SOCIETE GENERALE

GROUP

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SOCIÉTÉ GÉNÉRALE GROUP

1999 Interim Results

Net income of EUR 1.3 billion (FRF 8.4 billion), double 1998 interim earnings

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> **Net banking income stood at EUR 5.7 billion, up 19.4%**

> **Gross operating income was EUR 1.7 billion, an increase of 15.9%**

> **Net allocation to provisions stood at EUR 407 million, down 63.3%**

> **Capital gains on the disposal of assets (industrial equity and subsidiaries) totalled EUR 0.4 billion after tax, compared with EUR 0.3 billion in the first half of 1998**

> **Group annualised ROE was 24.3%, with a business line ROE (excluding capital gains) of 19.6%**

> **The Tier-one ratio came out at 7.2% compared with 6.4% at June 30, 1998**

At the meeting of the Board of Directors of Société Générale on July 28, chaired by Daniel Bouton, the board closed the consolidated accounts for the first half of 1999. These accounts were examined by the Statutory Auditors, in accordance with usual standards of diligence.

Commenting on these results, which were in line with the forecasts given at the board meeting of July 12, Mr Bouton indicated that:

> **This high level of earnings, generated in a favourable economic environment, confirms the improvement in the Group's sustainable profitability**. This is now **above the 15% target which was set for 2000.**

> In line with the Group's strategy, **this rise in profitability was accompanied by a continued reallocation of capital towards Retail Banking, Asset Management and Private Banking** and, within **Corporate and Investment Banking**, towards **high value-added** businesses (notably Structured Finance and Advisory).

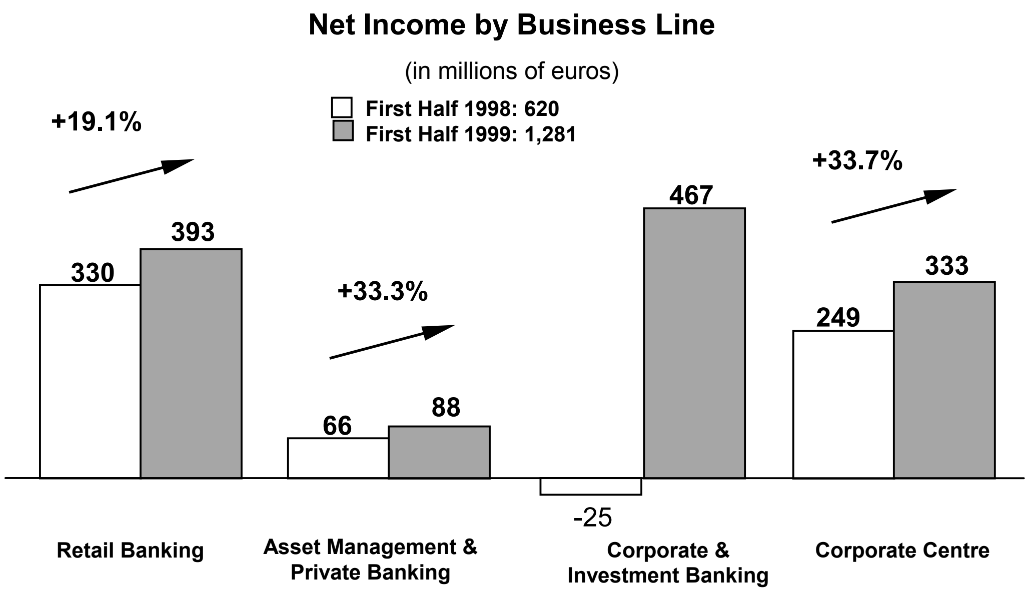
> **These results, like those of Paribas, show that the financial targets set for the SG Paribas project are realistic**. In this respect, the Chairman indicated that the **share buyback** programme announced on June 14, 1999 **would be implemented upon publication of the definitive result of the current offers** and after approval by the CECEI (credit institutions committee) of the corresponding file that was recently submitted to it.

