LETTER TO SOCIETE GENERALE SHAREHOLDERS

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ÉDITORIAL


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by Frédéric Oudéa,
Chairman and CEO

Dear shareholder,

The economic recovery which began at end-2009 is growing stronger, but remains fragile and uneven. Emerging countries are seeing strong economic activity, driving the recovery in international trade, but Europe is coming out of the recession more slowly, with the situation varying from country to country.

During the second quarter, as the Greek crisis persisted, a climate of substantial mistrust in relation to the sovereign debt of the most fragile European countries and the euro zone as a whole spread to the financial and interbank markets.

In this environment, the authorities and regulators were able to re-establish confidence in the European banking system:
- on the one hand by targeting structural deficits in the Eurozone countries with the highest debt, with deficit reduction a factor for long term growth,
- on the other by publishing, on 23 July, the results of the stress tests for 91 European banks, as well as their exposure to sovereign issuers.
This transparency exercise provided confirmation of the financial solidity of the vast majority of European banks, and Societe Generale in particular.
The quality of the Group's portfolio of activities was demonstrated with an estimated Tier 1 ratio under stress at end-2011 of 10%, the top score of the French banks.

At regulatory level, initial responses have been provided concerning the new banking regulatory framework "Basel III". However,

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KEY FIGURES

Second quarter 2010

GROUP REVENUES
+12.9%* vs. Q2 09

GROUP NET INCOME
EUR 1.08 bn

C/I RATIO
60.9%

First half 2010

GROUP REVENUES
+22.0%* vs. H1 09

GROUP NET INCOME FOR THE PERIOD
EUR 2.15 bn

IMPROVEMENT IN COST OF RISK
89 basis points (105 basis points** in H1 09)**

SOLID FINANCIAL POSITION
TIER ONE RATIO (BASEL II):
10.7%(1) with 8.5%(1)
Core Tier 1

* When adjusted for changes in Group structure and at constant exchange rates
** Cost of risk excluding litigation issues and Legacy assets
(1) Excluding floor effects (additional capital requirements with respect to floor levels)

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SOCIETE GENERALE

EDITORIAL
- Continued -

crucial factors such as the ultimate calibration for capital requirements will only be known towards the end of the year.
In these conditions, which remain uncertain and volatile, Societe Generale's recovery is ever stronger. The first half results testify to the Group's new momentum, and in particular reveal:
- a very good performance from the French Networks, validating the stated aim at the start of the year for revenue growth of around 3% for the full year;
- revenue growth in International Retail Banking, which benefits from access to various high potential geographic areas, especially with the first signs of recovery in Russia;
- a satisfactory contribution from Corporate and Investment Banking, despite a challenging market environment;
- a gradual recovery in the earnings of Specialised Financing and Insurance, as well as Private Banking, Global Investment Management & Services.

At the same time, the Group is continuing to pursue with determination the projects and initiatives of the Ambition SG 2015 strategic plan, announced to the market on 15th June, in particular the launch of projects for the sharing of information systems. The first portfolio arbitrages are also under way, with the announcement of the acquisition of the Société Marseillaise de Crédit and the sale of ECS, a specialist in IT infrastructure provision and management.
Societe Generale is evolving and adapting to a new world.
In a macroeconomic environment that is in the process of stabilising, I am more than ever confident of the Group's ability to achieve the objectives of our strategic plan's ambitious aims.

Thank you for your confidence.

Frédéric Oudéa,
Chairman and CEO

Second quarter results 20

Buoyed by still strong commercial activity, especially in retail banking and in the structured financing markets, Societe Generale's core businesses generally posted satisfactory performances in Q2 2010.

French Networks

The **French Networks'** Q2 activity represents a continuation of the good performance in Q1 10, thus enabling the division to generate commercial and financial results that are consistent with the Group's ambitions.

