

SOCIETE GENERALE

Acquisition of 60% of Komerčni Banka

**Investors and analyst conference call,
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GROUP

Speakers for Societe Generale:

Séverin Cabannes, CFO

**Jean-Louis Mattéi, General Manager,
International Retail Banking Division**

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I- Description of the transaction

- Price : EUR 1.18 bn for 60% of Komerčni Banka
- Financed in cash
- Price/Book (estimated at Sept 30th 01, closing date): 2.6x
- Subject to approval of Czech Office of Competition
- EPS relative before GW amortization (20 years) as of 2002
- Impact on Société Générale's Tier 1 : - 0.6 percentage points.

II- Successful implementation of Société Générale's external growth strategy

Acquisitions announced in 2001 in accordance with strategic plan to further deploy capital in retail banking, SFS, and Asset management:

- **SFS** : April 4th 2001 : acquisition of 100% of Deutsche Bank's specialized Finance Subsidiaries GEFA and ALD for EUR 0.98 bn
- **Asset Management** in the US : April 11th : 51% of TCW for EUR 1.02 bn (eq of USD.88 bn)
- **Retail banking** in the Czech republic : June 28th : 60% of Kommerčni Banka for EUR 1.18 bn

Consolidating an already important retail banking presence by Société Générale in Central and Eastern Europe

- **Romania, April 99: USD 200m acquisition of BRD**
Since then, doubling of market share (20% vs 10%) and total number of clients (840,000 individuals, and 80,000 SMEs)
- **Bulgaria, 98 : USD 36m acquisition of ExpressBank**
- **Slovenia , April 01: acquisition of 96% of SKB for EUR140m**

III-Czech economy and banking sector

EU Convergence

Czech Republic has built a track record which will enable it to be among the first entrants into the the EU

- **Fast track candidate for EU entry thanks to :**
 - Economic criteria close to EU convergence levels
 - Recent significant structural reforms (i.e total privatization of banking sector)
 - Return to accelerating positive GDP growth

Growth Potential in the Czech Banking Sector

- Real GDP growth in the Czech Republic is expected to be 4% versus 2.6% in the EU driven by*:
 - ◆ Growing internal demand
 - ◆ Low manufacturing cost
 - ◆ Substantial scope for productivity increases

- The Czech Republic's retail loans to GDP ratio of 4% versus 10.9%, 56.7% and 44.8%, respectively for Greece, Portugal and Spain, provides significant and long-term growth opportunities**

- The compound annual growth rate in Mortgage and Non-Mortgage Sectors in Greece, Portugal and Spain from 1995 to 1999 are as follows

	<u>Non-Mortgage Retail Credit</u>	<u>Mortgages</u>	<u>Total Retail Credit</u>
Greece	32.6%	24.3%	26.6%
Portugal	30.8%	30.0%	30.2%
Spain	15.9%	21.5%	19.2%

* Source: Merrill Lynch and EIU estimates

** (Source: Datamonitor, 1999)

IV Komerčni Banka Profile

- 1 m customers
- 15% market share of individuals deposits (n°2)
- 30% market share of corporate deposits and 19% of corporate loans (n°1)
- 10,000 staff
- 350 branches
- Total balance sheet : EUR 11.8 bn as at year end 2000
- Revenues : EUR 695 m
- Of which commissions : 19%

Komerční Banka - financial statements

Consolidated Financial Statements (IAS) (M EUR)	1999	2000
Assets		
Due from banks	4 465	5 724
Due from customers	5 241	3 683
Securities	832	1 672
Other assets	917	748
Total Assets	11 455	11 827
Liabilities		
Due to banks	1 744	1 208
Due to clients	7 264	8 080
Other debtors	1 042	1 044
Other liabilities, provisions and accruals	858	882
Shareholders' Equity	547	612
Total liabilities	11 455	11 826
Off-balance sheet	1 279	1 846

Consolidated Financial Statements (IAS) (M EUR)	1999	2000
Interest income	960	865
Interest charges	- 616	- 489
Net interest income	344	376
Net commission income	128	129
Net income from financial transactions	74	74
Other net operating income	93	116
Net Banking Income	639	695
Operating expenses	- 341	- 356
Amortisation and provisions	- 80	-96
Restructuring charge		-24
Other	3	26
Gross operating income	222	245
Provisions for doubtful debts	- 488	-248
Operating income before tax	-266	-3
Income tax	-2	-3
Net income	- 268	- 6

Detailed Analysis of KB's Loan Book

- **Société Générale has conducted a thorough Examination of the loan book**
- **Our extensive due diligence shows that current management has dealt with low credit quality loans in a pro-active and satisfactory manner**
- **2 defeasance programs implemented in 1999 and 2000**
- **Czech State guarantee of up to CZK 20 bn for lowest quality portion of book**
- **Areas for continuing improvement include:**
 - Credit process - scoring and granting of loans
 - Risk management and Loss recognition
 - Recovery process

V- Unlocking KB's Value : Scope for Additional Cost Efficiency

- **Target Cost to Income Ratio in the Low 50%,**
- **Improvements already under way :**
 - Headcount has been reduced by 22%, equating to CZK1 bn/yr in recurrent savings
 - Top 250 managers have variable compensation linked to performance
 - More efficient use of office space
 - Back-office rationalised to achieve cost-efficiency
- **Planned improvements**
 - Enhanced purchasing conditions
 - Further head count reduction
 - 20 high level SG's expatriates to support local management and transfer know- how

Unlocking KB's Value (cont'd)

- **Société Générale will be able to significantly enhance KB's corporate business as a result of our:**
 - Global network of relationships with large Multinationals
 - Knowledge of how to service SME clientele
 - Leverage of leading European position in debt-finance businesses
 - Synergies with our strong European positions in Business finance (after acquisition of DB's SFS)

Unlocking KB's Value (cont'd)

Société Générale plans to bolster KB retail banking business through:

- **Enhanced marketing and distribution of retail products**
 - Strong potential to increase cross-sell: only 1.4 products per customer for KB
- **Mortgage Lending / Consumer Finance**
 - Implement state-of-the-art scoring process to support KB's consumer credit activity
 - Consolidate KB's #1 position in growing mortgage business
- **Insurance**
 - Transfer of best practices from Société Générale's life insurance operations
- **Electronic banking**
 - Improve KB's call centre through automation, training and customer segmentation

Unlocking KB's Value (cont'd)

- Synergies arising from combination of KB and Société Générale Czech operations
- Better management of ALM business
- Savings in funding cost resulting from better credit rating for KB
- Cross-selling of existing Société Générale's asset management funds to KB's existing and future customer base

Conclusion

- A move in-line with strategic guidelines
- Important upside potential to be unlocked resulting from:
 - political and macro-economic trends
 - transfer of retail banking know-how
- Mid term objectives : C/I in the low 50's, net ROE > 30%