SOCIETE GENERALE

GROUP

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SOCIÉTÉ GÉNÉRALE GROUP

Results for First 9 Months of 1999

NET INCOME OF EUR 1.6 BILLION (FRF 10.4 BILLION), UP 120% AGAINST FIRST 9 MONTHS OF 1998

> **Net banking income stood at EUR 8.2 billion, up 22%**
>
> **Gross operating income was EUR 2.3 billion, an increase of 32%**
>
> **Net allocation to provisions totalled EUR 560 million, down 57%**
>
> **Capital gains were limited to EUR 57 million in the third quarter, but the Group is set to exceed its full-year target of EUR 700 million**
>
> **Earnings per share (over 9 months) stood at EUR 15.6, compared with EUR 7.2 for the first 9 months of 1998**
>
> **Annualised ROE was 20.1%, compared with 10% for the same period in 1998**
>
> **Annualised business line ROE came out at 17.6%, compared with 6.2% for the same period in 1998**
>
> **The Tier-one ratio came out at 7.5%**
>
> **In addition, the Group reversed the provision booked for SG Paribas, net of costs relating to this operation, in the amount of EUR 342 million.**

At the meeting of the Board of Directors of Société Générale on November 10, chaired by Daniel Bouton, the board closed the consolidated accounts for the first 9 months of 1999. These accounts were subject to an audit by the Statutory Auditors, in the same manner as the interim results.

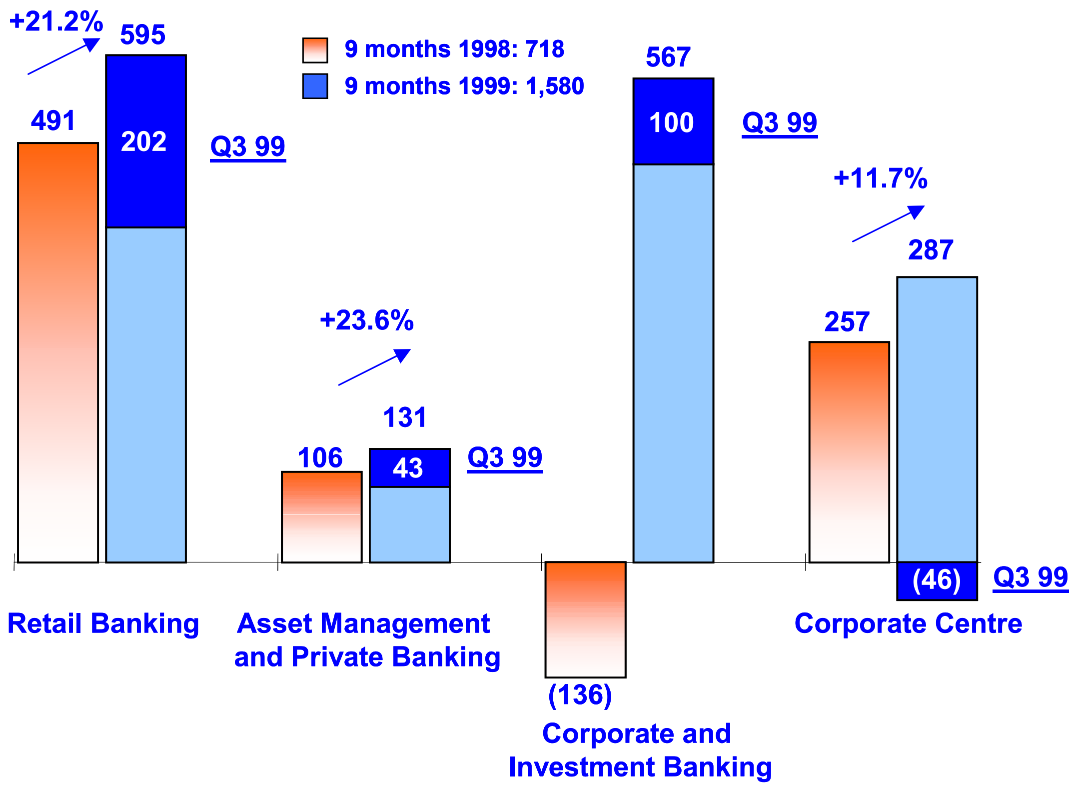
Commenting on these results, Mr Bouton indicated that:

- **These results were in line with the Group's 1999-2001 financial outlook,** as presented on 5 October 1999.
- **Group ROE was already above the target of 15%**, initially set for 2000.
- At the same time, **the Group actively pursued its strategy of reallocating capital** towards Retail Banking, Asset Management and Private Banking.

ACTIVITY AND RESULTS BY BUSINESS LINE

- **All business lines contributed to this growth in earnings:**
  - **The third-quarter performances of Retail Banking, Asset Management and Private Banking were in line with those seen in the first two quarters of 1999. Over nine months, these business lines registered a sharp rise in earnings, as in the first half.**
  - **Corporate and Investment Banking generated net income of EUR 567 million over the first 9 months of the year,** compared with a loss of EUR 136 million during the same period in 1998 linked to extraordinary events (Asia, Russia). However, third-quarter earnings were not as high as those booked in the first two quarters, due to the seasonal downturn in activity and the poor performances of some Debt, Forex and Commodities businesses.
  - The increase in net income registered by the **Corporate Centre** reflected the high level of **capital gains** booked in the first half. The loss posted in the third quarter is principally explained by the low amount of capital gains generated over the period and by the Group's four-year contribution to the deposit guarantee fund, which was booked under extraordinary items.

Net Income (in millions of euros)



- The Group continued to **reallocate capital towards businesses with more recurrent revenue flows** during the third quarter:
  - **Capital allocated to Retail Banking, Asset Management and Private Banking rose by 6.4%.** These activities now represent 53.4% of the total capital allocated to business lines, compared with 49.7% in the first 9 months of 1998;
  - **Capital allocated to Corporate and Investment Banking was reduced by 8%,** principally due to a 19% reduction in the capital allocated to Commercial Banking.

- **On the back of this growth in earnings and the tight control of allocated capital, there was a sharp increase in the Group's core profitability**, measured on the basis of business line ROE. Over the first 9 months of 1999, this was close to 18%.

Group Profitability

In EUR billion

	9 months 1999		9 months 1998	
	Allocated Capital	ROE	Allocated Capital	ROE
Retail Banking	5.0	15.8%	4.7	13.8%
Asset Management & Private Banking	0.2	N/C	0.2	N/C
Corporate & Investment Banking	4.6	16.6%	5.0	N/S
BUSINESS LINE TOTAL	9.8	17.6	9.9	62%
Corporate Centre	0.7	N/S	(0.3)	N/S
GROUP TOTAL	10.5	20.1%	9.6	10.0

RETAIL BANKING

Net income up 21.2%

Retail Banking Results (in millions of euros)

	9 months 1999	9 months 1998	Change	
Net banking income	4,114	3,868	3.7%	(*)
Operating expenses	(3,069)	(2,931)	2.4%	(*)
Gross operating income	1,045	937	7.4%	(*)
Net allocation to provisions	(237)	(246)	-3.7%	
Net income from companies accounted for by the equity method	109	81	34.6%	
Net income	595	491	21.2%	
Allocated capital (in EUR billion)	5.0	4.7	7.9%	
ROE	15.8%	13.8%		

(*) When adjusted for changes in Group structure

- **All businesses registered strong growth in earnings:**
  - Net income of the **Société Générale network** stood at EUR 355 million, up 18.7%;
  - **Crédit du Nord** continued its rapid growth. It showed a 33.9% rise in net income to EUR 75 million;
  - **Specialised Subsidiaries and Banking Services** registered growth of 23% in net income (EUR 121 million over the first 9 months of the year);
  - Lastly, with a 15.8% increase in net income, **Retail Banking outside France** repeated its first-half performance.

