

# Contents

## **The Société Générale Group**

- 1 Profile
- 2 Message from Daniel Bouton, Chairman and CEO
- 4 Key Figures
- 6 The Société Générale share
- 9 Corporate Governance
- 12 Board of Directors
- 15 Group Management
- 16 Remuneration of Senior Management
- 17 Resources and Human Relations
- 18 The Société Générale Group in the world

## **The Group's business lines**

- 20 Retail Banking
- 30 Asset Management and Private Banking
- 36 Corporate and Investment Banking

## **Consolidated financial statements**

- 46 Management report
- 60 Risk management
- 70 Regulatory ratios
- 73 Consolidated financial statements

## **Parent company financial statements**

- 107 Management report of Société Générale
- 109 Parent company financial statements
- 120 Information on common stock
- 124 Major changes in the investment portfolio in 1999
- 125 Activities of principal subsidiaries and affiliates

## **Legal information**

- 138 Reports and resolutions submitted to the General Meeting
- 151 Capital increase reserved for employees
- 154 Additional information

- 159 Cross reference index and "COB" registration number

- 161 Consultative Committee

- 163 Your contacts

*The English version of the 1999 Annual Report of Société Générale is a full translation of the original French Document de Référence. Also published in French, is a special report on human resources for the year 1999, as required by law 77-769 of July 12, 1977.*



## THE SOCIÉTÉ GÉNÉRALE GROUP

### Profile

**5** million customers in France

**1.8** million customers  
outside mainland France

**2,600** branches in France

**500** offices in 75 countries

**64,600** employees  
*including more than 19,000 outside France*

**16<sup>th</sup>** largest stockmarket capitalization  
on the Paris Bourse  
*(ParisBourse SA, January 31, 2000)*

Société Générale is a solid, top-tier European banking Group. Its activities are organized into three business lines:

- Retail Banking,
- Asset Management and Private Banking,
- Corporate and Investment Banking.

The Group's strategy:

- to develop the activities with the most recurrent profitability within the Retail Banking and Asset Management and Private Banking business lines, in order to guarantee steady earnings growth;
- to increase the profitability of Corporate and Investment Banking activities;
- to seize the opportunities offered by the emergence of a single European market through strategic alliances with European banks sharing the same vision of the banking industry.

#### Ratings at March 1, 2000

AA- (Standard & Poor's)  
Aa3 (Moody's)  
AA (IBCA)



## Message from Daniel Bouton

**Daniel Bouton**  
Chairman and Chief Executive Officer

The excellent profitability of the Société Générale Group in 1999 confirms the success of the targeted growth strategy it has implemented over the past few years.

Performances were strong in terms of both net income, which rose by 85% to nearly EUR 2 billion, and ROE, which exceeded 19%. More importantly, the recurrent profitability of the business lines, before capital gains, stood at 17.4%. These performances form part of the selective growth strategy followed by all business lines: ROE of Retail Banking exceeded 16%, while that of Investment Banking stood at 15.5% and Asset Management and Private Banking accounted for nearly 2 points of Group ROE.

In view of these results, the Group has proposed a net dividend payment of EUR 6.20 per share (EUR 9.30 per share with a tax credit of 50%), a 65% increase in relation to the previous year.

Société Générale now figures in the top tier of the most profitable banks in Europe due to its adapted growth strategy and the remarkable commitment of its teams in what was a particularly eventful year.

The strength of this success is the result of thorough action taken over several years, which was continued throughout 1999.

• **Expanding the franchise** through organic growth and acquisitions.

In Retail Banking, the customer base is growing rapidly, with more than 5 million customers in the domestic network. The Group now has 1.8 million customers outside France after the acquisitions made in Eastern Europe, Madagascar and New Caledonia.

*Bolstered by its strengths, the confidence of its shareholders and the many projects being developed, the Société Générale Group is determined to continue creating shareholder value.*

With assets under management up 25% in one year, the Asset Management business pursued its policy of combining the development of innovative new products with a dynamic sales drive. SGAM UK, created in early 1998, was the market leader in terms of new money from UK pension funds, and now has EUR 5.6 billion of assets under management. SG Russell continued its remarkable development in the multi-manager fund area, with EUR 1.8 billion of assets under management.

Underpinned by its position among the global leaders in activities including equity derivatives, convertible bonds and structured finance, and boosted by its capacity to innovate, the Corporate and Investment Banking business line is a leader in Europe, and has a selective presence in the United States and Japan. The business line is capable of providing creative and comprehensive solutions to its customers' increasingly complex requirements.

• **Tight control of costs.** Group-wide measures previously announced such as rationalizing the Group's purchasing policy, reorganizing back offices in Corporate Banking in Europe, integrating Sogénal into the Société Générale retail banking network and creating a cash management processing center will improve the cost-to-income ratio by more than 2 points by 2002.

• **Reallocating capital** towards the retail banking and asset management and private banking businesses at the expense of activities offering inadequate profitability.

These efforts will be continued, boosted by a new reactive sales structure and enhanced as greater autonomy is granted to the divisions, reducing head office structures.

In the future, in anticipation of the major changes which will result from the single euro market and the Internet, two new growth drivers have been put into place.

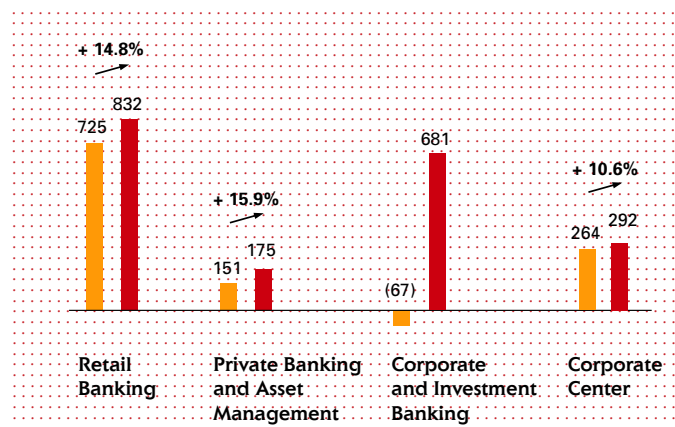
• **European partnerships.** This is an adapted and pragmatic response to the implications of the euro and the internationalization of customer requirements. The strategic alliance between SG and BSCH increases potential economies of scale, provides access to a broader customer base and greater financial resources for joint investments, and improves the distribution of risk.

• **"e-Société Générale".** With 120,000 e-customers and 1.3 million connections on 58 websites online in February 2000, the Internet is already a core feature of Société Générale's offer. In Retail Banking, two of the Group's products figure among the leaders on their markets: Logitel Net in e-banking and Fimatex in e-brokerage. Société Générale is also a key Internet partner for self-employed professionals and SMEs with its business to consumer offer, Sogenactif. Moreover, the Group's corporate and institutional customers have access to an increasing number of online services including cash management, securities issues, warrants and forex. The Group's US investment banking subsidiary, SG Cowen, ranks among the top ten in terms of Internet research in the United States.

In 1999, Société Générale learnt a lot and made progress across the board, including in the financial information given to shareholders. The share price rose by 67% over the year, outperforming the Euro Stoxx Bank index by 47% and the CAC 40 by 16%, confirming the validity of the Group's strategy.

Bolstered by its strengths, the confidence of its shareholders and the many projects being developed, the Société Générale Group is determined to continue creating shareholder value.

1999 was an excellent year for Société Générale. The Group's ROE stood at 19%, well above the 15 % target initially fixed for 2000. All business lines contributed to growth in earnings and profitability, and the ROE of the business lines more than doubled against 1998, at 17.4%.



**Growth in net income across all business lines**  
in EUR million

● 1998: 1.073  
● 1999: 1.980

## GROUP

	1999	1998	1997	1996	1995
<i>consolidated figures</i>					
<b>RESULTS (EUR million)</b>					
Net banking income	11,091	9,238	8,243	6,565	6,009
Gross operating income	3,080	2,449	2,178	1,759	1,556
Net income before minority interests	2,072*	1,028*	965	737	622
Net income	1,980*	1,073*	933	693	582
Retail Banking <sup>(1)</sup>	832	725	576	-	-
Asset Management and Private Banking <sup>(1)</sup>	175	151	114	-	-
Corporate and Investment Banking <sup>(1)</sup>	681	(67)	105	-	-
Corporate Center and others <sup>(1)</sup>	292*	264*	137	-	-
Net earnings per share (in euros)	19.69*	10.73*	9.67	7.94	7.06
<b>ACTIVITY (EUR billion)</b>					
Total assets	406.5	383.5	374.9	271.1	243.9
Customer loans	132.3	126.1	122.0	103.2	100.6
Customer deposits	117.4	103.4	93.9	74.8	69.6
Assets under management	184.0	150.1	103.1	75.0	53.9
<b>EQUITY (EUR billion)</b>					
Consolidated shareholders' equity	11.9	10.2*	9.7	8.5	7.8
Total equity <sup>(2)</sup>	14.2	11.8*	11.5	9.5	8.6
<b>EMPLOYEES</b>					
	64,660	58,600	55,465	45,941	43,374

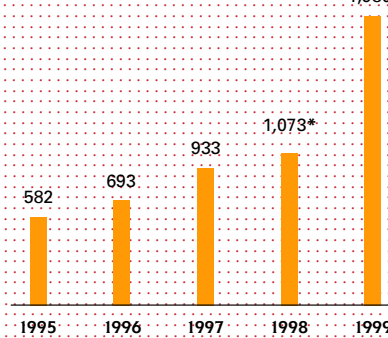
\*Excluding impact of SG Paribas operation.

(1) 1997 and 1998 figures restated due to changes in Group structure.

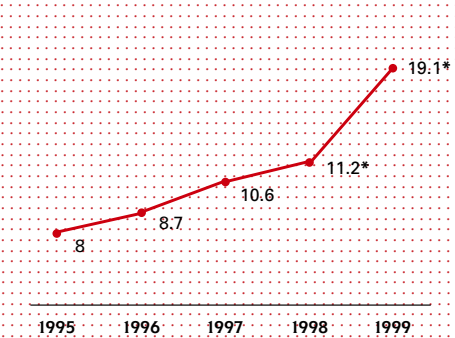
(2) Shareholders' equity, minority interests, fund for general banking risks and preferred shares.

## Continued rise in profitability

**Net Income**  
in EUR million

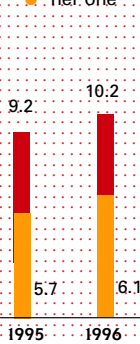


**ROE**  
in %

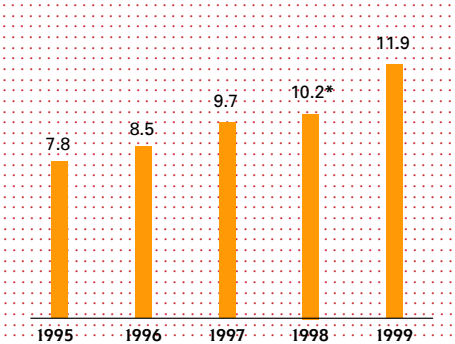


## Strengthened capital base

**B.I.S. Ratio**  
in %



**Consolidated equity**  
in EUR billion



\*Excluding impact of SG Paribas operation.

## RATIOS

	1999	1998	1997	1996	1995
<b>SOLVENCY RATIOS</b>					
Risk-weighted assets (RWA) (EUR billion)	160.3	161.5	163.4	140.9	138.1
B.I.S. ratio (%)	11.94	11.14*	11.11	10.22	9.23
of which Tier-1 (%)	7.61	6.54*	6.51	6.08	5.67
<b>FINANCIAL RATIOS (%)</b>					
Return on equity (ROE) <sup>(1)</sup>	19.14*	11.20*	10.60	8.74	7.96
Return on weighted assets (ROWA) <sup>(2)</sup>	1.23*	0.66*	0.61	0.50	0.43
Business line ROE <sup>(3)</sup>	17.41*	8.36*	-	-	-

\* Excluding impact of SG Paribas operation.

(1) Net income/Average shareholders' equity after appropriation of net income.

(2) Net income/Average RWA.

(3) ROE before recognition of income from long-term investments booked by the Corporate Center.

## STOCK EXCHANGE LISTING

Société Générale's shares are listed on the Paris Bourse (monthly settlement market, continuous trading group A, share code 13080). They are traded in the United States under an American Depositary Receipt (ADR) program. Société Générale is also a component stock of the CAC 40, Eurostoxx 50 and MSCI Europe indices.

Société Générale's shares have also been listed on the Tokyo stock exchange since February 15, 2000.

The closing price at December 30, 1999 was EUR 231, up 67% on the closing price of EUR 138 at end-December 1998. Société Générale outperformed the CAC 40 index, which rose by 51% over the same period.

Société Générale's shares opened 1999 at EUR 150, with the effects of the financial crisis of Autumn 1998 continuing to be felt.

The 1999 financial year was marked by several public share exchange offers, which were reflected in sharp movements in the share price and trading volumes.