The **individual customer** franchise enjoyed robust growth in Q2 10, with +53,000 net account openings. Balance sheet deposits saw an increase in outstandings (+4.2% vs. Q2 09), primarily on sight deposits (+11.3% vs. Q2 09). At EUR 0.8 billion, the recovery in net life insurance inflow accelerated in Q2 (+26.2% vs. Q2 09). Market volatility generated opportunities for individual investors leading to a 13.2% increase in stock market orders compared with Q1. In the housing loan market, individual customers' anticipation of the revision to tax benefits underpinned the growth in new housing loan business (+59.8% vs. Q2 09). In the case of **business customers**, the French Networks' commercial dynamism coupled with the consolidation of corporate cash helped term deposits grow substantially. In an environment of weak demand and under-utilisation of production capacity, outstanding investment loans were highly resilient (+3.3% vs. Q2 09), testifying to the Group's commitment to support businesses and the economy.

International Retail Banking

In a differentiated economic environment across geographical regions, **International Retail Banking's** commercial and financial performances provided further evidence of the pick-up in activity which began at the beginning of the year. With an increase in all outstandings in Q2 (+3.3% on loans and +1.0% on deposits), the division has demonstrated its ability to expand.
Subsidiaries in the Mediterranean Basin continued to enjoy buoyant levels of activity. With more than 700 branches and 1.9 million individual customers at end-June 2010, International Retail Banking continued to pursue its objective of reinforcing the operating infrastructure in the region.
In Central and Eastern European countries and in Russia, Q2 2010 was marked by the gradual normalisation of the economic environment and the pick-up in commercial activity. This trend is particularly significant for individual customers, notably in Russia where overall outstandings rose in Q2.
Recognised as a major player in the region, the Societe Generale Group was awarded the title of "Best Bank" in Central and Eastern Europe during the Euromoney Awards.

Specialised Financing and Insurance

While the level of commercial activity remained mixed across activities and geographical regions in Q2 2010, **Specialised Financial Services and Insurance's** overall performance provided further evidence of the earnings recovery which began in Q1, despite a still high cost of risk. In a still sluggish economic environment and given the ongoing selective loan approval policy, new **Consumer**

010

Finance business amounted to EUR 2.9 billion in Q2 10, down 7.1%*. **Equipment Finance** saw a clear improvement in activity compared with Q1 10 (+26.1%*). **Operational vehicle leasing and fleet management** continued to enjoy buoyant activity levels: the total number of vehicles rose +4.8% vs. end-June 2009 (816,000 vehicles).
Insurance activities continued to enjoy a strong level of activity; **life insurance** experienced robust net-inflow growth of +24.4%*, whereas **non-life insurance** saw its net new business grow by +12.8%*.

Private Banking, Global Investment Management & Services

Private Banking

Private Banking's assets under management totalled EUR 82.3 billion at June 30th 2010, including an inflow of EUR 0.9 billion in Q2 10.

Asset Management

In **Asset Management**, Q2 was characterised by the slower outflow at TCW (EUR -2.7 billion in Q2 10 vs. EUR -12.6 billion in Q1 10). Some asset classes enjoyed a net inflow this quarter, especially money market vehicles and equities (EUR +2.3 billion). Assets under management amounted to EUR 88.7 billion at end-June 2010, against EUR 85.2 billion at end-March 2010.

Societe Generale Securities Services (SGSS) and Brokers (Newedge)

Securities Services' strong business volumes were reflected in a further rise in assets under administration (+5.4%) and assets under custody (+13.4%).This business line has also made official the commercial partnerships it has implemented with US Bancorp in the United States and National Bank of Abu Dhabi in the Middle East.
Broker activity posted volumes up +16% vs. Q1 10. It also maintained its market leadership position (No. 2 in the May Futures Commission Merchants' classification in the USA) with a market share of 11.5% in Q2.

