



Activity 2002

Group activity 2002

The Group's activity is organized around three core businesses, with a well-balanced mix

Retail Banking, which groups:

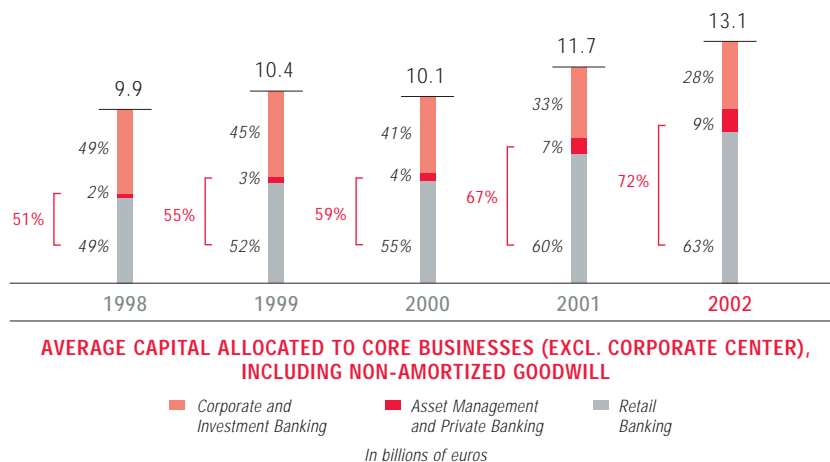
- the Société Générale and Crédit du Nord networks in France,
- specialized financial services: business finance and consumer credit, securities and banking services, life and non-life insurance activities,
- the retail banking network outside France.

Asset Management and Private Banking

Corporate and Investment Banking which covers:

- Corporate Banking and Fixed Income;
- Equity and Advisory activities.

Alongside these three core businesses, the **Corporate Center** manages the Group's proprietary investments (the Group's industrial equity and real estate portfolios, as well as its equity investments in banks), handles the Group's asset/liability management (ALM), acts as the central funding department and carries the cost of major projects that do not relate directly to the activity of the core businesses.



The steps taken to reallocate capital between the core businesses, which began in 1998, mean the Group now has a robust business mix suited to the current economic and market environment: **over two-thirds of capital** is at present **allocated to Retail Banking and to Asset Management and Private Banking**.

In a difficult environment in 2002, the Group demonstrated the quality of its organization and its capacity to generate profitable growth, which enabled it to register a business line ROE after tax of 18.7% (19.9% in 2001).

In light of the high level of provisioning booked on the industrial equity portfolio over the period, net attributable income came out at EUR 1.4 billion, down 35.1% on 2001. The Group ROE after tax stood at 9.4% in 2002, compared with 15.5% in 2001.

The Group retains a solid financial structure: at December 31, the Group's Tier-one ratio was 8.1% versus 8.4% at December 31, 2001.

In millions of euros	2001	2002	Change	
Net banking income	13,874	14,454	+4.2%	-2.7%*
Operating expenses	(10,104)	(10,407)	+3.0%	-1.5%*
Gross operating income	3,770	4,047	+7.3%	-5.9%*
Net allocation to provisions	(1,067)	(1,301)	+21.9%	+14.9%*
Operating income	2,703	2,746	+1.6%	-14.4%*
Net income from long-term investments	474	(299)		
Amortization of goodwill	(76)	(184)		
Net income	2,154	1,397	-35.1%	
Group ROE (after tax)	15.5%	9.4%		
Business line ROE (after tax)	19.9%	18.7%		
Tier-one ratio	8.4%	8.1%		

* When adjusted for changes in Group structure and at constant exchange rates.

These sound operating performances were driven by a combination of factors

Steady growth in franchises

In 2002, the Group continued to develop its franchises in Retail Banking, Asset Management and Private Banking through a combination of organic growth and acquisitions. The domestic retail banking networks registered a 2.1% increase in the number of current accounts, while outstanding loans to individual customers rose by 10% over the period. Asset Management and Private Banking gathered EUR 15.1 billion of net new money in 2002 against a backdrop of bearish markets.