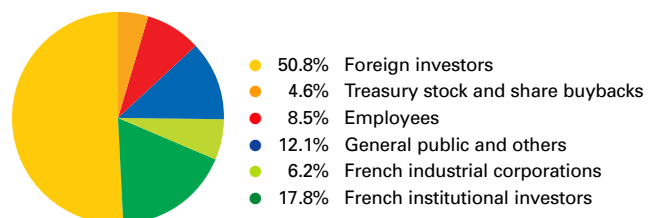
On February 1, 1999, Société Générale made a public share exchange offer for Paribas shares. On March 9, 1999, BNP launched a double public share exchange offer for both Société Générale and Paribas shares. Société Générale improved its offer for Paribas shares on June 14, while BNP raised its two offers on July 1st.

At the end of the offer period, 38,624,440 Société Générale shares had been tendered to BNP, representing 37% of Société Générale's capital. On August 28, 1999, the French Credit Institutions Committee (Comité des établissements de crédit et des entreprises d'investissement) refused to authorize BNP to acquire the shares tendered to it.

Following the failure of the offer for Société Générale's shares, the share price continued to rise steadily, closing at EUR 231 on December 30, 1999, up by 67% over the full year.

## CAPITAL AT DECEMBER 31, 1999

Details of major shareholders are given on page 120.



At December 30, 1999, Société Générale's shares were valued on the basis of a net asset multiple of 1.95 (EUR 118.40) and a restated price-to-book ratio of 1.65 (EUR 139.70).

At December 30, 1999, the bank's stockmarket capitalization stood at EUR 24 billion, which ranked it sixteenth on the Paris Bourse.

As in the past, Société Générale's shares were highly liquid, with an average daily trading volume of 356,000 shares. Société Générale's shares are the tenth most actively traded on the Paris Bourse (source: SBF – Bourse de Paris Bulletin – December 1999).

## COMMON STOCK

Société Générale's common stock increased by 2.1% in 1999 through the issue of 2.1 million new shares. This was a smaller increase than in previous years (3.5 million new shares issued in 1998, +3.5%, and 7 million shares issued in 1997, +7.7%).

The share issues in 1999 break down as follows:

- shares reserved for employees as part of the Company Savings Scheme: 1,697,190 shares issued in June 1999;
- shares issued following the exercise of stock options: 450,283 new shares created.

## SHAREHOLDERS

Changes in Société Générale's shareholder base in 1999 confirmed the trends seen in 1998:

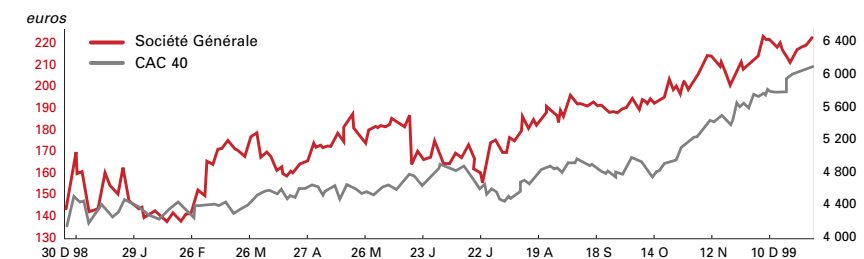
- Foreign investors increased their shareholdings from 48.1% to 50.8% of total capital.
- The proportion of shares held by French institutional investors and industrial corporations decreased between 1998 and 1999, from 8.4% to 6.2% and from 19.2% to 17.8% respectively.
- Employees hold 8.5% of capital, while individual shareholdings account for 12.1%.

## SHAREHOLDERS

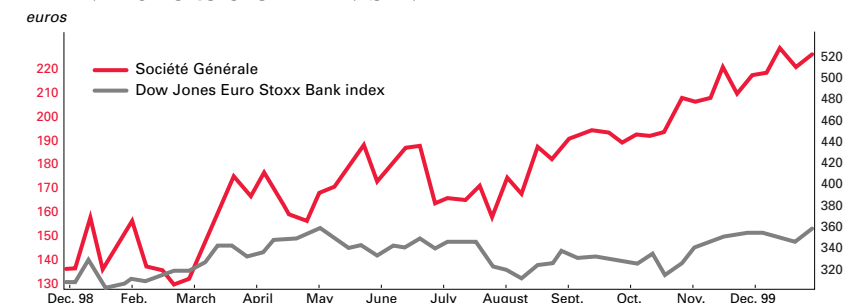
at December 31

(%)	1999	1998	1997
Treasury stock and share buybacks	4.6	2.2	2.4
Employees	8.5	8.2	7.4
General public and others	12.1	13.9	13.5
French industrial corporations	6.2	8.4	10.1
French institutional investors	17.8	19.2	20.6
Foreign investors	50.8	48.1	46.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

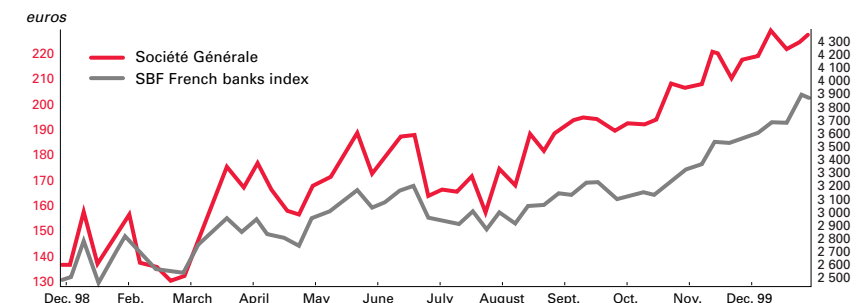
## SHARE PERFORMANCE AND CAC 40 INDEX



## SHARE PERFORMANCE AND DJ EURO STOXX BANKS INDEX



## SHARE PERFORMANCE AND SFB FRENCH BANKS INDEX



Source: Reuters

## STOCKMARKET DATA

	Dec. 31, 1999	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1995
<i>consolidated figures</i>					
<b>COMMON STOCK</b> (number of shares outstanding) <sup>(1)</sup>	104,330,621	102,183,148	98,681,749	91,650,327	87,428,520
Market capitalization (EUR billion)	24.10	14.1	12.34	7.84	8.06
<b>EARNINGS AND DIVIDENDS</b>					
Earnings per share (EUR)	19.69*	10.73*	9.67	7.94	7.06
Dividend per share (EUR) <sup>(2)</sup>					
Gross dividend	9.30	5.63	4.80	4.00	3.66
Net dividend	6.20	3.75	3.20	2.67	2.44
<b>PAYOUT RATIO</b>					
Total dividends/Net income (%)	32.7	35.7	33.9	35.3	36.7
<b>BOOK VALUE PER SHARE</b>					
At year-end (EUR)	118.4	101.7*	100.3	97.4	94.8
<b>NET ASSET VALUE PER SHARE</b>					
At year-end (EUR)	139.7	124.6*	115.4	107.5	102
<b>SHARE PRICE (EUR)</b>					
High	234	229	142	95	95
Low	130	81	81	80	71
Close	231	138	125	86	92
<b>CAC 40 INDEX</b>	5,958.3	3,942.7	2,998.9	2,315.7	1,872
<b>GROSS YIELD (%) <sup>(3)</sup></b>	4.0	4.1	3.8	4.7	4.0

\* Excluding impact of SG Paribas operation  
(1) Nominal value: EUR 5 per share

(2) Dividend paid out of income for the year and paid to shareholders during the following year.  
(3) Gross dividend/closing price at end-December (%).

## PUBLICATIONS

- May 2000: Abridged Annual Report
- September 2000: Interim Report
- November 2000: Nine Month Results

## SOCIÉTÉ GÉNÉRALE AND ITS SHAREHOLDERS

### Individual shareholder Relations

Tel.: 33 (0) 1 42 14 38 28  
E-mail: jean.canesi@socgen.com  
Internet: www.socgen.com

### Institutional Investor Relations

Tel.: 33 (0) 1 42 14 47 72  
Fax: 33 (0) 1 42 13 00 22  
E-mail: investor.relations@socgen.com  
Internet: www.ir.socgen.com

## AGENDA

- April 18, 2000: Shareholders General Meeting
- April 25, 2000: Payment of 1999 dividend
- May 18, 2000: Group results for the three months ended March 31, 2000
- August 2, 2000: Group results for the 6 months ended June 30, 2000

## STOCK OPTIONS

In September 1999, following a proposal made by the Compensation Committee, the Board of Directors granted stock purchase options. Previous stock options granted have concerned stock subscription options. As with stock option granted previously, excluding the extraordinary options granted in June 1996, which involved only a limited number of staff (exclusively market traders), three categories of beneficiary were identified:

- The first concerns executives having made a significant contribution to Group results, due to the nature of their responsibilities.
- The second relates to executives with strong potential, whose skills are highly sought after on the labor market.
- The third category are those executives whose exceptional contributions were extremely useful to the company during the previous financial year.

Through the granting of these new stock options, with 714 beneficiaries, compared with 541 for the preceding allocation, the Board of Directors wished to increase the number of staff benefiting from such stock options, particularly those in the second and third categories.

As in 1998, the exercise price included no discount in 1999.

As with previous allocations:

- These options are granted for a period of seven years,
- Generally, except in the event of retirement, these options can only be exercised if the contract or mandate of the beneficiary is still valid.

The table below summarizes the options granted and exercised during each financial year. In addition, it also details the options granted to members of the Management Committee in office at the time of their allocation. In 1999, this concerned the Executive Committee referred to in the section on the remuneration of Senior Management (see pages 15 and 16).

## SOCIÉTÉ GÉNÉRALE STOCK OPTIONS

at Dec. 31, 1999

with details of options granted to Group Senior Management in office at the time of their attribution

Date granted	Strike price*	OPTIONS GRANTED		OPTIONS EXERCISED									
		Number of beneficiaries	Number of options	1992	1993	1994	1995	1996	1997	1998	1999	TOTAL	
22.07.1992	390.00 francs <sup>(1)</sup>	200	304,050	2,550	29,915	9,780	17,035	18,800	174,583	28,317	21,620	302,600	
		of which management	22	95,800	2,550	-	2,450	5,700	3,300	68,150	6,650	7,000	95,800
16.02.1994	593.00 francs <sup>(1)</sup>	231	302,350	-	-	-	-	-	17,677	63,695	201,798	283,170	
		of which management	25	85,150	-	-	-	-	-	2,000	19,300	63,850	85,150
15.03.1995	401.10 francs <sup>(1)</sup>	249	438,800	-	-	-	17,625	6,575	17,625	46,725	154,210	242,760	
		of which management	24	124,075	-	-	-	15,125	-	4,250	9,025	39,875	68,275
19.06.1996	447.20 francs <sup>(1)</sup>	7	320,000	-	-	-	-	-	-	-	68,000	68,000	
		of which management	-	-	-	-	-	-	-	-	-	-	-
25.06.1997	497 francs <sup>(2)</sup>	334	422,690	-	-	-	-	-	-	-	7,150	4,655	11,805
		of which management	27	148,500	-	-	-	-	-	-	-	4,000	4,000
24.06.1998	1,190 francs <sup>(2)</sup>	541	488,300	-	-	-	-	-	-	-	-	-	
		of which management	25	112,800	-	-	-	-	-	-	-	-	-
08.09.1999	194 euros <sup>(3)</sup>	714	875,600	-	-	-	-	-	-	-	-	-	
		of which management	9	125,500	-	-	-	-	-	-	-	-	-
			3,151,790	2,550	29,915	9,780	34,660	25,375	209,885	145,887	450,283	908,335	
			of which management	691,825	2,550	-	2,450	20,825	3,300	74,400	38,975	114,725	257,225

N.B. Between 1992 and 1998, the allocations made were in the form of stock subscription options. In 1999, they were stock purchase options. Stock options dating from 22.07.1992 expired on 21.07.1999.

\* The strike price represents the average opening market price of the Société Générale share during the twenty trading days preceding the Board of Directors meeting at which it was decided to grant the options, with a 20% discount for grants made between 1992 and 1997.

(1) Options exercisable as from three years after the date of grant (except for beneficiaries over 59 years and 8 months).

(2) Options exercisable as from five years after the date of grant (except for beneficiaries over 59 years and 8 months).

(3) Options exercisable as from three years after the date of grant with no option to sell the shares before 8.9.2004 (except for beneficiaries over 59 years and 8 months).

## INFORMATION ON CORPORATE GOVERNANCE

Following a recommendation included in the report issued in July 1995 by the National Council of French Employers (CNPFE) and the French Association of Private Businesses (AFEP), Société Générale set up three Committees in September 1995 (the Audit Committee, the Compensation Committee and the Nomination Committee). At the same time, it approved the Directors' Charter, which provides recommendations on corporate governance and identifies all the rights and duties of directors.

In January 2000, the Board examined the recommendations made in a second CNPFE-AFEP report on corporate governance published in July 1999, and reviewed its composition, its organization and its methods of operation in February 2000. The Board adopted internal rules and modified the Directors' Charter in line with the conclusions of this review.

