

LETTER TO SOCIETE GENERALE

#71 | AUGUST 2009

SHAREHOLDERS

EDITORIAL



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by Frédéric Oudéa,
Chairman and CEO

Dear Shareholder,

The recession experienced by the global economy is the most brutal and deepest since the Second World War.

That said, and despite a still challenging economic environment in Q2 – contraction in investment, deterioration in the labour market – there appear to be some signs that economic activity could stabilise at end-2009.

Similarly, and although the outlook remains uncertain, investors demonstrated less risk aversion during Q2 than during the previous two quarters, as testified by the rebound in equity markets.

In the current economic environment, the Group's Retail Banking activities proved highly resilient in Q2 while Corporate and

Investment Banking posted an excellent performance. Unfortunately, these performances are concealed by negative valuation items of an accounting nature. Overall, Group revenues were up +2.4%; if non-recurring items are stripped out, the increase is 13.5%.

The changes in operating expenses reflects our determination to control all Group expenditure, the restructuring measures implemented within Societe Generale, as well as a strategy of commercial expansion targeted on high-potential sectors.

After a sharp increase in the cost of risk in Q1 2009, which reflects the general deterioration in the economic environment, the Group's Q2 cost of risk was lower at EUR -1.1 billion, reflecting the absence of a deterioration in its portfolio vs. Q1.

The success of stock dividends, an option reinstated this year and which has seen a take-up rate of nearly 68%, testifies

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KEY FIGURES

2nd quarter 2009

REVENUES (EXCLUDING NON-RECURRING ITEMS)

+13.5% vs. Q2 08

NON-RECURRING ITEMS

EUR -1.7bn o/w

– Effect of the Marked to Market of CDS: **EUR -0.8bn**

– Revaluation of financial liabilities: **EUR -0.5bn**

– Deterioration in valuation of assets at risk:
EUR -0.4bn

GROUP NET INCOME

EUR +309M

1st half 2009

GROUP NET INCOME

EUR +31M

CONSOLIDATED FINANCIAL STRENGTH
TIER ONE RATIO (BASEL II):

9.5% o/w **7.3%** for Core Tier One

+



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in France (free phone)



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**SOCIETE
GENERALE**

Retail Banking & Financial Services ■ Global Investment Management & Services ■ Corporate & Investment Banking

EDITORIAL

- continued -

to your support and confidence in Societe Generale's strategy. It has therefore helped strengthen our shareholders' equity.

The quality of Societe Generale's portfolio of activities and its high solvency level mean that the Group is able to absorb the effects of the crisis, while capitalising on the withdrawal of some of its competitors in order to strengthen its customer franchises and selectively increase its market share. The Group is also resolutely pursuing its structural realignment plans in order to prepare for the future banking environment. It is therefore providing itself with the resources to return to the path of profitable growth based on:

- the expansion of its Retail Banking customer franchises inside and outside France through both organic and external growth, according to the opportunities that arise,
- the growth of its market share in Corporate and Investment Banking,
- the rapid realignment of the activities most affected by the crisis (Retail Banking in Russia, Financial Services),
- the conclusion of a strategic partnership in Asset management,
- and lastly, the ongoing search for and intensification of synergies (revenues and resources) within the Group.

Rest assured that, just as Societe Generale has been resolutely pursuing its structural realignment plans, so it will also be able to take advantage of the post-crisis opportunities that arise.

Thank you for your continued faith.

Frédéric Oudéa,
Chairman and Chief Executive Officer



Second quarter 2009 res

Benefiting from a solid capital position (Basel II Tier One Ratio of 9.5%) and in order to prepare for the future, Societe Generale is focusing on consolidating its market share, controlling risks and restructuring the activities most severely affected by the crisis.

French Networks

Faced with a still challenging economic environment, the French Networks have implemented a proactive policy to encourage the inflow of deposits and support their business customers. This has resulted in strong activity levels as well as increased revenues and market share, thus demonstrating their solidity during a crisis period.

Balance sheet deposits for **individual customers** increased by + 1.5% (vs. Q2 08), driven by special savings schemes (Livret A passbook account, home ownership savings plan). Life insurance outstandings were slightly higher (+0.5%): the proportion invested in unit-linked policies (22% vs. 18% in Q2 08) triggered a rebound against a backdrop of less volatile stock markets and declining interest rates. On the loan front, the sluggishness of the property market and households' aversion to getting into debt in an environment of strong economic uncertainty and rapidly rising unemployment are adversely affecting activity levels. However, the French Networks' continuing commitment to their customers helped maintain growth in outstanding loans to individuals of +3.7% vs. Q2 08.