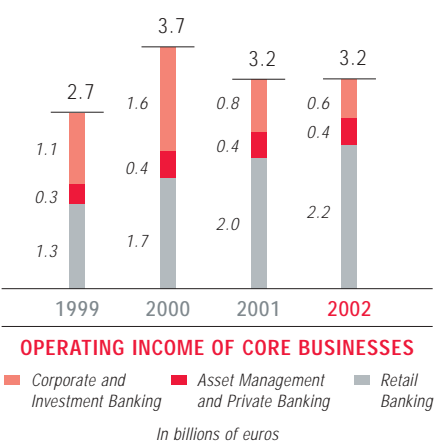
At the same time, the Group continued in 2002 to **integrate the main acquisitions** made in 2001 in international retail banking (KB, SKB), specialized financing (GEFA, ALD, Fidelity) and asset management (TCW), **in line with the announced integration plans**, which produced the first revenue synergies. For example, the cross-selling strategy implemented following the acquisition of TCW accounted for one-third of net new money in Asset Management and Private Banking.

This continued growth in the Group's franchises produced a **consolidated net banking income of EUR 14.5 billion over the year, up 4.2% on 2001**, with the increase in revenues from Retail Banking and Asset Management and Private Banking more than offsetting the decline in revenues from the Equity and Advisory arm of the Corporate and Investment Banking business.

Productivity enhancement measures stepped up

The Group continued to implement the major productivity enhancement programs launched three years ago (in particular, rationalization of purchasing and reorganization of European back offices). Moreover, the rightsizing of the Cash Equity platform, which began in 2001, was continued at the end of 2002. These measures will generate net annual savings of over EUR 0.7 billion from 2004.

Consequently, the Group's operating expenses amounted to EUR 10.4 billion, down by 1.5% when adjusted for changes in Group structure and at constant exchange rates, while the Group's **cost/income ratio was brought down from 72.8% to 72%** between 2001 and 2002.



Tight control of the cost of risk

The net allocation to provisions increased in 2002 (+21.9% in absolute terms, +14.9% when adjusted for changes in Group structure and at constant exchange rates).

The net cost of risk rose from 57 bp of risk-weighted assets in 2001 to 70 bp in 2002. This level reflected **the sluggish economic environment in the United States and the specific difficulties encountered in 2002 in certain sectors** (principally telecommunications).

The cost of risk of the French Networks comes out at 36 bp in 2002 versus 32 bp in 2001.

After taking into account the **Corporate Center** operating income (EUR -0.4 billion in 2002), Group **operating income rose by 1.6%** between 2001 and 2002 (drop limited to 14.4% when adjusted for changes in Group structure and at constant exchange rates).

A negative contribution by the industrial equity portfolio

On top of this operating performance, the Group's **industrial equity portfolio made a significant negative contribution to earnings**, registering a loss before tax of EUR 0.3 billion in 2002 compared with a profit of EUR 0.5 billion in 2001. In light of the steady decline in the Paris Bourse over the period (CAC 40 down by 34%), total **provisions** booked on the industrial equity portfolio amounted to **EUR 0.8 billion** versus EUR 0.2 billion in 2001 in accordance with a conservative provisioning policy. In addition, total capital gains realized on the portfolio fell from EUR 0.7 billion to EUR 0.4 billion between 2001 and 2002.

At December 31, 2002, the market value of the portfolio stood at EUR 3.0 billion and unrealized capital gains after provisions amounted to EUR 0.1 billion.

Retail Banking



14.7 million individual customers:
+ 5.4 million new customers in **30** countries in **3** years

The **leading** non-mutual **retail banking Group in France**

A **major European player** in Specialized Financial Services for businesses

2002 **ROE** after tax: **18.7%**

Source: Société Générale.

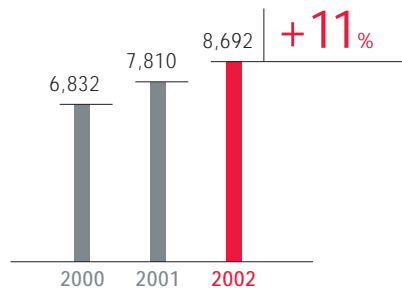
Retail Banking

The Retail Banking arm turned in excellent performances despite the harsher economic environment. This reflects the growth potential of the Group's franchises in its different activities, namely the **French networks (Société Générale and Crédit du Nord), Retail Banking outside France and Specialized Financial Services**.

The Retail Banking business recorded a 13.1% increase in gross operating income in 2002, and accounted for 92% of Group net income. Its cost/income ratio came out at 67.6%.

