SOCIETE GENERALE

July 12, 1999

**- Estimated net income for the first half of 1999 :**
**twofold increase in relation to the first half of 1998**

**- The Board of Directors reiterates its recommendation to not tender**
**Société Générale shares to BNP's offer.**

At the meeting of the Board of Directors of Société Générale on July 12, 1999, chaired by Daniel Bouton, the Board reviewed the Group's activity during the first half of 1999, as well as the estimated results. The Board also examined the terms of the new offer made by BNP for Société Générale.

## GROUP ACTIVITIES IN THE FIRST HALF — ESTIMATED RESULTS

- **All business lines registered strong growth in results**

  **Retail Banking** continued to **reinforce its commercial positions** with a **high level of profitability**. At end-June, the number of individual customers was up 3.5% y.o.y., while outstanding loans and deposits were up by 4.5% and 6.4% respectively, driven by the individual customer segment. This growth in volumes, combined with a tight control of operating expenses and low risk provisioning, helped offset the decline in the intermediation spread margin.

  **Earnings from Asset Management and Private Banking** showed a **sharp rise**, notably boosted by the growth in assets under management. These stood at 164 billion euros at June 30, 1999, up 12.5% y.o.y.

  **Corporate and Investment Banking** activities, which suffered from the impact of provisioning for emerging market risk (Asia, Russia) in the first half of 1998, produced **high earnings**, due to the very strong performance of all businesses.
  In accordance with its stated strategy, the Group continued to reduce, on the one hand, the equity allocated to **the least profitable commercial banking operations** and, on the other, its commitments on emerging markets.

  **The continued reduction of the industrial equity portfolio** led the Group to realise **capital gains of 0.4 billion euros**, net of tax, in the first half of 1999, compared with 0.2 billion euros in the first half of 1998.

- **Twofold increase in net income**

  Barring any exceptional events between now and the closing of the accounts, **Group net income**(*) **for the first half of 1999 should show a twofold increase in relation to the first half of 1998** when it stood at **620 million euros**. This sharp growth reflects the **continued improvement in the Group's structural profitability**. It is accompanied by a return of risk provisionning to normal levels (down by 50 % in relation to the exceptionnal level of provisionning seen in the first half of 1998). **The return on equity allocated to the business lines** (excluding the Corporate Centre, which includes capitals gains on the industrial equity portfolio) **should be far over 15 %.**
  This increase in results and profitability was accompanied by **a selective change in outstanding loans which was reflected in the reallocation of equity towards retail banking and asset management activities**. These businesses now account for **more than half of total equity** allocated to business lines.

## POSITION OF THE BOARD ON BNP's REVISED OFFER

BNP is now proposing to Société Générale shareholders a principal offer of 15 BNP shares plus a cash component of 60 euros in exchange for 7 Société Générale shares, and a subsidiary offer of 11 BNP shares in exchange for 5 Société Générale shares, limited to 30% of the total shares of Société Générale.

- **A very weak improvment …**

Firstly, the Board noted that the terms of the new BNP offer, when examined independently of the concomitant offer made by BNP for Paribas, represented, in the event of saturation of the subsidiary offer and on the basis of the average share prices since March 11 (177.30 euros per Société Générale share):

- an improvement limited to 4.3 % in relation to BNP's original offer,
- a very low premium of 2.7 % in relation to Société Générale's average share price.

- **… but in fact a deterioration in Société Générale shareholders' investment**

Since the exchange offer is related to a three-way merger project, the Board considered that it should be assessed principally while taking into account both the new offer presented concomitantly by BNP for Paribas and the effects of this offer on the situation of each shareholder group.

The Board concluded that, if both new offers were successful, and when taking into account their concomitance and the resulting transfer of value between the groups' shareholder bases, the new offer made to Société Générale shareholders did not constitute an improvement on the previous offer. Furthermore, it took note of the fact, which was one of the elements underpinning the previous conclusion, that the holding in the SBP group that would be in the hands of Société Générale shareholders was lower than that proposed under the terms of the original offer (32.7 % compared with 33.1 %). Overall, and after taking into account the cash component and the contingent value right (CVR), the combination of terms proposed to Paribas and Société Générale shareholders would reduce the value of Société Générale shareholders' investment in the SBP scheme by around 1.1% in relation to the previous offer, as shown in the table below.

(*) Results currently being audited.

| | Original Offer | | Revised Offers (3) | | | | | Evolution |
|---|---|---|---|---|---|---|---|---|
| | Holding in SBP | | Holding in SBP | | Cash component/ CVR | Total value | | Value Gain/(lost) |
| BNP Shareholders | 17.7 | 33.0 % | 16.7 | 32.3 % | - | 16.7 | 31.2 % | - 5.6 % |
| SG shareholders | 17.8 | 33.1 % | 17.0 | 32.7 % | 0,6 | 17.6 | 32.7 % | - 1,1 % |
| Paribas shareholders | 18.2 | 33.9 % | 18.2 | 35.0 % | 1,2 | 19.4 | 36.1 % | 6,6 % |
| Total | 53.7 (1) | | 51.9 (2) | | 1,8 | 53.7 | | |

(in billions of euros)

Overall, the Board considered that this new offer, when assessed solely from the point of view of share prices, represented a very weak improvement in the event of a merger limited to BNP and Société Générale, but that in contrast, it represented a deterioration in the conditions offered to Société Générale shareholders in the case of the three-way merger project presented by BNP. The valuation of Société Générale shares under BNP's new offer was significantly lower than the stock's intrinsic value, as calculated by Morgan Stanley Dean Witter, the bank advising Société Générale, and even more so in the light of the SG PARIBAS project.

- **An unchanged industrial project**

In addition, as it is essentially an all-share offer, its value is based on the industrial projects proposed by BNP. This led the Paribas Supervisory Board to reject the BNP's new offer. The Board of Directors also noted that these projects have not been amended in the new offer.

However, the discussions that recently took place reconfirmed the incompatibility between the strategies of Société Générale and Paribas on one hand, and BNP on the other.

The BNP projects, which the Board considers to be based on strategies that are vague or outdated given changes in banking businesses and in client needs, do not have the support of Société Générale's staff. Consequently, the projects would present a particularly high level of execution risk. The SG PARIBAS project, which is based on strong complementarity and a clear, well-designed strategic vision, shared by the teams of both groups, presents significantly more favourable prospects in terms of development and value creation for the company, its staff, its clients and its shareholders.

---

(1) On the basis of a BNP reference share price of 80 euros (choice is neutral).
(2) 51.9 = 53.7 – 0.6 (cash) – 1.2 (CRC at theoretical value – BNP estimate); the shares in SBP result from the application of the new parities to this amount.
(3) Assuming subsidiary offer is saturated (30%) in BNP offer for Société Générale.

The Board underlined that these prospects gave SG PARIBAS a stronger financial base than SBP. This enabled Société Générale to commit itself to a Tier-one solvency ratio of 7%, while at the same time providing for a significant share buyback programme (up to an amount of 2.5 billion euros), whereas the latest enhanced offers made by BNP would give SBP a Tier-one ratio of 6.5% in 1999, allocating to the prudential general reserve the maximum value of the CRC.

Under these circumstances, **the Board of Directors stood by the assessment it made on April 6: the BNP offer is not in the interest of Société Générale, its shareholders ,its staff or its clients. It recommended that shareholders do not tender their shares to this offer.**