Almost all the recommendations laid down in the 1995 and 1999 reports are complied with.

## BOARD OF DIRECTORS

### COMPOSITION

One-third of directors are independent members (6 of 17 members).

Directors' mandates are staggered to ensure that one-third of the directors appointed by the General Meeting of Shareholders have their mandates renewed every two years (the mandates of directors representing employees are renewed by election every three years).

Under the 14th resolution submitted for approval by shareholders at the next Joint Shareholders' Meeting, it is proposed that the statutory duration of mandates – currently 6 years – be reduced to 4 years, as recommended in the 1999 report, without this having an effect on current mandates. Alongside this reduction in mandates to 4 years, a new schedule for renewals will be applied to directors appointed by the Meeting, to ensure that around a quarter of mandates are renewed every year.

The recommendation that executive directors should not accept appointments to the Boards of more than five listed companies outside their Group is respected in all cases.

There are currently no cross-shareholdings combined with mandates, where this refers exclusively to cross-shareholdings of the companies themselves, or their senior officers. In a broader sense, three such cases arise, with Alcatel, CGU and Pernod Ricard.

### OPERATION

During 1999, the Board exceptionally met fourteen times (compared with six times in 1998). The meetings lasted on average 2 hours and 30 minutes.

At least five meetings are scheduled each year. The first meeting reviews the budget, and subsequent meetings examine the annual, interim and quarterly financial statements.

The number of meetings held and the preparation of quarterly financial statements submitted to the Board since 1999 ensure the Board is kept regularly informed of the Group's activities.

Under the By-laws, the Board is convened by the Chairman, or at the request of at least half of Board members, or at the request of a third of Board members if the Board has not met for more than two months. A proposal to modify the By-laws to remove the latter restriction when a request is submitted by a third of Board members will be submitted for approval by the next Joint Shareholders' Meeting.

## SCOPE

The Board's internal rules stipulate that it must regularly examine the Group's strategy and deliberate on the Group's management structure and transactions – in particular acquisitions – that are liable to have a significant impact on Société Générale's consolidated net income or on the structure of its consolidated balance sheet.

In 1999, the Board approved the planned integration of Société Générale and Paribas (and subsequently Société Générale's revised offer to Paribas shareholders). It also pronounced on BNP's hostile public share exchange offers made in March and July 1999.

The Board submitted proposals to the General Meeting of Shareholders on June 4, 1999 for the coopting, renewal or appointment of seven directors (five of these appointments were dependent on the success of SG Paribas project). In November, the Board coopted a further member following the resignation of a director.

Directors were led to deliberate on the financial plan (1999-2001) of the Société Générale Group following the outcome of the public share exchange offers, as well as on the program to buy back – and cancel – shares in the amount of EUR 2 billion by the end of 2001.

Directors were also called upon to deliberate on Société Générale's partnership strategy implemented from the fourth quarter of 1999, as well as on different significant acquisition, sale or partnership operations.

Where appropriate, the Board's opinion on transactions concerning the Group's shares (public share exchange offers, share buy-back programs, etc.) is published in press releases issued following its meetings.

## DIRECTORS

The Group's directors hold a large number of shares personally: although the statutory minimum is 50 shares, the Directors' Charter recommends that each director holds at least 150 Group shares. More than 80% of directors comply with this recommendation.

The presence of directors at Board Meetings is shown by the Board attendance rate, which stood at 86% in 1999 (compared with 89% in 1998 and 81% in 1997).

In line with internal regulations, half of directors' attendance fees paid is in proportion to attendance at Board meetings.

The Directors' Charter recommends that directors of Société Générale abstain from carrying out transactions on securities of companies for which they have access to information not yet made public.

## COMMITTEES

### NOMINATION COMMITTEE

The Nomination Committee is composed of the Chairman of the Board and the three members of the Compensation Committee. It makes proposals to the Board for the appointment of new Board members and for the replacement of CEOs, especially in the case of an unexpected vacancy. In January, April and November 1999, the Nomination Committee reviewed the proposed coopting, renewal and appointment of directors (see above).

### COMPENSATION COMMITTEE

Composed of Messrs Seillière, Dejouany and Faurre, the Compensation Committee is responsible for making proposals to the Board for the remuneration of senior officers and for the granting of stock purchase or subscription options. In September 1999, the Compensation Committee proposed to the Board a stock purchase plan (see page 8).

## AUDIT COMMITTEE

The Committee is composed of three directors, Messrs Calvet, Cannac and Wyand, two of whom are independent members. The Committee is chaired by Mr Calvet and is responsible for:

- reviewing the draft financial statements before they are submitted to the Board, notably the main decisions taken at the closing of the accounts, and ensuring the relevance and consistency of the accounting principles and methods applied;
- reviewing the choice of the methods used for consolidation purposes;
- reviewing the consistency of procedures which ensure proper internal control of operations, control of risk and compliance with corporate ethical policy;
- formulating an opinion on the appointment or renewal of the Statutory Auditors;
- ensuring that the statutory auditors remain independent taking particularly into account the share of their total fees represented by those paid to them by the Group and the importance of the tasks of assistance and advisory entrusted to them by the Group compared to their statutory audit tasks;
- examining the work programs of the internal and external auditors.

The Audit Committee may have discussions, without the presence of the CEOs, with the Statutory Auditors or with the persons responsible for preparing the financial statements, for risk control or for ethical compliance. The Committee reports to the Board on its work.

Members of the Audit Committee receive the same attendance fees as for their participation in Board Meetings.

The Committee met five times in 1999, and reviewed the draft annual, interim and quarterly consolidated financial statements submitted to the Board, reports on preparations for Y2K, risk assessment and monitoring procedures (under Articles 42 and 43 of Regulation 97-02 of the French Banking Regulation Committee relating to internal controls), the report on internal control and the draft call for tender for Statutory Auditors in November 1999.

## SHAREHOLDER INFORMATION

Information for shareholders as recommended by the Viénot reports of 1995 and 1999 is included in the Annual Report:









- the examination by the Board of its composition, organization, its methods of operation, the identification of independent members, and the number of Board and Committee meetings (see pages 9 to 13);
- information on directors (date of beginning and end of mandate, age, main function) is included in the Annual Report (with the exception, to date, of the number of shares held) (see the table on the following page);
- the chapter on the remuneration of senior managers details the policy followed and indicates the total amount received by senior managers, as well as details on attendance fees (authorization, payment, allocation and collection rules) (page 16);
- regarding stock options, the Annual Report also gives details on the type of the options granted, the criteria for defining beneficiaries as well as the different characteristics of the schemes (date, discount, deferrals, etc.) (page 8).

A summary of this information identifying stock options granted to Senior Management is given on page 8.










Société Générale respects the recommended schedule for the publication of full-year results (before the end of February), interim results (late July/early August) and quarterly results (within 45 days of the end of the quarter).

## Corporate Governance: general legal and financial information

### BOARD OF DIRECTORS

	Age	Year of first appointment and year in which current mandate will expire	Key position	Principal directorships of listed companies outside the Director's Group
	50	1997-2003	Chairman and Chief Executive Officer of Société Générale	<i>Director:</i> Canal +, Schneider Electric SA, Total Fina Elf SA
	71	1986-2003	Honorary Chairman and Director of Société Générale	<i>Director:</i> Alcatel, Ciments Français, Vivendi <i>Chairman of the Supervisory Board :</i> Aventis
	69	1986-2001	Chairman of Sogébaïl	<i>Director:</i> De Dietrich & C <sup>ie</sup>
	58	1999-2005	Chairman and Chief Executive Officer of Alstom SA	<i>Director:</i> Total Fina Elf SA*
	56	1987-2003	Chairman and Chief Executive Officer of CGU Participations	<i>Director:</i> Unicredito Italiano Spa
	68	1989-2001	Corporate Director	<i>Vice-Chairman of supervisory Board:</i> Galeries Lafayette <i>Member of supervisory Board :</i> Groupe André, Axa, Cottin Frères <i>Director:</i> Société Foncière Lyonnaise
	65	1997-2003	Corporate Director	<i>Director:</i> AGF, Danone
	79	1986-2001	Honorary Chairman and Director of Vivendi	<i>Director:</i> Alcatel, Canal+, Vivendi <i>Permanent representative of Vivendi on the Board of Directors:</i> Société Générale d'Entreprise, UGC <i>Permanent representative of Vivendi on the Supervisory Board:</i> ABN Amro France

\* Appointment proposed at the Joint Shareholders' Meeting of March 22, 2000

	Age	Year of first appointment and year in which current mandate will expire	Key position	Principal directorships of listed companies outside the Director's Group
	58	1994-2001	Chairman and Chief Executive Officer of Sagem	<i>Director:</i> Pernod Ricard, Saint-Gobain, Suez-Lyonnaise des Eaux
	63	1994-2001	Chairman and Chief Executive Officer of AGF	<i>Director:</i> Total Fina Elf SA, Kaufman et Broad  <i>Chairman of the Supervisory Board:</i> Euro Disney Sca
	71	1988-2005	Chairman of Meiji Life Insurance Company	
	53	1994-2005	Chairman and Chief Executive Officer of Pernod-Ricard	<i>Director:</i> Eridania Béghin Say
	62	1986-2005	Chairman and Chief Executive Officer of CGIP	<i>Director:</i> Eridania Béghin Say  <i>Member of Supervisory Board:</i> Hermès International, Peugeot SA
	62	1999-2003	Chairman and Chief Executive Officer of Alcatel	<i>Director:</i> Alstom SA, Thomson CSF, Total Fina Elf SA, Vivendi
	53	1993-2000	Employee in Payment Methods department of the Aix-en-Provence branch	
	50	1997-2000	Employee in the Human Relations unit of the Securities and Stockmarket department in Nantes	
	54	1988-2000	Sector manager (private customers) at the Vincennes branch	

(1) A former Chief Executive Officer of Société Générale (less than three years).

(2) A former Chief Executive Officer of Société Générale (more than three years).

(3) An independent director according to the definition given in the latest report of the committee on corporate governance, having no relation with the company or the Group that may compromise his free choice.

(4) An executive of a company whose Board members include an employee, an officer or a permanent representative of Société Générale.

(5) A director who is personally (or is connected with) a significant shareholder of Société Générale.

(6) Gilles Berthier and Michèle Goossaert will be replaced by Daniel Gourichon (Annemasse branch) and Philippe Pruvost (regional office in Lille) after the General Meeting of April 18, 2000, following the elections held on January 18, 2000.

## INFORMATION CONCERNING SERGE TCHURUK, DIRECTOR TO BE COOPTED SUBJECT TO THE APPROVAL OF THE GENERAL MEETING OF SHAREHOLDERS

### Professional references

**Serge Tchuruk** - 62, Chairman and Chief Executive Officer of Alcatel  
Year of first appointment and year in which mandate will expire: 1999-2003  
Number of Société Générale shares held: 150

- École polytechnique

Serge Tchuruk began his career with Mobil Group before joining Rhône Poulenc Group in 1980 and being appointed Chief Executive Officer in 1983. In 1986, he was appointed Chairman of Orkem until 1990, when he took over as Chairman of Total. He was appointed Chairman and Chief Executive Officer of Alcatel in June 1995.

### Principal directorships of listed companies outside the Director's Group

See above

## GENERAL MANAGEMENT

### Professional references

**Daniel Bouton** - 50, Chairman and Chief Executive Officer  
Year of first appointment and year in which mandate will expire: 1997-2003

- Sciences-Po Paris, ENA, General Inspector of Finances, Chief of Staff to Minister Delegate for the Budget, then Budget Director. Joined Société Générale in 1991 as Senior Executive Vice President, Chairman's office. Chief Executive Officer in 1993. Chairman and Chief Executive Officer since November 1997.

**Patrick Duverger** - 61, Chief Executive Officer (1)  
Year of first appointment and year in which mandate will expire: 1997-2003

- École polytechnique, École nationale des mines.

Held several posts in external and internal departments at the Ministry of Industry, and served on the staffs of various ministers. Joined Société Générale's Finance Division in 1975. From 1987 to 1995, Executive Vice President, then Senior Executive Vice President, Capital Markets. November 1995-November 1997, Chief Executive, International and Finance (Capital Markets, Corporate Finance, International Development). Chief Executive Officer since November 1997.

**Philippe Citerne** - 51, Chief Executive Officer  
Year of first appointment and year in which mandate will expire: 1997-2003

- Diploma of Advanced Studies in Mathematics, École Centrale de Paris.

Held various posts in the Ministry of Finance. Joined Société Générale in 1979. Head of Economic Research 1984, Group Chief Financial Officer 1986, Senior Executive Vice President, Human Relations 1990. Appointed Deputy Chief Executive Officer in 1995, Chief Executive Officer since November 1997.