Corporate and Investment Banking

In an adverse environment for equity derivative activities, the **Equities** business line posted a -54.5% decline in revenues vs. Q1 10. SG CIB nevertheless maintained a leadership position in equity derivatives and was awarded the title of "No. 1 Global Provider in Equity Derivatives" (Risk Magazine, Institutional Investor Ranking June 2010) for the 4th year running.
Revenues from **Fixed Income, Currencies & Commodities** were also impacted by unfavourable market conditions, posting a decline of -40.2% vs. Q2 09.
Meanwhile **Financing & Advisory** enjoyed a strong quarter, (+5.8% vs. Q1 10). Structured financing activities saw a further increase in their contribution to the business line's revenues. SG CIB was awarded the title of "Best Energy Finance Bank" (*Trade Finance Magazine*, June 2010).
Legacy assets' Q2 10 contribution to the division's revenues totalled EUR +71 million vs. EUR -165 million in Q2 09.

> **"The French Networks provided further evidence of their commercial momentum and generated net banking income up +5.7% in Q2 2010.**

Corporate Centre

The **Corporate Centre's** gross operating income was EUR 164 million in Q2 10. This incorporates the revaluation of debts linked to Societe Generale's direct credit risk, and the revaluation of credit derivative instruments used to hedge loans and receivables portfolios.

( ) Q2 10/Q2 09
(a) excluding PEL/CEL
* When adjusted for changes in Group structure and at constant exchange rates
(1) excluding "Asset Management" business following the creation of Amundi

	French Networks	International Retail Banking	Specialised Financing and Insurance	Private Banking, Global Investment Management & Services	Corporate and Investment Banking
NBI in EURm	1,931 (+5.7%)(a)	1,240 (+0.3%)*	926 (+10.3%)*	592 (-9.9%)(1)*	1,751 (-37.0%)*
Group net income in EURm	312 (+20.9%)(a)	125 (-0.8%)	92 (x4.6)	74 (+0.0%)	410 n/s
ROE after tax as %	19.2%	13.7%	7.6%		18.8%

* When adjusted for changes in Group structure and at constant exchange rates
NB : All percentage variations are calculated on the basis of Q2-10 versus Q2-09. Ratios calculated on a different basis are specifically identified.

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The “Best Bank” in Central and Eastern Europe

Societe Generale was named “Best Bank” in Central and Eastern Europe in the prestigious Euromoney Awards, which recognize banks’ leadership, innovation and momentum in the region.

Bernardo Sanchez-Incera, Deputy Chief Executive Officer of Societe Generale, said: *“This award is an important recognition for the Group’s employees and businesses, and in particular for the teams who have been steadily building our market share and accompanying clients in CEE for the past 10 years. Today, despite the crisis, the region has solid fundamentals and economies which are steadily developing with high banking potential for the years to come. Societe Generale is proud to have participated in this transition, playing a leadership role in local banking sectors and economies.”*

He added that *“We have strong ambitions in Central and Eastern Europe where our goal is to consolidate a top 3 position. The region is at the heart of our Ambition SG 2015 strategic plan both in terms of business development and operational transformation objectives.”*

According to Euromoney: *“Over the past decade Societe Generale has slowly but surely built an impressive range of operations in Central and Eastern Europe. It has a pan-regional network, which is able to serve the needs of both retail and corporate clients. It is well positioned to become a prime beneficiary of the upturn in economic fortunes in the region.”*

Societe Generale has a strong and long-standing commitment to the region with a presence in 18 countries in Central and Eastern Europe, with 46,000 employees serving more than 11 million clients. The Group’s affiliates have leading positions in a number of countries and markets with a high potential, including the Czech Republic (Komercni Banka, No. 3), Romania (BRD, No. 1 network in the country) and Russia, with Rosbank and BSGV.

Going forward, Societe Generale aims to further develop its presence in the region as a key growth driver for both its international retail and corporate & investment banking businesses.