ACTIVITY AND RESULTS BY BUSINESS LINE

- **The sharp rise in earnings and profitability reflects excellent performances by all business lines:**

  > **Retail Banking, Asset Management and Private Banking** continued to **develop** with a **high level of profitability**.

  > **Corporate and Investment Banking**, freed of the extraordinary items (Asia/Russia) that weighed on results in 1998, **returned to a high level of earnings and profitability**, with an **improved risk profile**.

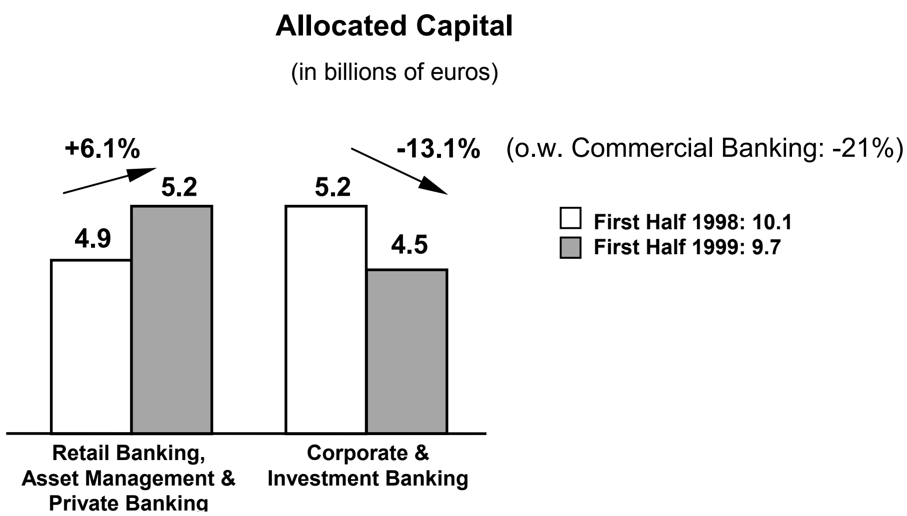


  > **Business line ROE,** which does not include earnings booked by the Corporate Centre (essentially capital gains on the disposal of industrial equity holdings or subsidiaries)**, stood at 19.6% in the first half of 1999, compared with 7.4% in the first half of 1998.**

- **This growth in earnings was accompanied by a reallocation of capital, as we anticipated in the SG Paribas project:**

  > **Capital allocated to Retail Banking, Asset Management and Private Banking rose by 6.1%.** These activities now represent **53% of the total capital allocated to business lines**, compared with **48% in the first half of 1998.**

  > **Capital allocated to Corporate and Investment Banking was reduced by 13.1%,** due to a 21% reduction in the capital allocated to Commercial Banking. This business line now accounts for **47%** of capital allocated to business lines, against **52%** in the first half of 1998.



RETAIL BANKING

Net income of EUR 393 million, up 19.1 % (ROE: 15.8%)

- **All businesses registered strong growth in earnings:**
  - > **Net income of the Société Générale network** showed an increase of 16.4%;
  - > **With earnings up 28.2%, Crédit du Nord confirmed the rapid recovery in its profitability**;
  - > **Specialised Subsidiaries and Banking Services** registered growth of 22.2% in net income;
  - > Lastly, net income from the **Retail Banking network outside France** rose 18.5%.

- This growth in the earnings and profitability of the Retail Banking business line reflected:
  - > **A high level of activity**: net banking income was up 5.7%, notably due to:
    - **Continued growth in the number of individual customers** (+3.5% year-on-year);
    - A rise in the **outstanding**: loans were up 4.5%, driven by the individual customer segment (+8%); deposits registered an increase of 6.1%.
  - > **Tight control of operating expenses**. The change in operating expenses (+4.1%) reflects:
    - On the one hand, productivity gains in the networks, where operating expenses were virtually stable (+0.6%);
    - On the other hand, the investments made, notably in electronic and direct banking, and specialised production platforms (consumer credit, property and casualty insurance, etc.).
  - > **Risk provisioning**, which remained at a **low level** (-8% in relation to the first half of 1998).