Balance sheet deposits for **business customers** rose 19.9% year-on-year, boosted by the launch of new offerings adapted

to current market conditions. In the case of loans, the French Networks' commercial drive has helped them post overall growth in outstanding loans of +3.7%.

International Retail Banking

Despite the economic slowdown, International Retail Banking generally proved resilient due to the realignment of its expansion policy: initiatives to encourage customer loyalty, priority given to boosting deposit inflow, extended and innovative product offering.

At mid-2009, and vs. end-2008, the individual customer portfolio had grown by +83,000 customers and customer deposits had increased by +1.1%*, whereas outstanding loans were down -2.3%*. At the same time, the Group realigned its operating infrastructure in the first two quarters (slowdown in the rate of network expansion, reductions in headcount). Overall, and with the exception of Russia where the crisis has had a heavy impact on Societe Generale's revenues, the Group has posted satisfactory performances.

Financial Services

In a deteriorated environment, the decline in new business that affected all business lines can be attributed to the drop in demand and the realignment of commercial policy to the new market conditions. In **Consumer Credit**, new business in Q2 was down -11.4%* year-on-year, despite the commercial dynamism in Brazil (+48.7%*) and the Czech Republic (+41.6%*). In **Equipment Finance**, the trend is the same, with SG Equipment Finance's new financing in Q2 down -19.1%* year-on-year, reflecting the more selective policy adopted since end-2008. In **operational vehicle leasing and fleet management**, ALD had a **fleet** under management of 778,100 vehicles at

Results

end-June (up +2.6%* year-on-year, mainly driven by France and Germany). The business is continuing with its realignment measures against the backdrop of the ongoing severe deterioration of the second-hand car market.

Global Investment Management and Services

Asset Management

The outflow continued in Asset Management in Q2 09 (EUR -3.1 billion net), mainly in alternative investment activities. Traditional investment activities were stable, reflecting arbitrage operations by clients switching from money market funds (EUR -3.7 billion) to bond funds (EUR +3.7 billion), with equity inflow amounting to EUR +0.3 billion.

Private banking

In a slightly more favourable environment, Private Banking experienced healthy business volumes: net inflow of EUR +1.3 billion in Q2 09, or more than double the amount in Q1 09, taking the assets managed by Private Banking to EUR 71 billion (+4.6% vs. end-March 09).

Societe Generale Securities Services (SGSS), Brokers (Newedge) and Online Savings (Boursorama)

Securities Services continues to be adversely affected by declining interest

International Retail Banking generally proved resilient, despite the economic slowdown, due to the realignment of its expansion policy.

rates. Assets under custody were up +6.3% year-on-year at EUR 2,906 billion, whereas assets under administration were down -14.5% at EUR 423 billion.

Newedge's business reflected the slowdown in the market, while demonstrating some resilience. It has therefore succeeded in maintaining its market share (11.8%), ranking it No. 2 based on deposits in the United States at the end of May 2009.

Boursorama posted satisfactory performances. The brokerage business continued to benefit from strong market volatility, and banking activity provided further evidence of its vitality with the opening of nearly 7,000 accounts in France in Q2.

Corporate and Investissement Banking

The ongoing decline in interest rates, the tightening of credit spreads, as well as the

uptrend in equity markets helped Corporate and Investment

Banking achieve a record operating performance. Activities⁽¹⁾ posted revenues of EUR 2,984 million in Q2 09 (+57.5% vs. Q2 08), testifying to the robustness of the customer franchise and its ability to gain market share in a changing competitive environment. However, once again in Q2, the division recorded various non-recurring items on a significant scale (EUR -1.7 billion).

The **Equities** business line produced an excellent performance in Q2 09, with Q2 revenues⁽¹⁾ of EUR 1,001 million (+61.2% vs. Q1 09) close to its best performances at the beginning of 2007. SG CIB confirmed its leadership position in the equity derivatives market (global No. 1 in warrants with a 14.4% market share) and in ETFs (22.1% market share, European No. 2).

Fixed Income, Currencies & Commodities maintained a high level of revenues (Q2 revenues⁽¹⁾ were almost double the figure in Q2 08) on the back of good commercial performances by flow products and fixed income and currency structured products. In the commodities market, the bank has confirmed its status as a leading player (global No. 3).

Financing & Advisory enjoyed a record quarter⁽¹⁾. Financing activities posted excellent performances overall (infrastructure and export financing), while capital markets activities capitalised on the excellent activity levels in the bond issues market.

(1) Excluding non-recurring items

Corporate Centre

The Corporate Centre recorded gross operating income of EUR -180 million in Q2 09 (EUR +218 million in Q2 08). This decline can be attributed primarily to a disposal capital gain recorded in Q2 08.