AGENDA

23 September 2010
Lille, meeting with shareholders

3 November 2010
Publication of 3rd quarter 2010 results

19-20 November 2010
Actionaria Trade Fair

9 December 2010
Marseille, meeting with shareholders

16 February 2011
Publication of 4th quarter and full year results 2010

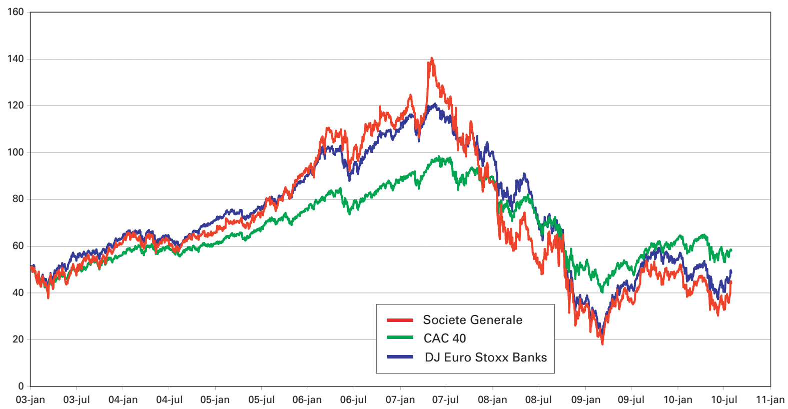
5 May 2011
Publication of 1st quarter 2011 results

3 August 2011
Publication of 2nd quarter 2011 results

8 November 2011
Publication of 3rd quarter 2011 results

Share performance

Societe Generale share price at July 30, 2010: EUR 44.235



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Retail Banking

The French Networks welcome the Société Marseillaise de Crédit

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Vincent Taupin, CEO of Crédit du Nord.

On June 14, Crédit du Nord entered into exclusive negotiations with the BPCE Group, with a view to acquiring Société Marseillaise de Crédit (SMC); the Group intends to strengthen its Retail banking network in France.

The French market still offered a few acquisition opportunities, despite its maturity. We've just made an excellent purchase", judges Vincent Taupin. *The CEO of regional bank Crédit du Nord (which, along with Societe Generale's national branches and online bank Boursorama makes up the Group's French Networks) adds that SMC has some major positive attributes. "The Mediterranean region and the Rhone valley, where this bank is established, are amongst France's most dynamic regions, both economically and demographically."*

A new regional banner

This is a regional bank with a strong reputation, which will integrate smoothly with Crédit du Nord, which until now had a limited presence in the South East of the country with about a 1% market share. *"In the region, Crédit du Nord and SMC will reach a combined market share of 4%, rising to 6% in and around Marseille,"* asserts Vincent Taupin.

The proposed acquisition price of 872 million Euros is about average for similar transactions in recent years. It is well worth it: Crédit du Nord's revenues will increase by 12.2% and its total deposits by 15.3%. And SMC is unusual in another way: *"the ratio of loans to deposits is 84%, when a ratio below 100% is rare in the sector"*, Vincent Taupin points out. The new entity's profitability is also such that a return on investment can be forecast in 5 years.

Convergence, synergies and growth

Crédit du Nord has demonstrated its capacity for integration in the last 15 years, as reflected by the arrival during the period of six regional banks, such as Courtois, Nuger and Tarneaud in the South West of France. As local identity is a positive marketing tool, the SMC brand has its place within the Group and will be retained.

Synergies constitute another positive element of this transaction: *"Crédit du Nord and SMC have virtually identical business models, both built on excellent customer relations, leading to high levels of customer satisfaction"*, says Vincent Taupin. Integration will be simplified, particularly once IT systems, a major cost centre, are switched to Crédit du Nord. Convergence will also be the order of the day for the Group's banking services and savings products, which will be a useful complement to those offered by SMC.

Finally, this acquisition will contribute to reaching one of the strategic goals fixed for 2015: taking Societe Generale's French Networks' individual customer numbers from 10 to 12 million. An ambitious aim, worthy of France's third biggest banking network.

Société Marseillaise de Crédit (SMC) in numbers

Founded in Marseille in 1865;
144 branches and 1,400 employees;
200,000 customers, with
170,000 individuals and 30,000 SMEs;
Net banking income in 2009:
193 million euros;
3 billion euros in deposits,
2,5 billion euros in loans.
A market share of 2-3% in South East France.