### Principal directorships of listed companies outside the Société Générale Group

See above

*Director:* Pinault-Printemps-Redoute, Faurecia, Rémy-Cointreau

*Permanent representative of Société Générale on the Board of Directors of:* TF 1

*Permanent representative of Société Générale on the Supervisory Board of:* Accor

*Director:* Unicredito Italiano Spa

## EXECUTIVE COMMITTEE



**Daniel Bouton**  
Chairman  
and Chief Executive Officer



**Philippe Citerne**  
Chief Executive Officer



**Patrick Duverger**  
Chief Executive Officer



**Didier Alix**  
Chief Executive  
Retail Banking



**Xavier Debonneuil**  
Chief Executive  
International and Finance



**Bruno Flichy**  
Chairman, Crédit du Nord



**Philippe Collas**  
Chairman and Chief Executive  
Officer, SG Asset Management



**Alain Py**  
Senior Executive Vice President  
Resources  
and Human Relations



**Hervé Saint-Sauveur**  
Senior Executive Vice President  
Finance  
and Corporate Planning



**Christian Schricke**  
Senior Executive Vice President  
Corporate Secretariat

## GENERAL MANAGEMENT COMMITTEE

**Daniel Bouton, Philippe Citerne, Patrick Duverger,**

**Didier Alix, Philippe Collas, Xavier Debonneuil, Bruno Flichy, Alain Py, Hervé Saint-Sauveur, Christian Schricke**

Yves-Claude Abescat

Jacques Bouhet

Stephen Brisby

Roland Carrière

Alain Closier

Alain Clot

Alain Deloz

Bernard de Talancé

Alexis Juan

Henri Lassalle

Jean-Pierre Lesage

Marc Litzler

Pierre Mathé

Jean-Louis Mattéi

Jean-Pierre Mustier

Jean-Jacques Ogier

Jean-Paul Oudet

Gilbert Pla

René Querret

Patrick Soulard

Jean Stern

Yves Tuloup

Philippe Vigué

## STATUTORY AUDITORS *at December 31, 1999*

**Barbier Frinault & Autres (Arthur Andersen)**, represented by Philippe Peuch-Lestrade.

**KPMG Audit Fiduciaire de France**, represented by Jean-Paul Griziaux and Pascal Brouard.

(1) Mandate terminated by resignation to take effect from April 1, 2000

### POLICY FOR DETERMINING THE REMUNERATION OF SENIOR MANAGERS

The information below applies to the ten Senior Managers who form the Executive Committee (1). The remuneration of the three Chief Executive Officers is set by the Board of Directors, based on a proposal made by the Compensation Committee. This remuneration includes two elements:

- A fixed sum allocated at the time of their appointment;
- A variable amount, determined annually, which is directly linked to company performance and is assessed on the basis of Group net income and net earnings per share.

The remuneration of the Chairman of Crédit du Nord and the Chairman of SGAM is calculated in the same way. The Board of Directors sets the fixed sum and variable amount, based on a proposal made by the Compensation Committee. The variable amount is also directly linked to the company's performance. The remuneration of the other five Senior Managers, set by the Chief Executive Officers, also comprises two parts:

- A fixed sum, determined according to each manager's responsibilities;
  - A variable amount, set at the discretion of the CEOs, which depends on Group results and individual performances over the previous financial year.
- Besides this remuneration, these five Senior Managers also benefit from the general incentive schemes established under the company's collective agreements, like all employees.

Senior Managers have a company car.

(1) In addition to the Chairman and two Chief Executive Officers, the Executive Committee comprises two division Chief Executives, the Chairman of Crédit du Nord, the Chairman of SGAM, the Senior Executive Vice President (Resources and Human Relations), the Senior Executive Vice President (Finance and Corporate Planning), the Senior Executive Vice President and Corporate Secretary (see page 15).

### REMUNERATION PAID IN 1999

In 1999, remuneration of the members of the Executive Committee totaled EUR 5.96 million, which breaks down as follows:

- Fixed amounts: EUR 3.14 million.
- Variable amounts: EUR 2.82 million.

### ATTENDANCE FEES

#### ATTENDANCE FEES PAID TO COMPANY DIRECTORS:

The total amount approved at the General Meeting on June 4, 1999 for the payment of directors' fees was EUR 0.46 million, compared with EUR 0.38 million in 1998 following the increase of the number of meetings of the Board and of the Audit Committee.

The amount paid in attendance fees in February 2000 totaled EUR 0.46 million, compared with EUR 0.38 million in 1998.

The rules for distributing attendance fees amongst Directors are the following:

- Half of total fees are equally shared between all Directors, except that members of the Audit Committee each receive two shares.
- The other half is shared between the Directors, according to the number of Board or Audit Committee meetings they attended during the year.

#### ATTENDANCE FEES PAID TO DIRECTORS WHO FORM THE EXECUTIVE COMMITTEE:

- The attendance fees and other Board-related remunerations paid to the three Chief Executive Officers are deducted from the variable part of their remuneration.
- Other members of the Executive Committee do not receive attendance fees, and any sums received in this respect are paid back to Société Générale.



### PEOPLE

The Group payroll increased from 58,600 to 64,600 employees, essentially due to the acquisitions made in 1999 under the strategy to develop retail banking activities outside France – the subsidiary in Romania alone employs 4,500 people.

In line with the Group's strategy to reallocate capital, asset management activities have been reinforced, while international commercial banking teams have been significantly reduced.

The number of employees in the domestic network remained stable – the 900 new members of staff should offset retirements and enable new activities to be developed.

More than 3,000 employees joined the Group during 1999, including 1,450 in France, nearly double the number of new employees in 1998.

The integration of new recruits was facilitated by the growth in long-term work placements, and the large number of interns from the leading French business schools.

Similarly, vocational training for sales and international trade diploma students led to the recruitment of 200 young people, essentially in the retail network in France.

The Group continued to internationalize its teams, with 700 international senior executives of 25 different nationalities present in nearly 80 countries.

### WORKING ENVIRONMENT

Société Générale continued to control costs relating to its buildings. Over the last three years, while the total surface area used by employees at the bank's head office has increased by 14%, the surface area per employee has fallen by 13%. In 1999 alone, this figure fell by more than 7%.

The Organization department, which operates as an internal consultancy, developed its activities, notably preparing for Y2K, streamlining the organization of capital market back offices in both France and around the world, and integrating recently-acquired subsidiaries.

### Rationalizing the Group's Purchasing Policy

At the end of 1998, the Société Générale Group general management decided to introduce a new structure for reorganizing Group purchasing, which amounts to an annual total of EUR 2.4 billion.

In this respect, a project unit has been set up, reporting directly to the Chairman, to analyze and reorganize each of the fifty-four purchasing categories which fall within its scope.

Significant quantitative results have already been achieved: 65% of expenditure included in the initial scope of the project has now been transferred to the Purchasing Center (26 purchasing categories out of a total of 54). The Group's primary aim in creating this structure is to make savings estimated at 6% of total purchases. The savings will come into effect by the end of 2000.

### France

The Société Générale Group is present in France through a network of 2,600 branches under the banners of Société Générale, Sogéнал and Crédit du Nord.

### Europe

Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Finland, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Monaco, Netherlands, Norway, Poland, Portugal, Republic of Yugoslavia, Romania, Russia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom.

### The Americas

Argentina, Bahamas, Brazil, Canada, Chile, Colombia, Mexico, Panama, Peru, United States, Venezuela, West Indies.

### Asia

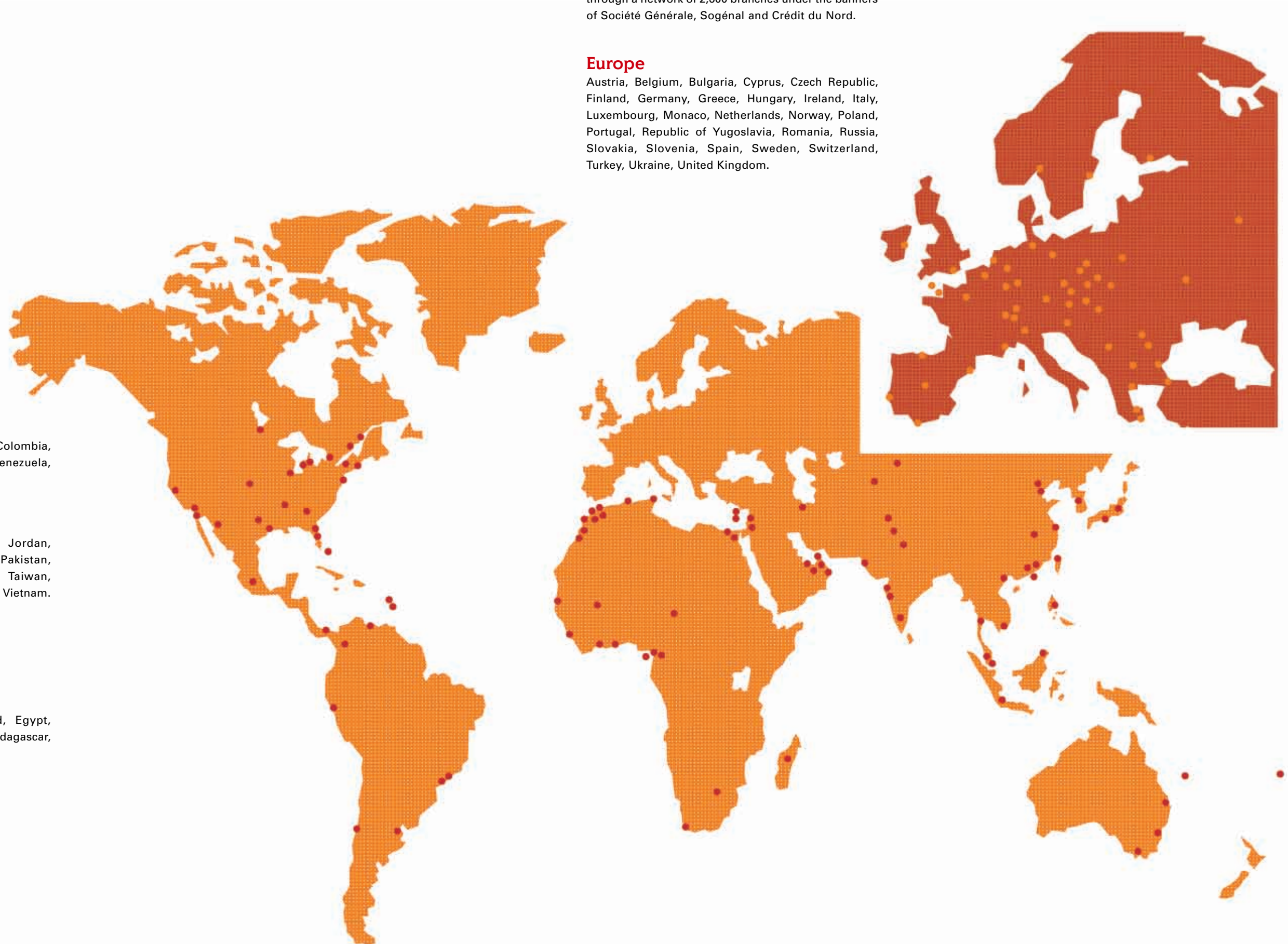
China, India, Indonesia, Iran, Japan, Jordan, Kazakhstan, Lebanon, Malaysia, Oman, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand, United Arab Emirates, Uzbekistan, Vietnam.

### Oceania

Australia, French Polynesia, New Caledonia.

### Africa

Algeria, Burkina Faso, Cameroon, Chad, Egypt, Equatorial Guinea, Guinea, Ivory Coast, Madagascar, Morocco, Senegal, South Africa, Tunisia.

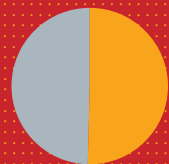


# Retail Banking



## Key Figures in 1999

Contribution to net banking income  
**50.4%**

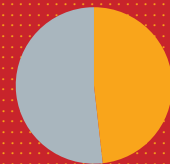


EUR 5.594 m

Change 1999/98  
(adjusted for changes in Group structure)

**+ 3.4%**

Contribution to gross operating income  
**48.2%**

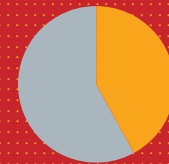


EUR 1.484 m

Change 1999/98  
(adjusted for changes in Group structure)

**+ 6.3%**

Contribution to Group net income  
**42.0%**

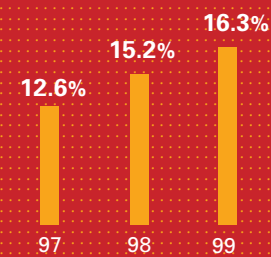


EUR 832 m

Change 1999/98

**+ 14.8%**

## Change in ROE



## Retail Banking ROE in 1999

**16.3%**

## Contribution of different entities in 1999 to the Group net income

- Société Générale and Sogénal 59.8%
- Crédit du Nord 11.9%
- Specialized subsidiaries and banking services 19.8%
- Retail Banking outside France 8.5%

In 1999, net income of the Retail Banking division increased by 14.8%, accounting for 42.0% of total consolidated net income.