(1) Q2 09 vs. Q2 08
(a) excluding PEL/CEL
* on a like-for-like basis

| | French Networks | International Retail Banking | Financial Services | Global Investment Management & Services | Corporate & Investment Banking |
|--|---------------------------------|------------------------------|--------------------|---|--------------------------------|
| NBI in EUR m | 1,822 (+1.2%) ^(a) | 1,183 (+4.1%)* | 801 (-1.0%)* | 747 (-14.5%)* | 1,288 (+84.7%)* |
| Groupe Share of Net Income in EUR m | 280 (-20.9%) ^(a) | 122 (-49.2%) | 17 (-89.6%) | 80 (-42.4%) | -12 NM |
| ROE after tax as a % | 20.9% | 15.7% | 1.6% | | NM |
| Net inflow in EUR bn | | | | -1.8 | |



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Annual General Meeting of July 6, 2009

The Annual General Meeting was held on July 6 at La Défense. The quorum was established at 56.99% vs. 53.53% during the previous Meeting. All the resolutions proposed by the Board of Directors were adopted.

The co-opting of Frédéric Oudéa to the Board of Directors completes the merger of the functions of Board Chairman and Chief Executive Officer. Tighter and more reactive, the Group's new governance structure will be more capable of responding to the challenges of the crisis.

Having been largely renewed, the Board of Directors now consists of a majority of independent directors. The task of management control is strengthened by the appointment of a vice-chairman responsible for internal control, Anthony Wyand. There was extensive commentary on his duties during the meeting. He will ensure



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the smooth functioning of the Board and its various committees, while assisting Frédéric Oudéa on strategic issues.

The Annual General Meeting of July 6 in figures

- Shareholders present: 232
- Shareholders represented: 765
- Postal voters: 7 636
- Powers given to the Chairman: 13,094
- Quorum: 56.99%, or 326,838,652 shares present or represented.

CALENDAR

November 4, 2009

Publication of 3rd quarter 2009 results

November 20-21, 2009

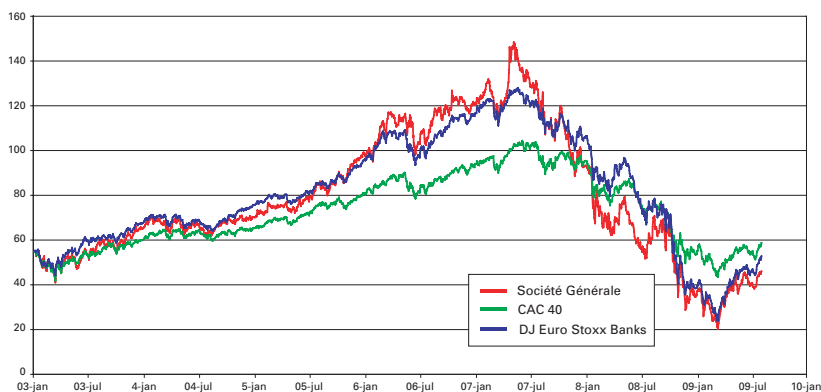
ACTIONARIA trade fair

February 18, 2010

Publication of 4th quarter and full year 2009 results

Societe Generale share performance

Societe Generale share price at July 31, 2009: EUR 45.05



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KEY FIGURES FOR THE SECOND QUARTER OF 2009

+13.5%

increase in Group NBI excluding non-recurring items year-on-year

9.5%

Basel II Tier One Ratio

SG CIB: the Evolution project is preparing for the post-crisis period

One year ago, the collapse of Lehman Brothers preceded a financial crisis that has since rocked the Corporate and Investment Banking world to its core. The contraction in business volumes has been coupled with the disappearance of many market players. However, the Group's financial strength, the quality of its products, and the confidence of its customers have enabled SG CIB to withstand the crisis better than most other banks.

As an integral part of Societe Generale Group's universal banking model alongside Retail Banking and Global Investment Management and Services Divisions, SG CIB's strategy is not in question, but it must adjust to a new environment in which "profitability becomes a challenge," according to Michel Péretié. This is the inspiration behind Evolution, a project launched last July. Its main objective is to develop customer focus, while optimising operational efficiency and the risk profile in order to increase revenues and market share.

"Resist, conquer, and protect". This is the motto for Michel Péretié, CEO of Societe Generale's Corporate and Investment Banking Division (SG CIB), a motto that Project Evolution is putting into practice. Practice in SG CIB.



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In short, to protect what it has today while preparing for after the crisis.

New organisation...