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Mergers and acquisitions: recovery in 2011-2012?

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Daniel Fermon, SRI Research Manager

With companies now seeing their finances improve, whether in Europe, the US or Asia, opportunities for mergers seem plentiful. Analysis from Daniel Fermon, Socially Responsible Investment (SRI) Research Manager (Corporate and Investment Banking).

Mid-sized businesses in the firing line

Large-scale transactions and the creation of European, sometimes global, leaders have been of mixed benefit to shareholders.
The next targets for mergers and acquisitions will be medium-sized businesses, especially since European competition authorities remain vigilant and may obstruct certain transactions. We anticipate a return to classic buying patterns, in contrast to the grand scale of transactions seen in the last fifteen years. Based on our analysis of sector consolidation, we believe that mid-level transactions, below 3 billion euros, will be preferred.

As the search for new sources of growth and new areas for strategic expansion grows, groups may initiate more aggressive external growth operations in 2011. The first stage, however, will be a period of spin-offs or disposals of non-core activities, since numerous companies today are too diversified, with subsidiaries that are barely profitable or not at critical mass.

The formation of big international groups

The Nineties saw the creation of national market leaders in Europe, with cross-border mergers limited. Between 2000 and 2008, companies were focusing on globalisation and the opening up of new markets and undertook cross-border mergers at an unprecedented rate. All sectors were involved, but the financial sector was the scene of spectacular transactions, like the takeover of ABN Amro, culminating in the disaster caused by the credit crunch of 2008-2009.
The two main players in the acquisition of ABN Amro were the first to suffer from this situation; Fortis was taken over by BNP Paribas and Royal Bank of Scotland was bailed out by the UK government.
Overall, in the last 15 years, more than 40% of companies listed amongst the top 50 global groups have been involved in large scale mergers which have radically changed their profile.

Strategic consolidation under way

At present a number of groups are becoming aware of the difficulty of managing companies that are too diverse, and so are seeking to consolidate their core business through two, three or four strategic entities. Gearing (the ratio of net debt to equity) is under control (estimated at 30%, although there are strong variations between sectors) and in the current context of relatively low interest rates, disposals and targeted acquisitions are likely.
The pattern since the start of the year has confirmed this assessment, with on the one hand a high number of spin-offs and sales (in France the Accor spin-off, the sale of AXA's UK assets, the British spin-off of Carphone Warehouse and Cable and Wireless, and in Italy the announcement of a Fiat spin-off and the partial sale of Enel's renewable energy subsidiary expected in the Autumn) and on the other a low number of mergers of any size (the biggest in Europe being the acquisition of Cadbury by Kraft, criticised both by the UK government and some Kraft shareholders).

Asia and Latin America: new growth

Alongside spin-offs, the second current trend seems to be a move towards emerging markets.

Groups are currently looking for areas of growth, despite the high valuations of companies already established in these markets.

At sector level, two specific cases can be identified:

- sectors like banking, oil, the automobile industry and certain technological fields where emerging countries already have national champions and are directly or indirectly in competition with western groups. Acquisitions could take place in either direction;
- sectors where emerging countries still have little presence but wish to develop these industries. Few transactions with these countries are predicted, with instead a pattern of development through organic growth (pharmaceuticals, agriculture and food, etc.).

Emerging countries are currently looking attractive and acquisitions made with a view to opening up these new markets for growth are part of a long term trend. IMF economists are predicting that nearly 50% of global GDP will be generated in these countries in 2014, against only 25% in 2000.

Faced with the challenges of globalisation, against a background of erratic financial markets, the big international groups have chosen in recent times to consolidate their core activities and sell their non-strategic businesses. Takeovers will be less spectacular, with buyers aiming to avoid downgrades by the credit rating agencies, as well as any criticism linked to the risks of an aggressive strategy. In this environment, companies which succeed in consolidating their core business and developing new skills in emerging markets will be the big winners in tomorrow's global markets.