- **This growth in the earnings and profitability of the Retail Banking business line reflected:**
  - **A high level of activity:** net banking income increased due to further growth in revenues in the third quarter (+2.5% in relation to the average for the first 2 quarters).

    This performance reflects the continued **development of the franchise** (year-on-year growth of +3% in the client base), underpinned by **a dynamic sales policy aimed at attracting new clients and increasing the loyalty of our clients, as well as the continued growth in outstanding loans and deposits**.
    - ◊ **Loans** were up 5.2%, principally driven by growth in the individual customer segment (+9%). **Loans to corporates** rose by 1.8%, linked to the development of loans for the self-employed and small enterprises.
    - ◊ **Deposits** were up 6.1%, with a 10.8% rise in sight deposits.
  - **Tight control of operating expenses:** despite the increase in activity, the networks' operating expenses were stable (+0.6%). Overall, the business line's operating expenses were up 2.4% when adjusted for changes in Group structure, due to the cost of current IT development projects.
  - **Risk provisioning, which stabilised at a low level** (-3.7% y.o.y.), representing a cost of domestic risk of 40bp.
- **The rapid development of online brokerage:** FIMATEX's client base has more than doubled since the end of 1998, to stand at 20,000 clients at 30 September 1999.

ASSET MANAGEMENT AND PRIVATE BANKING

Net income up 23.6%

Asset Management and Private Banking Results (in millions of euros)

	9 months 1999	9 months 1998	**Change**	
Net banking income	**463**	377	**13.5%**	(*)
Operating expenses	**(260)**	(215)	**6.5%**	(*)
Gross operating income	**203**	162	**23.8%**	(*)
Net income	**131**	106	**23.6%**	
o.w. Asset Management	***98***	*75*	***30.7%***	
o.w. Private Banking	***33***	*31*	***6.5%***	

(*) When adjusted for changes in Group structure

Asset Management and Private Banking confirmed the strong performances seen in the first half:

- **Net banking income rose by 13.5% when adjusted for changes in Group structure.**
- **Operating expenses were up 6.5%,** due to the cost of strengthening teams (development of business in France and the UK for Asset Management; strengthening of sales teams in Asia for Private Banking) and IT development costs (Hambros and Ruëgg Bank).
- **Overall, Asset Management and Private Banking registered strong growth in net income (+23.6%),** driven by the performance of both businesses:
  - **Net income from Asset Management was up 30.7% in relation to the first 9 months of 1998;** this was notably due to the sharp growth in revenues at SGAM UK, **which should break even in the first half of 2000, i.e. a little over 2 years after the creation of the subsidiary;**

    There was very strong growth in assets under management, which totalled EUR 140.6 billion (+21%). The Group registered inflows of new money amounting to over EUR 11 billion.
  - **Private Banking,** which registered a flat level of net income in the first half due to the cost of investments on the sales side, began to reap the rewards of these investments, reflected by a 6.5% rise in net income. **Assets under management stood at EUR 31 billion, up 34.4%** (25% when adjusted for changes in Group structure), with new money accounting for 60% of this growth.

CORPORATE AND INVESTMENT BANKING

ROE close to 17%

Corporate and Investment Banking Results (in millions of euros)

	9 months 1999	9 months 1998	**Change**	
Net banking income	**3,649**	2,533	**31.2%**	(*)
Operating expenses	**(2,519)**	(1,834)	**23.0%**	(*)
Gross operating income	**1,130**	699	**53.8%**	(*)
Net allocation to provisions	**(267)**	(955)	**-72.0%**	
Net income	**567**	(136)	N/S	
Allocated capital (in EUR billion)	**4.6**	5.0	**-8.1%**	
ROE	**16.6%**	N/S		

(*) When adjusted for changes in Group structure

- **The Corporate and Investment Banking business line** generated net income of EUR 567 million and a return on allocated capital of 16.6%
  - **Net banking income was up 31% when adjusted for changes in Group structure.**
  - **When adjusted for changes in Group structure and at a constant exchange rate, operating expenses excluding performance-linked remuneration rose by 9.3%,** compared with 10.4% in the first half.