This increase in profitability resulted from an active policy of developing the customer base by winning new customers and making acquisitions outside France, notably in Eastern Europe, and from continuing efforts to increase customer loyalty, invest in new distribution channels and new technologies, and systematically look to improve efficiency by separating the production and distribution processes.

## > Target

In view of these strategies, the Société Générale Group has set itself a target to continue to increase the ROE for Retail Banking activities.



## Retail Banking

### SOCIÉTÉ GÉNÉRALE

*The 1999 financial year was marked by strong growth across the board in retail banking activities in France, for both Société Générale and Sogénal as well as the Group's specialized subsidiaries.*

*This was the result of a policy which emphasized winning new customers, innovative sales techniques, quality of service and customer loyalty. It also reflects the bank's active involvement in the economic recovery in France by providing consumer and mortgage loans and by financing the investments of businesses and self-employed professionals.*

- **A further increase in the number of current accounts:** + 2.8%
- **A sharp increase** in deposits (+ 7.2%) and outstanding loans (+ 4.9%, of which + 9.2% for loans to individual customers)
- **Strong growth in the activity** of all specialized subsidiaries
- **Development of new banking services** by telephone and over the Internet.

**A network of 2,000 Société Générale and Sogénal branches in France.**

## Highlights

### INDIVIDUAL CUSTOMERS

• In March, the launch of the **Eurokid** passbook, the first euro-denominated savings passbook for the under-twelves – more than 270,000 accounts opened in nine months.

• After the success of the **Piano** package (over 650,000 subscribers), the **Jazz** package (over 1 million contracts signed)



confirms the success of "packaged" products.

• Société Générale was the first high-street bank in France to offer its customers "one account number for life".

• The Société Générale Group was the leading bank in terms of the total subscribers to all French privatizations in 1999, with the exception of Crédit Lyonnais.

• **Sogécap**, the Group's life insurance subsidiary, won the highest number of awards at the 1999 Insurance Awards ceremony.

• **Sogessur** expanded the range



of comprehensive home insurance products with its "replacement as new" policy, a product still rarely offered by major insurance companies.

• **Logitel Net**, the on-line bank

[www.socgen.com](http://www.socgen.com)  
[www.logitелnet.socgen.com](http://www.logitелnet.socgen.com)  
[www.franfinance.fr](http://www.franfinance.fr)

account and securities portfolio management service was regularly used by more than 66,000 customers in its first year of commercial release (400,000 connections per month).

• A survey carried out by Cosedal Conseil on the quality of **on-line message processing** ranked Société Générale first among the 145 sites surveyed.

### INDIVIDUAL CUSTOMERS

The customer base remained on a similar growth trend as seen in the past five years, with more than 110,000 new accounts being opened in 1999. At the same time, Société Générale developed its range of products aimed at securing customer loyalty, through a unique range of innovative services intended to facilitate the management of banking transactions:

- offering customers "one account number for life", even if the account is transferred to a different branch,
- promoting Jazz, a customer loyalty program offering banking and non-banking services now used by one in four customers,
- developing tools to enable customers to manage their accounts directly, in particular via the Internet.

### SAVINGS

Against a backdrop of interest rate cuts and an upturn in consumption, individual customer deposits nevertheless rose by 6.9%, driven by growth in sight accounts (+10%), passbook savings accounts (+7%) and mortgage savings plans (+8.9%). Sales of life insurance increased by 20% to EUR 3.5 billion, in line with the bancassurance market. Assets under management by the Sogécap Group now amount to nearly EUR 26.4 billion. This performance confirms the success of multi-vehicle contracts which attracted EUR 2.8 billion of new money, or 80% of the total amount collected in 1999.

Investments in mutual funds also increased (EUR 4.3 billion, an increase of 38%), notably through benchmark products such as risk-profiled funds, guaranteed products and FCPs (funds intended to finance innovation). Société Générale is the market leader in this area, with 33% of the total outstanding at year-end 1999.

### FINANCE

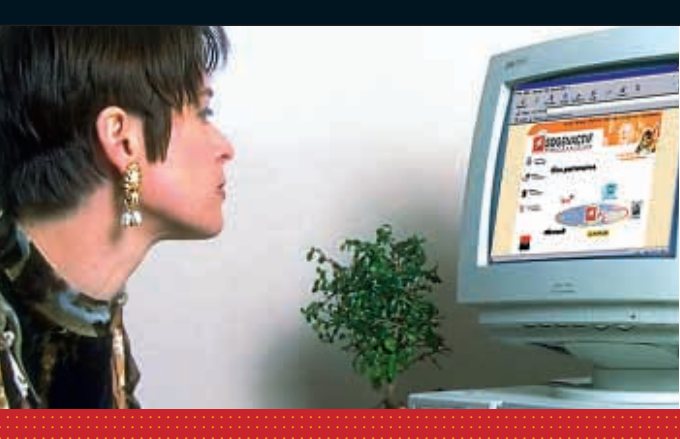
The strategy of streamlining relations between the network and specialized subsidiaries through partnerships proved its success in the individual customer loan segment.

The sale of consumer loans via the network's branches rose by 7% in 1999. Loans granted by subsidiaries of Franfinance – which operates through sales representatives and was certified ISO 9002 – compliant in 1998 – and by CGI – specialized in finance for motor vehicles and pleasure boats – increased by 9% and 23% respectively.

Mortgage loans activity registered even stronger growth (+36%), with record production levels (EUR 6.4 billion), on the back of a bullish real estate market.

### SERVICES

More than 100,000 motor vehicle and property insurance contracts were signed in 1999, the first year in which these products were sold across the whole of the network, confirming the good reception given to the product offer of the Group's specialized subsidiary Sogessur by customers.



## Highlights

### BUSINESSES AND SELF-EMPLOYED PROFESSIONALS

• Moody's awarded Société Générale a MQ2 rating (the second highest rating) for its **custody services** (custody, settlement and monitoring). Société Générale was the first financial institution in the world to receive this rating.

• Since last Spring, Société Générale has been adhering to a **SME Quality Charter** (Charte Qualité PME), which stipulates the quality of service SMEs can expect from the bank.

• **Sogenactif**, the first full range of B-to-C **e-commerce services**, was launched in June,



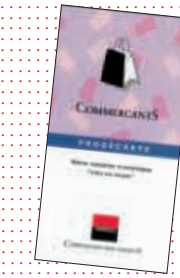
followed by the **purchasing service**, the first application of developments in B-to-B e-commerce solutions.

[www.sogenactif.com](http://www.sogenactif.com)

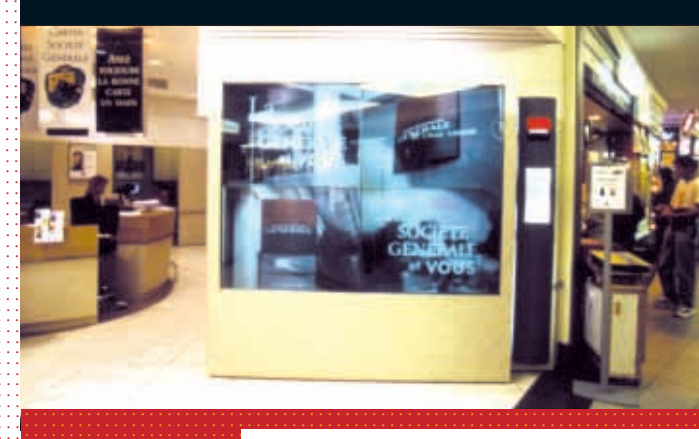
• The partnership set up between the retail banking network and Franfinance for consumer loans and equipment loans to professional customers was extended to equipment lease finance in 1999 with the creation of **Sogelease France**, which applies an industrial process to assessing risk and providing the financing arrangements marketed by the network.

• **CGA**, the Group's factoring subsidiary, was chosen by a leading US corporate following a detailed survey of the major service providers.

• The range of SME financing packages was enhanced by **Equipéa Taux Capé** – a product combining a variable rate loan indexed to the Euribor 3-month rate and an interest rate risk hedging instrument (CAP).



• With the **Progécarte** electronic payment package, Société Générale's professional customers can now offer their own customers easy payment terms **"in four installments at no extra cost"**.



Electronic payment activities were also developed, with growth of more than 20% in the number of in-store transactions. Société Générale was confirmed as the leading bank issuer of Visa Gold cards in France, with more than 200,000 cards in circulation. The number of Visa cards issued also exceeded 2 million in 1999. The 1999 financial year was also marked by growth in remote banking services.

• **Telephone banking services:** The number of customers using Vocalia – by far the leading telephone banking service in France with more than 42 million calls received in 1999 – continued to grow (+12%) as the range of services on offer increased, notably with the introduction of a range of stockmarket transactions by telephone in the Paris region.

• **Internet services** were extended and diversified: bank account and portfolio management via Logitel Net, with 66,000 users within a year of its commercial release; securities brokerage with Fimatex and the service set up to process e-mails received from customers.

• **All types of canals mixed, (Minitel, Internet and Vocalia),** the stock exchange transactions made on line increased by over 60% in 1999 and represent for the whole year 35% of the total orders received from the clientele and 42% for the sole month of January 2000.

## BUSINESSES

### FINANCE

Against a backdrop of increasing investment and improving quality of risk, Société Générale continued its active, but selective, policy of financing the growth of SMEs.

Outstanding equipment loans increased by 38% in 1999, notably driven by government-subsidized loans and equipment leasing finance.

The Group's specialized subsidiaries also registered a strong performance – Franfinance saw vendor programs increase by 30%, Temsys registered a 77% increase in vehicle fleet leasing, ECS saw an 18% increase in IT equipment loans in France, CGA registered a 39% increase in factoring, and real estate lease finance grew by 25%.

### SERVICES

Priority was given to two sectors in this area.

The first was international trade, with the development of the Performance range of services, which now extends to all import-export activities. This service is complemented by the "e-mail Info International" news service (more than 1,300 subscribers) as well as by the services provided by the international cooperation unit, responsible for promoting French SMEs in other countries and welcoming international SMEs to France through partnerships with banks in other countries. More than 900 companies took advantage of this service in 1999. Cash management services grew sharply, and were complemented by new services, notably the

centralization of international cash management – Sogecash pooling – which attracted major or prospective customers. These services were initially aimed at large corporates, and have recently been adapted to the SME market (Performance Sogecash).

The second area of development concerns e-commerce – in terms of both business-to-consumer (B-to-C) and business-to-business (B-to-B) services. In B-to-C services, Société Générale created the Sogenactif range last year, aimed at companies which sell to individual customers. This range has the particular feature of offering not only a secure on-line card payment service, but also turnkey solutions for creating and operating e-commerce websites.

Société Générale also intends to play an active role as an intermediary in B-to-B commerce; in this respect, it is developing solutions with the leading professional groups specialized in these activities, and is currently testing a new purchasing service, which combines an inter-company payment card and an information, payment and invoicing system.

## SELF-EMPLOYED, NON-PROFIT ORGANIZATIONS AND LOCAL GOVERNMENT

In order to strengthen its presence on the self-employed professionals market, Société Générale has revised its approach with a view to meeting the requirements of this customer segment – namely, financing investments – and provide the best conditions in terms of cost and efficiency. The new system, whereby client dossiers sent by the branches are centralized and assessed by Franfinance, is now fully operational. New equipment loans granted in 1999 increased by 18%. The range was also extended to include products and services tailored to the needs of self-employed customers in terms of insurance and welfare benefit plans (Génépro/Généclé), retirement savings plans (Palissandre) or electronic payment. Progécarte – a package combining a transaction processing contract with a choice of electronic payment terminals including assistance and maintenance – was successfully launched, with more than 20,000 contracts signed in the first year.

Société Générale was also active in the non-profit sector, (with a 56% increase in investment loans), and on the highly competitive local government market, where new loans totaled EUR 800 million in 1999.



## Retail Banking

### RETAIL BANKING OUTSIDE FRANCE

*In 1998, Société Générale created the Retail Banking outside France division (BHFM), confirming the Group's commitment to developing this activity.*

*This division is attached to the Retail Banking division, which enables its subsidiaries to take advantage of the expertise of the domestic network, while improving synergies with the Group as a whole.*

- **Sharp growth in the customer base:**  
From 0.8 million to 1.8 million customers within the space of one year
- **Significant growth in deposits:**  
+ 30% in one year to EUR 9 billion
- **The number of branches and employees more than doubled in 1999:**  
from 300 to 650 branches and from 6,700 to 14,100 employees

#### INTERNATIONAL PRESENCE

**Algeria, Argentina, Austria, Bulgaria, Burkina Faso, Cameroon, Chad, Cyprus, Egypt, Equatorial Guinea, French Polynesia, French West Indies, Guinea, Ivory Coast, Lebanon, Madagascar, Morocco, New Caledonia, Poland, Romania, Senegal, United Arab Emirates.**

## Highlights

### BULGARIA: ACQUISITION OF EXPRESSBANK

The Société Générale Group acquired a 98% holding in Expressbank, and SG Expressbank was created in late 1999, with its head office in Varna.