"Companies which succeed in consolidating their core business and developing new skills in emerging markets will be the big winners in tomorrow's global markets.

The motives behind mergers and acquisitions

Four factors can drive a company's management to launch a takeover:

- the need to find new sources of growth, in which case companies turn to emerging markets if they can find appropriate targets;
- the search for a complementary country or product(s);
- surplus cash-flow, although currently groups prefer to retain such surpluses in the expectation of improved transparency in the US and European economies;
- a high valuation in relation to the sector average, making payments in share capital attractive.

Besides these factors, an acquisition can be initiated through opportunism or with the aim of avoiding takeover by a competitor: in other words, it is better to be the hunter than the hunted.

The possible characteristics of a likely target company are very varied given the large number of exceptional situations. The most common are:

- a valuation that is lower than the sector average;
- the need to restructure, with low profitability (return on equity);
- a weak strategy accompanied by the publication of successive disappointing results, leading to doubts concerning profit growth in years to come;
- small size in relation to the sector average – these companies need partners (unless they operate in a niche market);
- subsidiaries with majority shareholders who wish to delist the company.

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INNOVATION

The Societe Generale App

As early as 2008, Societe Generale was the first bank to launch its dedicated banking site on the iPhone. At the end of June 2010, Societe Generale launched its application at the App Store(1). Compatible with iPhone, iPod touch and iPad, the application is free and designed for individuals to manage their accounts and follow the stock exchange. It also includes a large number of practical services: currency converter, simulations, geo-location to find the nearest ATM or Societe Generale branch, emergency services, videos, etc. All these functionalities benefit from the sort of simple and intuitive navigation expected of these applications. ■

(1) The App Store is Apple's platform for downloading applications.

A payment innovation in Africa using mobile phones

Societe Generale de Banques au Sénégal (SGBS), a long time leader and major player in Africa with nearly 2.6 million customers, is launching a new financial service on the continent: Yoban'tel, a payment system using mobile phones that is principally intended for those without bank accounts. It's a phone-based money transfer and bill payment service that can be used by anyone who owns a mobile phone, whether they have a bank account or not, and whatever their phone company. Yoban'tel operates in prepaid mode with the security of a banking transaction. American company Obobay provides the technical solution, applying its expertise in processing transactions by mobile phone. So Societe Generale, in partnership with Crédit Mutuel du Sénégal, Canal+ Horizons Sénégal and telephone operator Tigo, is fully involved in this first step towards a global roll-out on the African continent of a universal payment system that is accessible to all. ■

CORPORATE SOCIAL RESPONSIBILITY

Updates to the CSR website

Navigate to:
http://csr.socgen.com/Home-page

Societe Generale has updated its Corporate Social Responsibility (CSR) website and its main initiatives of 2009-2010.

- **Challenges and commitments** reflect group management's commitment to this process;

- **Governance and organisation** gives an insight into risk management policy, professional ethics and tax havens;

- **At the heart of our business** outlines policies and initiatives taken for each division: social and environmental evaluation of projects, micro-finance, responsible products, etc.;

- **Social and environmental policy** introduces the approach to human resources, environmental policy and charitable initiatives in the not-for-profit sector.

Excellent employee turn-out for Citizen Commitment Week

Large numbers of Societe Generale employees around the world took part this June in the 3rd annual Citizen Commitment Week. Forty three countries within the Group took part in this action week to benefit charitable organisations partnered by the Group, with some hundred initiatives organised locally enabling employees to take part in charitable actions, fund-raising activities and collections. Overall, more than 26,000 volunteer hours were given by employees, and nearly 350,000 Euros raised in gifts in support of charities. *"Our long term commitment, whether alongside our customers in carrying out our business, or in support of the voluntary sector with our charitable initiatives, is part of our culture"*, said Frédéric Oudéa, Group Chairman and CEO.

2010

http://citizencommitmentweek.com/

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