    In 1999, these operating expenses, which were down by 6.4% in the second quarter in relation to the first, fell by a further 1.9% in the third quarter, confirming completion of the programme aimed at strengthening the investment banking teams.
  - **The net allocation to provisions was down 72%,** reflecting the return to a normal, **or indeed low**, level of risk provisioning after the extraordinary provisions booked on emerging markets in 1998.
  - Year on year, **there was a fall of 8% in allocated capital** across all the businesses, with a reduction of 19% in Commercial Banking.
- **Over the first 9 months of 1999, all the businesses registered growth in net income in relation to the same period in 1998,** which admittedly represented **a low benchmark** given the impact of the financial crisis in August and September of that year.
- **Third-quarter performances were not as strong** as those seen in the first two quarters, due, on the one hand, to the seasonal downturn in activity and, on the other, to the poor performance of some Debt, Forex and Commodities businesses.
- **The Corporate Banking business continued to improve its risk profile over the last quarter:**
  - **There was an increase in the proportion of capital allocated to value-added structured finance.** Revenues from these activities accounted for 58% of total Corporate Banking income, compared with 48% over the first 9 months of 1998;
  - **Through increased use of portfolio management techniques,** the business line continued to reduce its corporate loan book without any client losses.

CORPORATE CENTRE

Net income of EUR 287 million (up 11.7%)

After the high level recognised in the first half, the Corporate Centre only booked a low amount of capital gains on disposals in the third quarter (EUR 54 million). In view of the stock market transactions completed after September 30, **the Group is set to exceed the full-year target of EUR 700 million announced during the presentation of the results for the first quarter 1999.**

GROUP CONSOLIDATED RESULTS

Gross operating income up 31.7% at EUR 2,328 million

The rise in net banking income (+22.4%) reflects the growth seen across all Group business lines.

Due to the fall in operating expenses in the third quarter 1999 (-1.6% in relation to the average for the first two quarters), **the growth in operating expenses has levelled off** (+19% compared with +21% in the first half). When adjusted for changes in Group structure and at a constant exchange rate, operating expenses excluding performance-linked remuneration rose by 5.9% in relation to the first 9 months of 1998 (compared with 6.3% in the first half).

Altogether, **gross operating income was up 31.7%**.

Net allocation to provisions down 57.4% at EUR 560 million

With the Group continuing to benefit from a favourable economic environment, **third-quarter risk provisioning** (EUR 153 million) **was down** in relation to the first 2 quarters (around EUR 200 million on average). Altogether, the net allocation to provisions for the first 9 months of 1999 was down 57% in relation to the same period in 1998.

Net income of EUR 1,580 million before reversal of provision for SG Paribas

Overall, **Group net income came out at EUR 1,580 million, compared with EUR 718 million over the first 9 months of 1998.**

The annualised ROE was 20.1%, with a business line ROE of 17.6%.

After reversal of the provision for SG Paribas, net of the costs relating to this operation, Group net income stood at EUR 1,922 million.

STRENGTHENED CAPITAL BASE

At 30 September 1999, **Group shareholders' equity stood at EUR 11.6 billion,** compared with EUR 10.2 billion(*) at 31 December 1998.

The book value per share (Group shareholders' equity per share) stood at EUR 114 (EUR 102(*) at 31 December 1998).

At 30 September 1999, **the Tier-one ratio stood at 7.5%** and **the B.I.S. ratio at 12%**.

(*) Before provision for SG Paribas restructuring costs.