ASSET MANAGEMENT AND PRIVATE BANKING

Net income of EUR 88 million (+33.3%)

- **Asset Management registered net income of EUR 67 million** (up 48.9%), which is explained by two factors:
  - > Growth in assets under management (EUR 135.7 billion, +11%);
  - > An improved return on assets (the ratio of net banking income to assets under management rose by 1 basis point in relation to the first half of 1998).

- **Net income from Private Banking was stable at EUR 21 million.**

  The positive effects of the sharp increase in activity (assets under management were up 24.3%) was temporarily offset by the cost of reinforcing and restructuring operations, notably in Switzerland.

CORPORATE AND INVESTMENT BANKING

Net income of EUR 467 million (ROE: 20.7%)

- **In the second quarter, the Investment Banking business confirmed the excellent performances seen over the first three months of the year.**

  Consequently, **net income in the first half of 1999 stood at EUR 371 million** (compared with EUR 78 million in the first half of 1998), due to **strong growth in activity across the board.**

Revenues from the Equity and Advisory business were up 74%, while the **Debt, Forex and Commodities business saw a 22% rise.**

At the same time, **the Value at Risk (VaR)** was **stable in relation to the first half of 1998**. Since the hypotheses and scenarios used to calculate the VaR in the first half of 1999 took into account the effects of the 1998 financial crisis, **this corresponds to a significant reduction in capital market risk.**

- **Corporate Banking returned to profit (EUR 96 million, compared with a loss of EUR 103 million in the first half of 1998).**

  As in the first half of 1998, **Structured Finance** produced a **strong performance**, with a **ROE of 16%**.

  Commercial Banking, whose earnings suffered in the first half of 1998 under the impact of Asian provisioning, **was close to break-even again**, while **the capital allocated to this business** was **down 21%** in relation to the first half of 1998.

CORPORATE CENTRE

Net income of EUR 333 million (+33.7%)

First-half earnings comprised **EUR 410 million of capital gains after tax,** reflecting **the continued reduction of the industrial equity portfolio**. This figure should be compared with **EUR 303 million of capital gains on assets disposals booked in the first half of 1998** (EUR 194 million on the disposal of industrial equity holdings and EUR 109 million on the disposal of subsidiaries).

Unrealised capital gains on the industrial equity portfolio **remained at a high level**: EUR 1.5 billion at June 30, 1999 compared with EUR 1.7 billion at December 31, 1998.

GROUP CONSOLIDATED RESULTS

Gross Operating Income: EUR 1,726 million (+15.9%)

The rise in **net banking income** (+12.6% when adjusted for changes in Group structure) reflects the development of all the Group’s business lines. **The contribution made by fee and commission income stood at 36.6%** against **33.6%** in the first half of 1998.

The programme of reinforcing the Group’s Investment Banking operations, principally through organic growth, is now more or less completed. Consequently, **operating expenses**, when adjusted for changes in Group structure and excluding the impact of performance-related remuneration, were **almost stable** (+0.3%) in relation to **the second half of 1998**. Nonetheless, they registered an increase of 6.3% in relation to the first half of 1998.

Overall, **gross operating income was up 15.9%** (12.3% when adjusted for changes in Group structure).

Net allocation to provisions: EUR 407 million (-63.3%)

The highlights of the first six months of the year are as follows:

- **Domestic risk:** confirmation of the downward trend in the cost of risk seen in 1998;
- **International risk:**
  - Risk provisioning returned to a normal level after the extraordinary provisions booked on the Asian G5 countries (South Korea, Thailand, the Philippines, Malaysia, and Indonesia) and Russia in the 1998 interim accounts.
  - The Group continued with its policy of **selectively reducing its commitments on emerging markets**. Overall, **these were down 15%** in relation to December 31, 1998. As regards the 5 Asian countries, the fall over the same period is 14%, following a 36% reduction during 1998.