Varna, Bulgaria

### ROMANIA: THE ROMANIAN DEVELOPMENT BANK

This acquisition included a network of 188 branches with 700,000 customers and a 10% share of the deposits market in Romania.

### FRENCH POLYNESIA AND NEW CALEDONIA: ACQUISITION OF THE BANKING ACTIVITIES OF WESTPAC

Through these acquisitions, Société Générale has significantly reinforced its presence in the two French territories.



Taravao branch, French Polynesia

[www.socgen.com/sgleb](http://www.socgen.com/sgleb)  
[www.ar.socgen.com](http://www.ar.socgen.com)

### CONTINUED DEVELOPMENT THROUGH ACQUISITIONS

The Group continued to develop through organic growth and acquisitions in 1999, with the number of customers up by 1 million in a year.

In Eastern Europe, the Société Générale Group took control of 51% of the Romanian Development Bank which has 700,000 customers, 188 branches and a 10% share of the deposits markets. In Bulgaria, Société Générale acquired 98% of Expressbank which has a network of 26 branches mostly in the East of the country around Varna. SG Expressbank has 80,000 customers and a market share of 9%.

The Group acquired Westpac's branches in New Caledonia and Polynesia, doubling the presence of the Group's subsidiaries in these countries through its 70,000 customers and 18 branches.

In French-speaking Africa, the Group acquired a 70% stake in BFV in Madagascar. This bank has 23 branches on the island, including 7 in the capital, and has 50,000 customers, Société Générale also acquired 30% (plus 40% via the Group's subsidiary in Cameroon) of BTCD in Chad.

The Société Générale Group was granted a license to set up a subsidiary in Algeria, which will become operational during 2000.

Lastly, an ambitious drive to attract individual customers was launched in the growth markets of Egypt, Morocco, Argentina and Lebanon.

### EXTENDING THE PRODUCT RANGE AND OPTIMIZING TOOLS

In addition to expanding the network of branches, the Group's growth strategy also aims to extend the range of products offered to its customers, notably by extending electronic payment methods, life insurance and consumer loans to all subsidiaries. Partnerships will also be reinforced, particularly in Africa with Western Union, specialized in rapid wire transfers, and in the French overseas territories, where the Group is developing a partnership with Casden, the civil servants' mutual insurance company.

Leasing activities backed by retail banking outside France made a sizeable contribution to BHFM's results, by focusing on two strategic areas:

- developing commercial synergies between the leasing entity and the bank;
- extending vendor financing activities to emerging markets.

Similarly, efforts to optimize procedures and tools continued in 1999, notably with the introduction of a common banking management software package in all the Group's subsidiaries in sub-Saharan Africa.



## Retail Banking

### THE CRÉDIT DU NORD NETWORK \*

*The Crédit du Nord Group was created by the integration of regional and local banks in France over 150 years. The Group is now a federation of 8 regional banks, and is the Société Générale Group's second retail banking network.*

*In 1999, the Crédit du Nord network registered strong growth in sales on all markets for the fourth consecutive year. Its contribution to the Société Générale Group's net income rose by 16.5% to EUR 99 million.*

*The Group pursued an active policy of offering its customers new products and services while preparing for the future, in order to handle the second stage in EMU and meet its customers' requirements in full. This policy included updating IT systems, improving CRM and developing direct banking services via the telephone, Minitel and the Internet.*

- **Growth in the customer base:**
  - + 3.2%, the Group now has more than 1,056,000 individual customers
- **Dynamic sales drive:**
  - + 19.4% of consumer loans in volume terms
  - + 44.1% for mortgage loans
  - + 34% for life insurance contracts
  - + 15.9% in new lease financing contracts

#### A FEDERATION OF 8 REGIONAL BANKS

**Banque Courtois, Banque Kolb, Banque Laydernier, Banque Lenoir & Bernard, Banque Nuger, Banque Rhône-Alpes, Banque Tarneaud, Crédit du Nord.**

*\* Excluding Etoile Gestion, Crédit du Nord's asset management arm*

## Highlights

#### PARTNERSHIP

The **Crédit du Nord Group** and **Dexia** signed a 10-year partnership agreement under which Dexia acquired a 20% stake in Crédit du Nord's capital. This partnership will provide French local public-sector bodies and their employees with a full range of banking services and will reinforce cooperation between Crédit Communal de Belgique

(950 branches) and Crédit du Nord in commercial banking activities.

#### TELEPHONE BANKING

- The number of calls to the telephone banking service increased by nearly 17% in 1999.
- A new telephone stockmarket service, **Etoile Direct Bourse**, was launched in October. Three months after its launch, stockmarket



orders placed by telephone accounted for 4.5% of Crédit du Nord's total orders.

#### INTERNET

In October 1999, Crédit du Nord **launched its new website**. Customers can carry out banking transactions –

check bank accounts, make transfers between accounts, manage their Noravance accounts, etc. – using the Internet. Each bank within the Group has its own website which is tailored to its particular requirements.

[www.cdn.fr](http://www.cdn.fr)

Three months after the service was launched, this service has more than 16,000 subscribers.

#### INDIVIDUAL CUSTOMERS

The **Norplus** range launched in 1999 focuses on current account transactions. The target of **160,000 contracts** fixed for January 31, 2000 was met in December 1999.

## INDIVIDUAL CUSTOMERS

The growth in the Group's franchise was confirmed by a 3.2% increase in the number of individual customers. In view of Crédit du Nord's recognized service quality and the level of customer satisfaction, 20,000 new customers joined the bank following recommendations by existing customers.

Customer loyalty, assessed in terms of the number of products held by each customer, improved further, with the percentage of customers holding more than three products rising to 57.9% compared with 55.5% the previous year. The new Norplus package launched in mid-October to replace the existing version introduced in 1990 undoubtedly contributed to this improvement. In line with its strategy of focusing on customer relations, Crédit du Nord extended the possibilities for accessing its stockmarket services using the Minitel, launched the first version of a website for banking transactions and introduced a service for placing stockmarket orders by telephone.

The Crédit du Nord network granted record numbers of new loans to individual customers. The volume of consumer loans rose sharply (+19.4%) to EUR 500 million in 1999. New mortgage loans amounted to EUR 1,343 million (+44.1%), increasing outstanding mortgage loans by 14.7% in relation to 1998.

Customer savings also increased, with net investments in mutual funds rising threefold in relation to 1998, and new life insurance contracts signed up by 34%, greatly exceeding the target set for the year.

## SELF-EMPLOYED PROFESSIONALS

The self-employed customer base grew less rapidly, as Crédit du Nord focused on the quality of its customers. The number of customers holding both professional and private accounts with Crédit du Nord grew by 4.4%. Since October, these customers can access both their professional and private accounts from a single website.

In line with the Group's commitment to supporting its customers' use of new technologies, nearly 5,300 Monetia payment terminals were installed, and a new Visa Business card was introduced for self-employed customers.

## BUSINESSES

In an environment of increasing business investment and improving cashflow, Crédit du Nord provided its customers with suitable banking services.

Equipment loans rose by 5.2% and new lease finance contracts increased by 15.9%, in relation to 1998, which had already seen sharp growth.

Business customer sight deposits were not affected by this upturn in investment, and rose by 12.4% between December 1998 and December, 1999.

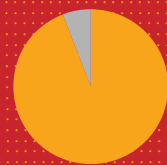
# Asset Management and Private Banking



## Key Figures in 1999

Contribution to net banking income

5.9%



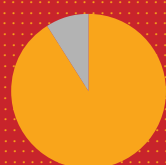
EUR 658 m

Change 1999/98 (adjusted for changes in Group structure)

+16.3%

Contribution to gross operating income

9.0%



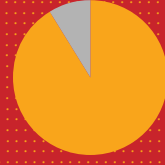
EUR 276 m

Change 1999/98 (adjusted for changes in Group structure)

+10.4%

Contribution to Group net income

8.8%



EUR 175 m

Change 1999/98

+15.9%

## Growth in assets under management

EUR 184 billion

(150.4 in Asset Management + 33.6 in Private Banking)

Change 1999/1998

+25%

The expansion of the sales network outside France and the rapid growth in entities including SGAM UK and SG Hambros was reflected in continued growth in assets under management (+ 25%) and a sharp rise in earnings (+ 15.9%).

### > Target

Société Générale's target is to increase its share of the global asset management market and the contribution made by this business to the Group's results.



## Private Banking and Asset Management

### PRIVATE BANKING

*Since 1998, the Private Banking division has accentuated its growth in the segment of high net worth individuals in France and around the world looking to optimize their wealth management and increase the international diversification of their assets, by providing tailor-made advisory and management services, notably to wealthy entrepreneurs and senior executive officers of listed companies.*

- **Strong growth in assets:**  
+ 26.6% to EUR 33.6 billion in one year
- **Continued expansion**  
in Asia and Central Europe
- **Extension** of the range of products and services  
(capital-guaranteed structured products, risk-profiled funds, alternative management...)

#### INTERNATIONAL PRESENCE

Athens, Buenos Aires, Geneva, Gibraltar, Guernsey, Hong Kong, Jersey, Limassol, London, Lugano, Luxembourg, Madrid, Manila, Mexico, Monaco, Nassau, New York, Paris, Sao Paulo, Singapore, Tokyo, Vienna, Warsaw, Zurich.

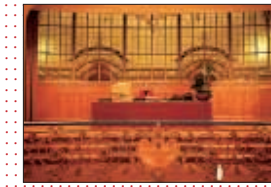
## Highlights

#### SG HAMBROS INCREASED BRAND AWARENESS

**SG Investment Management**, the SG Hambros subsidiary which manages the portfolios of the bank's clients, won the "Best Dealing with Advice Stockbroker" award granted by readers of the *Investor's Chronicle* – a specialist weekly magazine for private banking service providers.

#### PRIVATE BANKING IN FRANCE

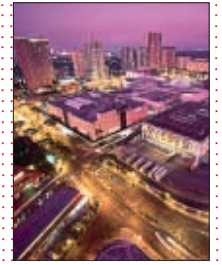
**Sharp growth in capital inflows.** Since early 1999, Private Banking in France registered a sharp increase in capital inflows notably due to major onshore/offshore asset engineering deals tied to the sale of companies or IPOs, together with sophisticated asset management mandates.



*Private Banking in France has its head-office at the Agence Centrale, 29, boulevard Haussmann, Paris.*

#### DEVELOPMENT OF NETWORK

SG Private Banking set up a regional platform within its Vienna branch targeting high net worth individuals in Central Europe, with an office in Warsaw. In Asia, an entity was opened in the Philippines, reinforcing the network in Asia, which is now present in Singapore, Hong Kong, Tokyo and Manila.



*Manila*

[www.socgen.com](http://www.socgen.com)  
[www.sghambros.com](http://www.sghambros.com)

After pursuing an active acquisition policy in 1998, SG Private Banking consolidated and strengthened its position in 1999, against a backdrop of intense competition. SG Private Banking numbers more than 1,000 employees – including 650 sales people – covering the majority of the recognized private banking businesses. It is pursuing its target of doubling assets under management within 5 years and doubling net income within 3 years by reinforcing the Group's presence and improving the quality of service.

#### REINFORCING THE GROUP'S PRESENCE

In continental Europe – the Group's traditional base – Société Générale's Private Banking arm in France registered a sharp rise in new money, and now ranks among the leaders on the domestic market. SGBT, the Group's subsidiary in Luxembourg, confirmed its dynamic growth, and SG Private Banking in Switzerland reinforced its position with the creation of SG Rüeegg Bank in March, following the merger of Rüeegg Bank – a former Hambros subsidiary – and the private banking activities of SGBT Switzerland. In addition, SG Hambros registered strong growth in the Anglo-Saxon markets, and brand awareness is increasing.

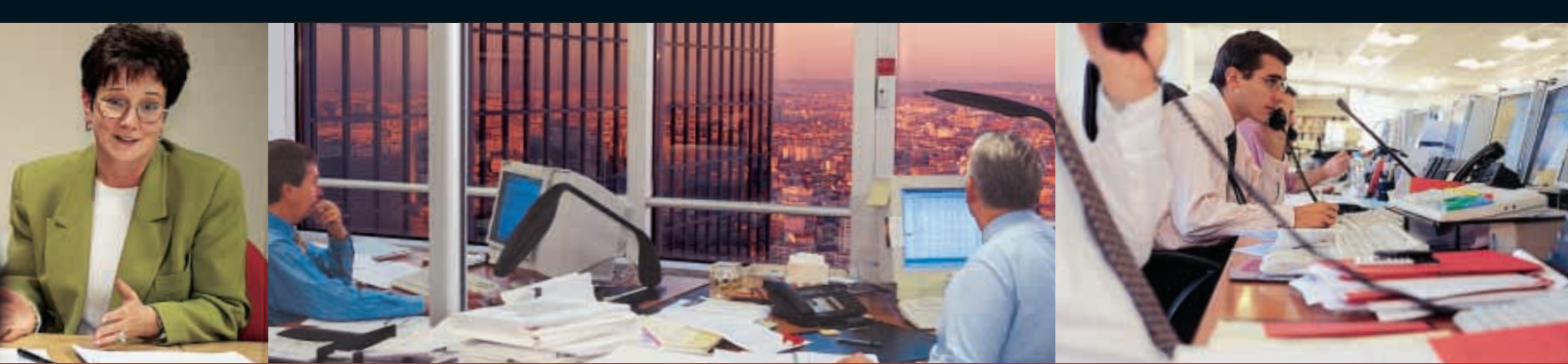
SG Private Banking has extended its coverage of regions with high growth potential, continuing its expansion in Asia with an office opened in the Philippines, extending its presence in Central Europe with the creation of a new satellite office within SG Warsaw, reporting to the regional platform in Vienna.