To do this, SG CIB is organised around three areas of expertise in which the bank wants to strengthen its position in order to better serve its customers: investment banking, global finance and global markets.

The Coverage and Investment Banking division is responsible for managing and developing the overall relationship with strategic clients by offering them the full range of SG CIB and Group services, along with services like strategic advising on mergers/acquisitions and solutions for raising capital. The second division,

Primary Markets, Financing, and Hedging, which is dedicated to issuer clients, offers integrated solutions for leveraging capital on the debt and equity markets, structured financing, and hedging. Finally, the Markets division is a true cross-asset and integrated platform dedicated to investors. It brings together various solutions for investments (Fixed Income & Currencies, Equities, Commodities and Alternative Investments etc.) and risk management, as well as a cross-asset research offering.

...and New Governance

At the same time, SG CIB continues to operate according to the governance implemented on March 31 with a core and extended executive committee structure. In addition, in order to supervise the management of scarce resources (capital, liquidity, balance sheet, etc.) and to successfully complete the project of redesigning its operating model, we are currently finalising a Chief Operating Officer (COO) position. This new global structure has a regional component. SG CIB is increasing the role that its regional and country managers, who are closest to the action, play in all of its activities.

Project Evolution represents a key step in SG CIB's adjustment to the new economic and financial environment. It is part of Societe Generale's overall strategy to rank among the top names in Corporate and Investment Banking over the long term. ■

TWO QUESTIONS FOR...



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Christophe Mianné, Head of Market Activities

Why combine fixed income, foreign exchange, and commodities activities with SG CIB's equity activities?

On their own, both activities held leading positions. Grouping them together in a single global market division allows us to take a cross-asset approach while ensuring optimal use of our resources (capital, balance sheet, liquidity, etc.). The new entity also enables us to reallocate resources toward areas with strong

growth-potential, such as foreign exchange and commodities.

What benefits will it have for customers?

We are strongly committed to being partners to our customers. In increasingly interconnected markets, customers want to secure their investments, so we have set up optimal solutions for risk management with top-rate execution. We provide advisory services, cross-asset solutions, and a global vision thanks to our integrated research. They will also benefit from our cross-asset risk management and overall trading supervisory services.



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Rebound in commodities: speculation or a leading economic indicator?



Frédéric Lasserre,
Global Head
of Commodities
Research
within SG CIB.

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Arbitrage between the US dollar and commodities

The relationship between the dollar and commodities has become a traditional arbitrage method for some investors, particularly hedge funds. Some use commodities to hedge against an expected depreciation in the US currency while others use the dollar as an almost instantaneous indicator of the trend in commodities. However, given the explosion in deficits and the US public debt, most investors expect the dollar to enter a downtrend. This issue was evoked by China when it questioned out loud the real value of the US public debt (China is currently the leading foreign holder of US public debt).

After plummeting by nearly 65% in the second half of 2008, commodity prices first stabilised in Q1 09 before rebounding spectacularly in Q2.

The average performance for commodities is around 30% since the beginning of the year.

This rebound is particularly remarkable since it has occurred in an environment still dominated by a contraction in the global economy, without any concrete sign of a recovery in physical demand for commodities. In fact, it is not the consumers of commodities that have caused the rebound in prices but investors. Given the nature and scale of the financial and economic crisis, investors have indicated their strong risk aversion by overweighting their portfolios of investments in so-called “risk-free” assets, i.e. cash and government bonds.

They kept this asset allocation until they were convinced that the worst was over and that the global economy was going to start to recover. Consequently, they have adjusted their portfolios by reweighting allocations in assets with a risk premium, i.e. equities, corporate debt, emerging markets and commodities. In light of this situation, the rebound in commodities is no different in nature from the rebound observed simultaneously in these markets in Q2. However, there are four reasons that could have prompted investors to return more specifically to the commodities asset class.

The first signs of an impending economic recovery

These signs emerged during Q2 with what has been called the “green shoots” of recovery. These are no more or less

than leading economic indicators (in particular, surveys conducted among consumers, purchasing managers or heads of companies) which have gradually started to reverse, initially in the United States and subsequently in China and Europe. Already in Q2, when they still considered the current situation to be very gloomy, their anticipations for the following months gradually became increasingly positive: economic players were taking on board “V-shaped” recovery scenarios.

However, commodities are also considered to be leading economic indicators simply because they are the first segment in the industrial logistics chain. In logical terms, when industrial companies anticipate an improvement in

THE SCALE OF CHINESE IMPORTS

As early as February, statistics for Chinese imports of commodities surprised by the scale of their increase both month-on-month and year-on-year. Importations of industrial metals, crude oil and grains saw double-digit and even triple-digit increases even though industrial production and Chinese exports remained sluggish. These statistics largely helped convince investors that, as expected, China would be the first to emerge from recession and would experience the strongest economic recovery.