A presentation of these results is available on the Group's web site: **www.socgen.com**

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GROUP KEY FIGURES(*)

CONSOLIDATED KEY FIGURES

(in millions of euros)	3rd Quarter		Change	9 months		Change
	1999	(%)	(%)	1999	1998	(%)
Net banking income	**2,552**	**1,969**	**30**	**8,243**	**6,736**	**22** (1)
Operating expenses	**(1,950)**	**(1,691)**	**15**	**(5,915)**	**(4,969)**	**19** (1)
Gross operating income	**602**	**278**	**117**	**2,328**	**1,767**	**32** (1)
Net allocation to provisions	*(153)*	*(206)*	*(26)*	*(560)*	*(1,314)* (2)	(57)
Net income from long-term investments (3)	65	29	124	596	275	N/S
Net income from companies accounted for by the equity method	46	31	48	134	48	N/S
Extraordinary items (4)	(54)	30	N/S	(54)	168	N/S
Income tax	(184)	(60)	N/S	(785)	(239)	N/S
Net income before reversal of SGP provision	**299**	**98**	**N/S**	**1,580**	**718**	**120**
Reversal of SG Paribas provision	**342**		**N/S**	**342**	**---**	**N/S**
Net income after reversal of SGP provision	**641**	**98**	**N/S**	**1,922**	**718**	**N/S**
Annualised Group ROE (%)				**20.1** (5)	**10.0**	
o.w. Annualised Business Line ROE				**17.6**	**6.2**	
Tier-one ratio (%)				**7.5**		

(1) *When adjusted for changes in Group structure, net banking income was up +15.8%, operating expenses +12.1%, and gross operating income +26.5%.*
(2) *Of which Asia: EUR 524 million and Russia: EUR 305 million.*
(3) *Principally comprising capital gains on the industrial equity portfolio.*
(4) *Extraordinary items for the first 9 months of 1999 included the contribution to the deposit guarantee fund, payable over 4 years. During the same period in 1998, they principally comprised capital gains on the disposal of subsidiaries (notably SG2, CIB and Allium).*
(5) *On the basis of net income before reversal of the provision for SG Paribas.*

RESULTS BY BUSINESS LINE

(in millions of euros)	3rd Quarter		Change	9 months		Change
	1999	1998	(%)	1999	1998	(%)
Retail Banking	**202**	**161**	**25.4**	**595**	**491**	**21.2**
Network	*121*	*98*	*23.5*	*355*	*299*	*18.7*
Crédit du Nord	*25*	*17*	*47.1*	*75*	*56*	*33.9*
Specialised Subsidiaries	*44*	*35*	*25.4*	*121*	*98*	*23.4*
Retail Banking outside France	*12*	*11*	*9.1*	*44*	*38*	*15.8*
Asset Management and Private Banking	**43**	**40**	**7.5**	**131**	**106**	**23.6**
Asset Management	*31*	*30*	*3.3*	*98*	*75*	*30.7*
Private Banking	*12*	*10*	*20.0*	*33*	*31*	*6.5*
Corporate and Investment Banking	**100**	**(111)**	**N/S**	**567**	**(136)**	**N/S**
Debt, Forex and Commodities	*(19)*	*(180)*	*N/S*	*116*	*(260)*	*N/S*
Equity / Advisory	*79*	*16*	*N/S*	*315*	*174*	*81.0*
Structured Finance	*19*	*15*	*26.7*	*118*	*114*	*3.5*
Commercial Banking	*21*	*38*	*(44.7)*	*18*	*(164)*	*N/S*
Corporate Centre	**(46)**	**8**	**N/S**	**287**	**258**	**11.7**
GROUP	**299**	**98**	**N/S**	**1,580**	**718**	**120.1**

(*) The results for the first 9 months of 1999 have been examined by the Statutory Auditors, who performed a similar review to that of the interim results. The Statutory Auditors also checked that the figures given for the first 9 months of 1998 comply with the financial statements drawn up 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 9 months of 1999.