#### IMPROVING QUALITY OF SERVICE

Underpinned by the expertise of the Société Générale Group, the range of products and services tailored to SG Private Banking customers was extended to meet customer requirements and enable diversified international asset management (umbrella funds, individual dedicated funds, structured products, alternative management products). Discretionary management was actively promoted, based on thorough and sophisticated asset allocation strategies. Life insurance grew sharply through a successful partnership with Sogelife, a Sogécap and SGBT subsidiary in Luxembourg. Particular attention was paid to harmonizing reporting procedures, management tools and procedures and internal communication methods, promoting a coordinated sales drive.

A Group-wide entity dedicated to asset engineering enhances synergies between the network's multi-disciplinary teams who design and implement bespoke asset management and financial planning solutions.

Despite increased investments (additional sales costs, expenses relating to the merger in Switzerland), there was strong growth in gross operating income (up 20%) on the back of assets under management up 26.6% to EUR 33.6 billion. This trend is set to continue in 2000 due to strong organic growth, in particular by efforts to strengthen sales teams.



## Private Banking and Asset Management

### ASSET MANAGEMENT

*In 1999, SG Asset Management continued to implement its strategy:*

- *developing its mutual fund management activities in France,*
- *expanding its activities for major international institutional investors.*

- **24% growth** in assets under management up to EUR 150.4 billion\*
- **14% increase** of net income up to EUR 130 million \*
- **Leader in France**  
with a market share of 13.5% in mutual fund management
- **Leader in Europe**
  - in multi-manager funds, through SG/Russell
  - in the futures funds market
  - in the fund of funds market

#### INTERNATIONAL PRESENCE

**Athens, Buenos Aires, Chicago, Dublin, Frankfurt, London, Luxembourg, Madrid, Milan, Monaco, New York, Paris, Singapore, Taipei, Tokyo.**

\* Including Etoile Gestion, Crédit du Nord's asset management arm

## Highlights

#### NEW PRODUCTS

- Creation of **Sogeselector**, a range of global sectorial funds covering the technology, financial, real estate and healthcare sectors.

- Launch of **Sogestion**, a risk-profiled fund aimed at investors interested in the financial markets, and available for a minimum investment of EUR 100.

- Launch of the **"Convergence"** fund, investing in countries of Eastern Europe which may adopt the euro.

#### INTERNET

- Introduction of a new **FCPI fund** specialized in non-listed stocks,

including Internet start-ups. SG Asset Management is the market leader in this segment in terms of new money (EUR 91.5 million).

- Launch of a fund specialized in Internet stocks, the **e-index** fund, aimed at Japanese individual investors (EUR 110 million invested).



#### PARTNERSHIPS

Acquisition of a holding in the leading Japanese 401 K pension fund management company, alongside IBJ and Nomura.

[www.sgam.com](http://www.sgam.com)



### INTERNATIONAL PRESENCE

The active acquisition strategy followed by the Group in 1998 (acquisition of Yamaichi Capital Management in Tokyo, launch of SGAM UK in London) enabled the development of cross-selling between the Group's different fund management arms (Paris, London, Tokyo, New York), with a view to offering customers expertise on all of the world's major financial markets. This strategy also enabled SG Asset Management to diversify its business mix – and therefore its growth – while reinforcing its market share.

There are a number of factors that should confirm the excellent results seen in 1999 in 2000, first, the strong growth at SGAM UK, which, 18 months after its creation, was amongst the largest institutional fund collectors in the United Kingdom, with almost EUR 6 billion of assets under management; secondly, the acquisition of a stake in the leading private pension fund management company is July 1999; thirdly, the significant strengthening of the sales teams on both the external distribution and institutional investor sides.

### EXPANDING THE PRODUCT RANGE

The joint venture set up with Frank Russell in September 1998 to develop the multi-manager fund segment has registered inflows of EUR 1.8 billion since its launch, ranking SG Asset Management as the European leader in this field.

Similarly, alternative management (structured products, private equity), which is already highly developed within the SG Asset Management Group (EUR 10.6 billion outstanding), will be reinforced and extended.

### SHARP GROWTH IN EARNINGS

At December 31, 1999, assets under management registered a very important increase of 24% and amounted to more than EUR 150.4 billion. In particular, the net flows of subscriptions doubled over the period to EUR 11 billion.

Net income increased by 14% to EUR 130 M. These strong growths for 1999 confirm the Group's successful development in asset management businesses, which constitute one of the key axes of its development strategy.

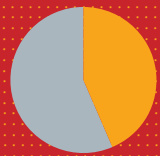
# Corporate and Investment Banking



## Key Figures in 1999

Contribution to net banking income

43.5%



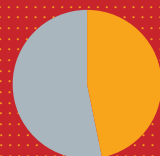
EUR 4,827 m

Change 1999/98 (adjusted for changes in Group structure)

+28.0%

Contribution to gross operating income

46.8%



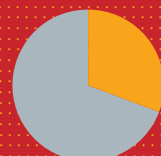
EUR 1,441 m

Change 1999/98 (adjusted for changes in Group structure)

+38.4%

Contribution to Group net income

34.4%



EUR 681 m

Change 1999/98

ns

## Restructuring to improve efficiency

1998

60 offices  
in 60 countries  
with 60 different IT systems

2000

1 bank with 4 global business lines  
5 regional platforms grouping business expertise and support functions  
local offices focused on sales

The Corporate and Investment Banking business line provides services to corporates and investors around the world. SG is one of the few European banks able to combine a strong base in Europe with expertise in the United States and a recognized presence in Asia.

### > Target

Société Générale aims to provide a select group of corporates with complete integrated solutions to their financial and strategic requirements.



## Corporate and Investment Banking

*SG\*, the Société Générale Group's Corporate and Investment Banking division, provides innovative integrated solutions to its corporate, institutional and public sector customers in some sixty countries.*

*1999 was a good year for the branch which achieved an ROE of 15.5% and outstanding performances from its equity derivatives and project finance product lines.*

*1999 was also marked by the beginning of the policy of capital reallocation to value-added activities.*

*The commercial banking outstandings were reduced by 20%.*

- **Equity derivatives:**

69% increase in net banking in relation to 1998

- **Project finance:**

58% increase in net banking income in relation to 1998

- **Innovation:**

weather derivatives, "dual play" convertible bonds

### INTERNATIONAL PRESENCE

**Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, Finland, France, Germany, Greece, Hungary, India, Indonesia, Iran, Ireland, Italy, Japan, Jordan, Kazakhstan, Luxembourg, Malaysia, Mexico, Netherlands, Norway, Oman, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Republic of Yugoslavia, Russia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Tunisia, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uzbekistan, Venezuela, Vietnam.**

\*SG is the brand created by the Société Générale Group in 1998 for its corporate and investment banking activities

## Highlights

### INNOVATIONS

#### SG EQUITY-LINKED HOUSE OF THE YEAR



SG was named "European Equity Linked House" in the December issue of the *International Financial Review* which grants awards to the best

performing financial institutions each year. Moreover, the "dual play" convertible bond issue for Vivendi Environnement – the largest issue ever made on the convertible bond market (EUR 2.85 billion), and which SG lead-managed – won the "European Equity-Linked Issue of the Year" award. In 1999 SG was the

leading player in Europe in convertible bond issues, and is ranked number three in the world, with a market share of 11.5%. It achieved this by developing a strong position on both the primary and secondary markets. On January 5, 1999, SG launched the first euro-denominated

convertible bond issue for Vivendi (EUR 1.7 billion). In 1999, SG also lead-managed the majority of the largest issues in France (Promodès, Moulinex, Havas Advertising, SCOR, Teamlog, Infogrames) and played a key role in Europe in issues by Mannesmann, Tractebel, Fortis, Adecco and Tarket Sommer.

### A CLEAR FOCUS IN CORPORATE AND INVESTMENT BANKING

#### FOCUSING ON THE CORE EUROPEAN MARKET

SG is one of the major pan-European banks and ranks among the market leaders in many of its businesses. Its aim is to figure among the top three European banks on the majority of capital market and corporate banking businesses.

Outside Europe, the bank has adopted a selective approach. In the United States, its expertise in structured finance activities (project finance, high yield, securitization) as well as in the high-tech and health-care sectors and utilities will reinforce its position in the European market.

In Asia, SG has two key and complementary strengths: its long-standing presence in the region, notably in Japan for the past 25 years, and its ability to offer tailor-made solutions.

#### TARGETING CUSTOMERS

SG's selective sales drive is centered on a clear segmentation of the customer base. This approach distinguishes between multinationals, medium-sized businesses managed in cooperation with the domestic network, and customers in sectors of activity monitored by teams of specialists on a global or regional basis.

### ADJUSTING THE BUSINESS MIX

SG's selective policy focuses on activities offering high profitability or strong growth potential, and those in which the Group has a strategic interest. The reallocation of capital within the division is continuing to favor value-added finance and investment banking. Moreover, SG is more systematically managing its commercial loans through its Global Credit Portfolio Management unit. Under a policy introduced in 1998, priority in credit allocations is given to targeted customers to whom the bank can provide global service through its product expertise or through its in-depth knowledge of the industry sector.

### BUILDING THE INTEGRATED APPROACH

Given the increasingly complex needs of its customers, SG's capacity to combine its expertise in structured finance, capital markets and advisory will be crucial to the bank's success. This trend will become more pronounced in Europe, with increasing disintermediation on the high yield debt market and the development of asset-backed leverage finance.



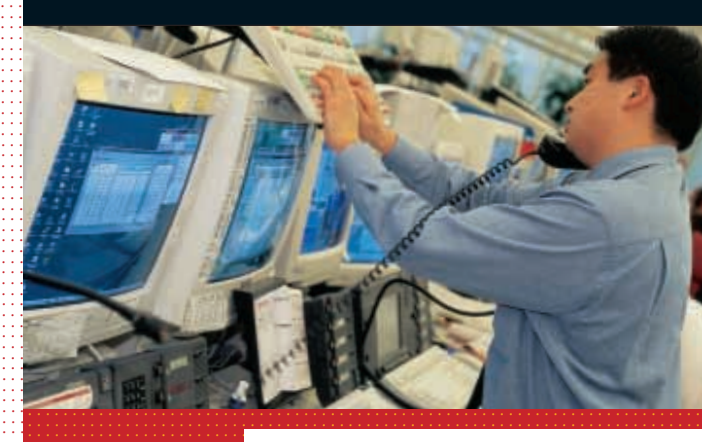
## Highlights

### PROJECT FINANCE: POWER IN THE UNITED STATES FOR EDISON MISSION ENERGY

One of the Group's areas of expertise in project finance is the energy sector, as shown by SG's relationship with Edison Mission Energy – the world's leading independent power generation company. In 1999, under changes in regulations governing the power sector in the United States, SG was joint lead

arranger for the acquisition of the Homer City power stations (USD 1.8 billion) and Commonwealth Edison's power stations in the Chicago region. This transaction totaled USD 3 billion, the largest project finance transaction ever carried out in the United States. Due to the size and the sophisticated nature of the

transactions, this operation was voted "Americas Project Finance Loan Deal of the Year" by *IFR* magazine. SG was also involved in two projects in the Philippines and the United Kingdom – a total of four projects for Edison Mission Energy, amounting to USD 6.5 billion, including bond issues and acquisition finance in addition to the project finance deal.



### REORGANIZING TO IMPROVE EFFICIENCY

The business line's resources will be restructured in 2000. Decentralization at Group level will give corporate and investment banking full control over its allocated resources. It will manage these resources by establishing responsibility for each major support function at the global level, decentralizing teams to meet operational requirements, and ensuring tight control of costs. This initiative, which is currently being implemented, will lead to the creation of an integrated IT department. Work is well underway on the creation of a European regional platform for operations. Lastly, human resources, which will now be managed within the division, will be better able to match employees and expertise with the development of businesses and activities.

### CORPORATE BANKING

- Priority has clearly been given to value-added activities. Over the last five years SG has developed its capabilities in both structuring transactions and distribution, now ranking in the top tier of global players.
- 1999 was a good year for structured finance, in terms of both growth in net banking income and ROE.
- The contribution of fees and commissions to net banking income is steadily rising, and is now over 40%.

