaired by Daniel BOUTON, the Board examined the activity and results of the Group for the first quarter of 1999. These results were subject to an audit by the Statutory Auditors, in the same manner as interim results.

## ACTIVITY AND RESULTS BY BUSINESS

The highlights of the first quarter of 1999 were :
- The confirmation of trends seen in 1998 in Retail Banking, Asset Management and Private Banking: growth in volumes, increase in profitability;
- A very high level of profits in Investment Banking and an improvement in their quality;
- Strong turnaround of the Group's international corporate banking activities. The performance of the division no longer suffered from the cost of Asian risk.



- **Retail Banking: net income up 16% to EUR 172 million**

  The results for the first quarter of 1999 confirmed the long-term growth trend in the profitability of the retail banking business, which was driven by three factors: **a dynamic sales policy, costs under control** and **low risk provisioning**.

  - The first quarter was characterised by **strong growth in activity**. The Group continued to **strengthen its positions in the individual customer segment :**
    - Year-on-year, the total number of clients rose by 3.5%, with young persons accounts increasing by 5.8%;
    - Production of new loans reached a record level in the first quarter: consumer credit (EUR 0.7 billion, up 16.5%); mortgage loans (EUR 1.8 billion, up 52.5%);
    - In six months, more than 15% of the domestic retail customers subscribed to the "JAZZ" package (multi-service customer loyalty product).

    **Corporate loans** rose 3.7% year-on-year, driven by loans to SMEs and the self-employed.

    **Deposits** were up 7.5%, driven by sight deposits (+13.3%).

  - **The rise in operating expenses** of the Société Générale and Crédit du Nord networks was limited (+0.6%).

  - **Provisioning requirements** in the first quarter of 1999 were down 18% in relation to the same period in 1998.

- **Asset Management and Private Banking: net income up 20% to EUR 42 million**

  - In **Asset Management,** assets under management stood at EUR 129.3 billion at March 31, 1999, up 10% year-on-year. Two-thirds of this growth was due to the inflow of new funds and one-third to market performance.

    **This growth in volumes** was accompanied by **an increase in profitability**. The ratio of revenues to assets under management rose from 30 basis points in the first quarter of 1998 to 31 basis points in the first quarter of 1999. This improvement reflects an innovative product policy: in the risk-profiled funds segment for example, the Group's market share in France is over 30%.

  - With EUR 27 billion of assets under management at the end of March 1999, a rise of 15% year-on-year, **Private Banking** confirmed its favourable development.

  - In summary, assets under management at group level stood at EUR 156.3 billion (FRF 1,025 billion) as of March 31,1999.

- **Corporate and Investment Banking: net income of EUR 281 million, up 127%**

  - In relation to the first quarter of 1998, which itself represented a **strong benchmark**, net income from **investment banking** rose 17%, due to **a very strong performance across all business lines**.

    - With net income of EUR 108 million, the **Fixed-Income, Currencies and Commodities business line**, which had suffered the impact of the financial crisis, returned to the high level of profitability that characterised these activities between 1995 and 1997.

    - **The Equity and Advisory business line,** which had produced a very strong performance throughout 1998, once again generated growth in results in the first quarter of 1999: EUR 100 million (up 45% in relation to the first quarter of 1998). This reflects an improvement in the performance of all the activities: Primary Market, Brokerage, Advisory, and Equity Derivatives.

    - It should also be noted that these performances were produced **with a lower risk profile due to the reduction in proprietary activities**.

- **Corporate Banking**, which had booked a loss of EUR –53 million in the first quarter of 1998 due to the high provisioning requirements in Asia, **returned to profit** in the first quarter of 1999 (EUR +73 million).
  - As in 1998, **Structured Finance** turned in a strong performance: net banking income rose 16% when adjusted for changes in Group structure, driven by Project Finance and Acquisition Finance. It is worth noting the increased contribution made by fee and commission income to revenues from these activities: 45% in the first quarter of 1999 compared with 40% in 1998.
  - **Commercial Banking**, whose 1998 results were strongly affected by Asian risk provisioning, returned to the black in the first quarter.
    As announced by the Group, the restructuring of these activities continued in the first quarter. In one year:
    - The capital allocated to this business fell by 10%;
    - Headcounts were reduced by 900 in the international network.

♦ **Corporate Centre**

The first quarter results include EUR 158 million of capital gains from the industrial equity portfolio, which the Group is continuing to reduce, in line with the announced strategy. The Group's target is to reduce, by year-end 1999, the size of the portfolio by around 30% compared to December 31, 1998.

The amount of unrealised capital gains at March 31, 1999 stood at EUR 1.6 billion (EUR 1.7 billion at December 31, 1998).

Contrary to first quarter 1998 results, which recorded capital gains on the disposals of subsidiaries (EUR 135 million)**, the results of the first quarter 1999 do not include any extraordinary item**.

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## GROUP CONSOLIDATED RESULTS

### Gross operating income up 13%

The growth in net banking income (+10.7% when adjusted for changes in Group structure in relation to the first quarter of 1998) reflects the development of all the Group's businesses. Fee and commission income contributed 32% to revenues, compared with 31% in the first quarter of 1998.

The reinforcement of the investment banking businesses, primarily by internal growth, has been mostly completed. Consequently, operating expenses at Group level remained stable in relation to the fourth quarter of 1998.

However, when adjusted for changes in group structure and for exchange rate fluctuations, and excluding the impact of performance-linked remuneration, they were up 8% in relation to the first quarter of 1998.