Despite this reduction in risks, **the general reserves** (Asia and country risk) **were kept at their level on December 31, 1998 for prudential reasons**. **The provisioning rate for commitments on the Asian G5 countries stood at 33% at June 30, 1999** (27% at December 31, 1998).

Group net income doubles: EUR 1,281 million

Overall, **net attributable income stood at EUR 1,281 million, compared with EUR 620 million in the first half of 1998, up 107%.**

This represented **an annualised ROE of 24.3%,** with a **business line ROE** of 19.6%, against a ROE of 12.8% in the first half of 1998 (business line ROE of 7.4%).

STRENGTHENED CAPITAL BASE

At June 30, 1999, **Group equity stood at EUR 11 billion,** compared with EUR 9.8 billion at December 31, 1998. After recognising the Fund for General Banking Risk, minority interests and preferred shares, **the Group's total capital base was EUR 12.9 billion** (EUR 11.4 billion at December 31, 1998), i.e. **EUR 108 per share**.

On the basis of the closing price on July 28, **Société Générale's shares were trading at 1.5 times the net asset value**, which makes the share **one of the least expensive of all European banks**.

At June 30, 1999, **the Tier-one was ratio 7.2%** (6.4% at June 30, 1998) and **the B.I.S. ratio stood at 11.9%** (11.2% at June 30, 1998), while **risk-weighted assets stood at EUR 162.2 billion**, almost stable in relation to December 31, 1998 (+0.4%).

The documents handed out during the presentation of these results to financial analysts
are available on the Group's web site: **www.socgen.com**

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GROUP FINANCIAL HIGHLIGHTS(*)

1. CONSOLIDATED KEY FIGURES

(in millions of euros)	**First Half 1999**	**First Half 1998**	**Change**	
			Amount	**%**
Net banking income	**5,691**	**4,767**	**924**	**+19.4** (1)
Operating expenses	(3,965)	(3,278)	(687)	+21.0 (2)
Gross operating income	**1,726**	**1,489**	**237**	**+15.9**
Net allocation to provisions	*(407)*	*(1,108)*	701	-63.3
- *of which Asia*	—	*(468)*	468	-100.0
- *of which Russia*	—	*(305)*	305	N/S
Net income from long-term investments (3)	531	246	285	N/S
Net income from companies accounted for by the equity method	88	17	71	N/S
Extraordinary items	0	138 (4)	(138)	N/S
Income tax	(601)	(179)	(422)	N/S
Net income	**1,281**	**620**	**661**	106.6

Group annualised ROE (%)	**24.3**	**12.8**
of which Business Line ROE	**19.6**	**7.4**

Tier-one ratio at June 30 (%)	**7.2**	**6.4**

(1) *When adjusted for changes in Group structure, net banking income was up 12.6%.*

(2) *When adjusted for changes in Group structure and excluding the impact of performance-linked remuneration, growth in operating expenses stood at 6.3%. In relation to the second half of 1998, operating expenses were virtually stable (+0.3%).*

(3) *Principally comprising capitals gains booked on the industrial equity portfolio..*

(4) *Extraordinary items booked in the first half of 1998 included capital gains on the disposal of subsidiaries (principally SG2 and CIB).*

2. RESULTS BY BUSINESS LINE

(in millions of euros)	**First Half 1999**		**First Half 1998**	
	Net Income	**ROE (%)**	**Net Income**	**ROE (%)**
Retail Banking	**393**	**15.8**	**330**	**14.0**
Asset Management and Private Banking	**88**	**N/S**	**66**	**N/S**
Asset Management	67	N/S	45	N/S
Private Banking	21	N/S	21	N/S
Corporate and Investment Banking	**467**	**20.7**	**(25)**	**N/S**
Investment Banking	371	54.7	78	10.5
Corporate Banking	96	6.1	(103)	N/S
BUSINESS LINE TOTAL	**948**	**19.6**	**371**	**7.4**
Corporate Centre	333	77.0	249	N/S
GROUP TOTAL	**1,281**	**24.3**	**620**	**12.8**

(*) The interim accounts were examined by the Statutory Auditors in accordance with usual standards of diligence.