### VALUE-ADDED FINANCING

#### Project Finance

This product line continued its strong growth in 1999 and is now ranked fifth in the world (by *Project Finance* magazine) for global project finance arrangement. The activity is specialized by industrial sector: oil and gas, power, telecommunications and infrastructure. In addition to the traditional role in advisory and project finance arrangement, the services provided increasingly include hedging products and financing through bond issues.

The customer base is comprised of major project sponsors including Edison Mission Energy, EDF, Ericsson, Vivendi, BP Amoco, and France Télécom, with whom the bank has long-standing and close relationships. Among the main transactions carried out in 1999, SG arranged transactions for Edison Mission Energy in the amount of nearly USD 6.5 billion, one of which was voted "Americas Project Finance Loan Deal of the Year" by *IFR* magazine.

#### Financial Engineering

This business provides innovative financing solutions combining tax, accounting and legal expertise with asset finance and securitization techniques. The leasing transaction concluded for SFR is a good indicator of activity in 1999. The transaction amounted to USD 665 million, the largest "Qualified Technological Equipment Lease" completed to date. It was also elected the "Best Telecoms Transaction" by *Asset Finance* magazine for 1999.

### Acquisition Finance

Acquisition finance activities play an important role in the Group's integrated approach, notably in cooperation with the Corporate Finance business line. The integration of this activity with the High Yield business in the United States will provide a more global approach to leveraged finance.

### Export Finance

For the second successive year, SG was elected "Best Export Finance Arranger" of the year. The business line provides 60 global equipment suppliers including Alstom, Alcatel, ABB, Thomson, and Voest Alpine with a range of global solutions including multi-source export finance – with a strong presence in 16 export credit programs – syndicated loans and hedging. Among the transactions arranged in 1999, SG was sole arranger for the finance of switching equipment and back-up systems materials in the third phase of the Three Gorges project in China, the world's largest dam. SG has arranged USD 1 billion in financing for this project since 1996, underscoring the Group's capabilities in multi-source export finance, and its high level of customer loyalty.

### International Trade Finance

Despite the sharp drop in commodity prices during the first half of the year, activity held up well due to the Group's broad geographical presence and diversified sectors of activity (oil, metals, sugar, cotton, grains). Cooperation with the commodities businesses (derivatives and brokerage) enabled SG to develop an integrated approach combining advisory, finance, trading and hedging services for major commodity trading houses, producers and processors.

### Real Estate Finance

Real estate finance registered a strong performance in 1999. Emphasis was placed on detailed analysis of cashflow and structured finance. The growing contribution made by investor finance (to Morgan Stanley Real Estate Fund or Prologis, for example) has offset the reduction in commitments on real estate developers.

### Syndication

In 1999, SG was ranked sixth "mandated arranger" by number of transactions, and seventh by volume for the Europe, Middle East and Africa region (Capital Data). This demonstrates SG's growing reputation in syndicated transactions. SG's aim is to step up the distribution of structured finance (which represented two-thirds in volume terms), while striking the right balance between market share and quality of deal flow. The range of products was extended, notably through increased cooperation with the capital markets for the distribution of securitized issues (asset-backed securities, project bonds) and private investments. SG notably arranged major syndicated issues for Vivendi and Pinault Printemps Redoute (France), Wise Metals (United States), Optimus Telecommunications (Portugal), Bombardier (Canada) and UK Power (United Kingdom).

### COMMERCIAL BANKING

In 1999, the Group began to implement its program to reduce outstanding commercial loans by 20% over three years. The target was met by the end of the year. Exposure to emerging markets was also reduced. Within this framework, an active strategy for managing outstanding commercial loans through the innovative techniques of the Global Credit Portfolio Management unit enabled USD 12.3 billion worth of loans to be sold, compared with USD 4.8 billion in 1998.



## Highlights



[www.fimat.com](http://www.fimat.com)  
[www.fimatex.fr](http://www.fimatex.fr)

### E-BROKERAGE

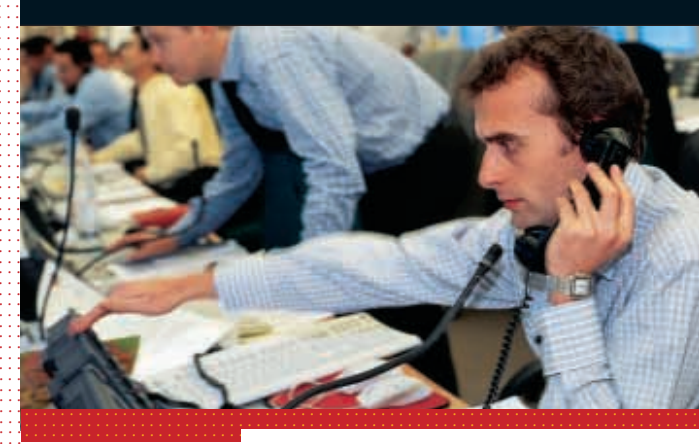
Fimatex, the Société Générale Group's on-line brokerage subsidiary targeting the private investor segment, is one of the few e-brokers to offer true multi-market access. The range of instruments offered to its customers includes securities, derivatives and mutual funds. Its service provides access to nine European markets

as well as the NYSE and the NASDAQ. Fimatex ranks among the market leaders in France (with 18,500 accounts held at year-end 1999, 13% of the market) and in Germany (with more than 11,000 accounts). Its customer base increased almost threefold in 1999, after doubling in 1998. This sharp growth is the result of both a

major marketing strategy and technological progress. In 1999, new types of access were proposed in addition to the Internet and the Minitel in France — using mobile telephones (under an agreement with

Nokia) and electronic organizers (Palm Pilot). Fimatex aims to develop this base and rank among the pan-European market leaders within the next three years.

<https://forex.socgen.com>  
[www.warrants.socgen.com](http://www.warrants.socgen.com)  
[www.globalmarkets.socgen.com](http://www.globalmarkets.socgen.com)  
[www.sg-globalequities.com](http://www.sg-globalequities.com)  
[www.sgcowen.com](http://www.sgcowen.com)



## INVESTMENT BANKING

### DEBT, CURRENCY AND COMMODITY MARKETS

- This business line registered strong growth in activity. After 1998, which was a difficult year, marketing and restructuring efforts around the world ensured the return to a high level of profitability.
- The major product lines registered a strong performance in the three target regions – Europe, the United States and Asia, and successfully made the transition to the euro. By product line, SG ranks among the five leading European banks and is one of the top ten banks in the world.

### Cash and Forex Markets

This product line registered very good results, notably in Paris, despite difficult market conditions. The decline in forex volumes was offset by options sales activity. Spot transactions, forex swaps and forex futures can now be traded on-line using the secure and fully integrated functions of the [forex.socgen.com](http://forex.socgen.com) website.

### Fixed Income Markets

SG was ranked in thirteenth place worldwide and seventh in Europe in euro-denominated issues. In particular, SG is ranked number four for agencies and number six for sovereign issuers (Bondware ratings excluding Pfandbriefe). In addition to managing issues for, among others, Cades, Kingdom of Belgium and Canada, SG was also active on the mortgage bond market (bonds backed by mortgage or public sector loans). SG managed the first international mortgage bond issue for Caja Madrid

and was joint lead-manager on the first two mortgage bond issues launched by Crédit Local de France in the amount of EUR 2.5 billion via its subsidiary Dexia Municipal Agency.

### Interest Rate and Forex Derivatives

SG is one of the leading international players in trading and sales activities. The bank has notably developed a range of weather derivatives. The first product of this type used in Europe by the heating company Socram was followed by other similar transactions in the United Kingdom and Japan.

### Commodities Markets

SG confirmed and improved its position in commodities trading. New markets were explored including electricity in Sydney and pre-paid gold exports to the National Bank of Uzbekistan. A partnership was also formed with GDF to help it develop trading activities in the natural gas market in France.

### BROKERAGE ON REGULATED FUTURES MARKETS

Fimat, an international broker on the main financial and commodity derivative markets, registered excellent results in 1999.

Fimat's trading volumes increased by 15%, even through volumes were generally flat on the global markets. Efforts to diversify activity and increase customer loyalty yielded results: the bank's market share increased from 3.4% at year-end 1998 to 3.7% at year-end 1999. In addition to its execution and clearing activities, Fimat continued to diversify its activities (forex, equities), in order to anticipate and meet its customers' demands

on all markets. Its subsidiary, Fimatex, an on-line broker, also registered strong growth in activity.

### EQUITY MARKETS

- In a generally bullish market, the equity business line registered an excellent performance on all instruments: securities, derivatives, convertibles.
- The integration of SG Cowen reinforced the business line while diversifying the revenue base.

### Research

With research hubs in Europe, the United States and Asia, SG's analysts are present in more than 30 financial centers. The bank's recognized expertise in France and Europe once again won it seven awards for "Best sectorial analyst" in a survey of European institutional investors by Sofres.

SG Cowen's sectorial expertise has reinforced the Group's strength in technologies and healthcare.

### Primary Market

SG registered an excellent performance on both its domestic and international markets.

*In France*, SG managed three of the four transactions carried out in 1999 (partial privatization of Air France, privatization of Aerospatiale Matra and of Thomson Multimedia).

It confirmed its leading position in convertible/exchangeable bonds, launching innovative products (dual play, Convexis), and lead-managing a EUR 2.85 billion issue, the largest ever made on this market, for Vivendi Environnement.

With 20% of total transactions both in number and in volume in 1999, SG was the market leader in IPOs for issues in excess of EUR 15 million.

*On other global markets*, SG continued its growth in Europe, participating in many transactions and obtaining a number of senior positions in syndicated issues. In the United States, SG Cowen registered high levels of activity, notably in the second half of the year and particularly in IPOs in SG Cowen's key sectors: technology and healthcare.

SG's greater presence on the markets was reflected in SG's improved position in the Equity league tables. SG ranks among the world's twenty leading banks for "all international bookrunners" (source, *IFR*), and is number three worldwide and the leader in Europe in convertible bonds, with a market share of 11.5%.



### Equity Brokerage

The growth in volumes on all markets combined with the rise in indices were highly favorable to equity brokerage activities. Pan-European activities in particular – notably in France and the United Kingdom – benefited from this bullish environment. Trading activities in London benefited from high levels of volatility. Due to the strong activity registered by SG Cowen, US equities accounted for one-third of total revenues.

Activity on emerging markets – in particular in Asia – picked up sharply throughout the year in relation to 1998.

### Equity Derivatives

- SG reinforced its position among the world's leading experts in derivatives. This performance was recognized by *Risk* magazine's "Equity Derivatives House of the Year" award. The excellent results essentially stem from the growth in client-related revenues, up from 27% of total revenues in 1995 to 54% in 1999, and from a tight control of risk.

- This product line groups four activities – distribution, market making, arbitrage and equity finance. The range of products, which is based on underlying assets covering 90% of global stockmarket capitalization, is offered to more than 1,000 investors and distribution networks for private customers in more than 44 countries. This range is based on two types of product:
  - **Derivatives products** (warrants, certificates) listed on European markets (Paris, Milan, Madrid, Brussels, Amsterdam, Zurich, Frankfurt, Stockholm) and in Hong Kong and Johannesburg. SG is the world leader in this activity, with a market share of 20%, including 50% of the market in Hong Kong and 70% in Paris and Madrid.

- **Structured products:** SG's market share is estimated at 20% in Japan and Europe. One of SG's major strengths is its capacity to innovate, with high yield products indexed on baskets of stocks (Everest, Atlas) or capital-guaranteed products on managed accounts (Fondvest).

### CORPORATE FINANCE

- The business line registered record levels of activity, advising on 115 transactions for a total amount of EUR 44.9 billion, up by 101%, without taking into account on-going and non-completed transactions.
- SG consolidated its position on the mid-caps segment (outside France), particularly in technology, healthcare, utilities and the media, which are among SG's main areas of expertise.

Significant capital gains were registered on venture-capital and private equity activities.

*In France*, growth in revenues, although lower than the total growth in activity, nevertheless came to 75%. SG was involved in several major transactions: advisory for Promodès in its merger with Carrefour (total amount of transaction EUR 43 billion), Seita in its merger with Tabacalera and Strafor Facom (sale of its holding in Steelcase Strafor).

*In the United Kingdom*, SG Hambros was involved in major transactions, notably advising the Mirror Group on the creation of Trinity Mirror Plc., the leading daily newspaper group, Guardian Royal Exchange on the offer made by Sun Life and Provincial, and Rembrandt Group – with a 33% holding in Rothmans International – on its merger with British American Tobacco (BAT).

*In the United States*, the strategy of focusing on four key sectors proved successful. For the first time, SG ranked among the top 20 in advisory in the United States. The Group's major transactions in 1999 included the merger of New Century Energies (advised by SG Barr Devlin) with Northern States Power and the sale by Cabletron Systems Inc. (advised by SG Cowen) of its Flowpoint Corporation subsidiary to Efficient Networks.

*In the rest of the world*, SG continued to set up specialist teams in the major financial centers in continental Europe. The Group's advisory capacity is well established in South Africa, in Asia and Australia, and transactions are growing rapidly.