Consequently, gross operating income registered growth of 13%, **driven by the performance of all divisions**.

### Risk provisioning down by 40%

The highlights of the quarter were as follows:

- **Domestic risk**: the cost of risk remained low.
- **Risk on the five Asian countries** (South Korea, Thailand, Malaysia, the Philippines, and Indonesia).
  - Given the Group's thorough risk assessment at year-end 1998, as well as the absence of new losses, specific provisioning requirements were very low in the first quarter (EUR 10 million).
  - At the same time, the Group's commitments, which had been reduced by 36% over the 1998 financial year, fell by a further 5% at the end of March 1999.

- **Russian risk**: The specific provision of EUR 292 million booked in the 1998 accounts has largely covered this risk.
- **General provisions**, booked as a **prudential** measure: the provision for Asian risk (EUR 290 million) and the general country risk reserve (EUR 550 million) **were kept at their levels of December 31, 1998, despite significant improvements in some of these countries** (South Korea in particular).
- **Operating income up 91%**

  After recognising income from long-term investments in the amount of EUR 152 million, which included the capital gains from the industrial equity portfolio, **Group pre-tax income stood at EUR 861 million, up 91%**.
- **Return on Equity of 22.6%**

  After recognising taxes of EUR 267 million (compared with 197 million in the first quarter 1998), the amortisation of goodwill and minority interests, Group net attributable income stood at EUR 576 million, corresponding to a **ROE of 22.6%, compared with 16.3% in the first quarter 1998 and 11.2% for the full-year 1998**. The group is clearly on a high profitability trend, even if the first quarter results can not be directly extrapolated to the rest of 1999.

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The material given to research analysts for this presentation is available on our website www.socgen.com

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# GROUP FINANCIAL HIGHLIGHTS

## 1. CONSOLIDATED RESULTS

| *(in millions of euros)* | First quarter 1999 | First quarter 1998 | Change Amount | Change % | 1998 financial year |
|---|---|---|---|---|---|
| **Net banking income** | **2815** | **2376** | **439** | **18** (1) | **9238** |
| Operating expenses | (1946) | (1605) | (341) | 21 (2) | (6789) |
| **Gross operating income** | **869** | **771** | **98** | **13** | **2449** |
| Net allocation to provisions | *(200)* | *(335)* | 135 | (40) | *(1473)* |
| - *of which Asia* | *(10)* | *(144)* | 134 | (93) | *(549)* |
| - *of which Russia* | --- | --- | --- | --- | *(292)* |
| Net income from long-term investments | 152 | 38 | 114 | N/S | 666 |
| Income from associates | 40 | (24) | 64 | N/S | 79 |
| **Pre-tax operating income** | **861** | **450** | **411** | 91 | **1721** |
| Extraordinary items | --- | 141 (3) | (141) | N/S | (130) |
| Goodwill amortisation | (9) | (1) | (8) | N/S | (61) |
| Income tax | (267) | (197) | (70) | 36 | (502) |
| **Net income before minority interests** | **585** | **393** | **192** | 49 | **1028** |
| Minority interests | (9) | (13) | 4 | (31) | 45 |
| **Net attributable profits** | **576** | **380** | **196** | 52 | **1073** (4) |

| | | | |
|---|---|---|---|
| **Return On Equity (ROE) before tax and extraordinary items (5)** | **33.8%** | **19.3%** | **18%** |
| **Annualised Return On Equity (ROE) after tax (5)** | **22.6%** | **16.3%** | **11.2%** |

(1) When adjusted for changes in Group structure, growth comes out at 10.7%.

(2) When adjusted for changes in Group structure and for exchange rate fluctuations, and excluding the impact of performance-linked remuneration, operating expenses were up 8.4% in relation to the first quarter of 1998 and were stable in relation to the fourth quarter of 1998.

(3) Including capital gains of EUR 135 million from the disposal of the CIB and SG2 subsidiaries

(4) Excluding the provision for restructuring costs relating to SG Paribas, in the amount of EUR 398 million.

(5) The annualised ROE (net attributable profits x4/ equity) is valid considering the broad lack of seasonnality of our activities

## 2. NET INCOME BY DIVISION

| *(in millions of euros)* | First quarter 1999 | First quarter 1998 | Change Amount | Change % | 1998 financial year |
|---|---|---|---|---|---|
| **Retail Banking** | 172 | 148 | 24 | 16 | 738 |
| **Asset Management & Private Banking** | 42 | 35 | 7 | 20 | 158 |
| **Corporate & Investment Banking** | 281 | 124 | 157 | 127 | (17) |
| *Investment Banking* | 208 | 177 | 31 | 17 | 25 |
| *Corporate Banking* | 73 | (53) | 126 | N/S | (42) |
| **Corporate Center** | 81 (1) | 73 (2) | 8 | 11 | 194 |
| **GROUP TOTAL** | **576** | **380** | **196** | **52** | **1073** |

(1) including EUR 122 million in capital gains net of tax resulting from the reduction of the industrial equity portfolio.

(2) Including EUR 103 million in capital gains net of tax from the disposal of the CIB and SG2 subsidiaries.

**The results for the first quarter 1999 have been examined by the Statutory Auditors, who performed a similar review to that of the interim results.**
**Statutory Auditors also checked that the figures given for the first quarter 1998 comply with the financial statements established by the bank for this period, and in particular, that the accounting principles and methods used were the same as those applied to the first quarter 1999.**