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Commodities are also considered to be leading economic indicators simply because they are the first segment in the industrial logistics chain.

their activity over the next few months, they rebuild their stocks of commodities even before industrial production recovers. This time, investors have themselves anticipated that industrial companies are likely to rebuild these stocks over the next few months.

Commodities as a protection against inflationary risks

The scale of the public deficits related to economic stimulus plans prompts questions regarding the sustainability of debt servicing. In addition to traditional measures, i.e. tax increases and public

spending cuts which everybody knows are difficult to implement, some economists have raised the possibility of letting inflation increase at a stronger rate in order to erode the real value of the stock of debts. Even if inflation does not decide to do so, given the impressive quantity of liquidity injected by the central banks since the beginning of the recession, it would probably be sufficient to keep key rates at their lowest when the economy returns to positive growth for inflationary tensions to appear. This scenario would signify for institutional investors, particularly pension funds and sovereign funds,

that the central banks would no longer protect them against inflation. They would therefore have to cover themselves by resorting to market instruments (inflation swaps and indexed bonds) and according to economic theory, by constituting positions in real assets, primarily property and commodities. Although it is fairly surprising to see this debate on inflation emerge so early in the economic cycle when the short-term risk remains resolutely deflationary, some pension funds have recently increased their allocation in the commodities asset class directly on the back of this inflation theme.

In conclusion, the rebound in commodities in Q2 can be explained primarily by anticipations of economic recovery and, therefore, this rebound can be considered as a leading indicator of this recovery. However, it is actually investors, and not the physical consumers of commodities, that have fuelled this rebound in prices. This logic simply testifies to the fact that, since 2005, investors have played an increasingly important role in the process of commodity price formation, not by integrating a purely speculative component but rather by integrating an anticipatory component in spot prices. ■

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Given China's weighting in the demand for all commodities, some investors are looking for exposure to both China

and commodities per se by taking long positions in oil, metals or agricultural products. Even if the bulk of these imported commodities has ended up in the government's strategic stocks or in trading company warehouses, the recent publication of Chinese Q2 GDP has confirmed that these investors were not mistaken since the figure is much higher than expected 3 months ago, when investors returned to commodities.



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The SGAM Foundation for therapeutic innovation provides support for major advances in terms of treatment.

Despite the crisis, Societe Generale continues to promote innovation

companies innovating in the healthcare sector, principally in the cardiovascular field. The foundation has recently awarded four prizes to help support major therapeutic innovations nearing human clinical trials: a treatment for the prevention of thrombosis, two new treatments for cardiac insufficiency, and a process to identify the genes involved in the response to some treatments.

At the same time, Societe Generale is continuing with its efforts in terms of product innovation and has received numerous awards since the beginning of 2009.

SG Private Banking has been voted Best Global Private Bank by *Euromoney*, for its structured products offering, which reflects its international expertise and the innovative aspect of its products.

Societe Generale Asset Management received the Gold Trophy for the best SICAV mutual funds and Funds in 2009 awarded by *Le Revenu* magazine for the quality and variety of its sector-based equity funds.

SG Hambros was rewarded by readers of the *Financial Times* and *Investors Chronicle* for its new alternative investment products. ■

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The SGAM Foundation for therapeutic innovation is one of the links in Societe Generale Asset Management's strategy to effectively contribute to the financing of young

SG Private Banking France sets up the "Fondation 29 Haussmann"

SG Private Banking France is involved in philanthropic initiatives, with the setting up of the "Fondation 29 Haussmann" in March 2009.

OBJECTIVES

Playing a role in civil society and assisting its clients in their philanthropic initiatives while helping them to optimise their tax situation.

AREA OF INTERVENTION

Innovative solidarity initiatives.

MISSION

- Supporting innovative and appropriate solidarity projects within identified philanthropic sectors and intended for

- different sections of the public, by financing them with private donations;
- Monitoring the initiatives carried out by subsidised associations and reporting the results obtained for each sponsored project to clients, to enable them to become involved in the Fondation 29 Haussmann.

FOCUS & PROJECTS FOR 2009

Helping children and adolescents that have broken off relations with their family and with problems at school:

- Sponsoring young people from disadvantaged backgrounds in terms of higher education diplomas and who have recently started their working life, in order to guide them in their career plans;
- Financing school projects for blind or visually impaired children enabling them to remain in a "traditional" school environment;
- Supporting low-income households so as to encourage family bonding through shared leisure activities.



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