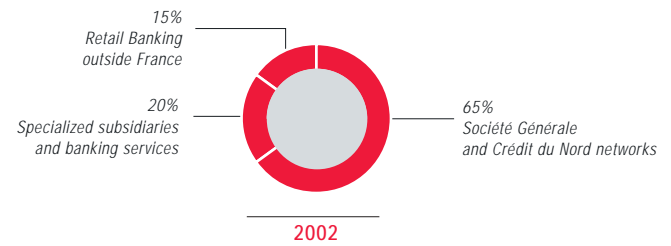
The improvement in the profitability of Retail Banking is a result of efforts to expand the franchises and secure customer loyalty, the sustained investment made in distribution channels, and the pooling of expertise between the Group's various business lines.

2002 KEY FIGURES

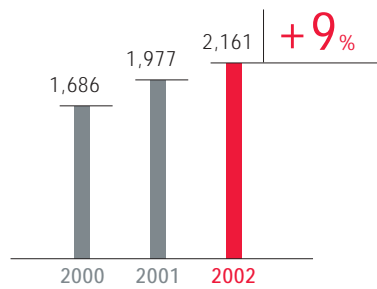


NET BANKING INCOME

In millions of euros

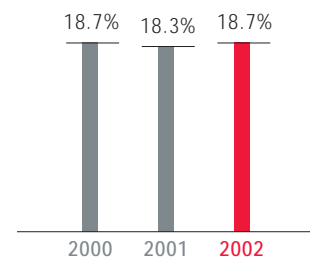


NET INCOME BY BUSINESS LINE

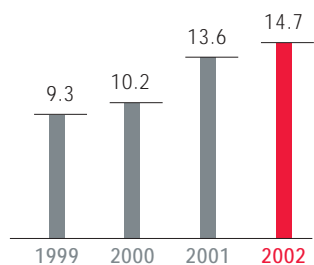


OPERATING INCOME

In millions of euros

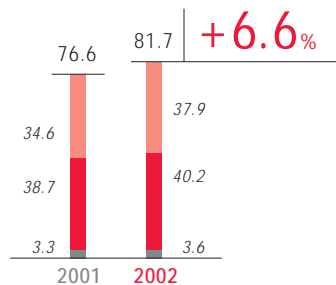


ROE



INDIVIDUAL CUSTOMERS OF THE RETAIL BANKING NETWORK

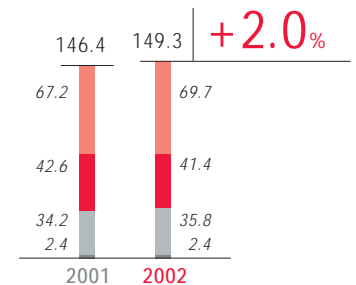
In millions



OUTSTANDING LOANS OF THE FRENCH NETWORKS

■ Individual customers ■ Business customers ■ Banks

Average outstanding in billions of euros



OUTSTANDING SAVINGS MANAGED BY THE FRENCH NETWORKS

■ Deposits ■ Mutual funds ■ Life insurance ■ Other

Average outstanding in billions of euros

Société Générale network

Excellent commercial performance thanks to a dynamic sales force and a permanently evolving product range

Over **5** million current accounts: **+411,000** in **3** years

7.3 products per individual customer current account

EUR **122** billion in deposits: **+2%**

EUR **69** billion in outstanding loans: **+7%**

128 million customer contacts

via direct banking channels: **+35%**



Strategy

Develop the franchise in fast-growing segments

Build customer loyalty through expertise, service quality and innovation

Leverage the customer base via CRM tools

Rapidly deploy an effective multi-channel distribution platform

Pool expertise with other Group business lines

Highlights

Strong sales growth

The network continued to develop its franchise across all customer segments (individuals, self-employed professionals and businesses), with a **2.2% increase in the number of current accounts, or more than 110,000 new accounts, bringing the total to over 5 million.**

This robust performance is due to the personal commitment of the Group's teams and the effectiveness of the sales support systems.

Permanently evolving products and services

Individual customers

Société Générale's ability to leverage its customer base is founded on enhancing customer loyalty and nurturing its customer relationships, by offering innovative products and services suited to their needs. To this end, the following were added to the network's offer in 2002:

- **an exclusive partnership with American Express** to launch the Société Générale/American Express Club aimed at meeting the specific needs of Société Générale's prime affluent individual customers;
- **Passeport Bourse**, a package of services that facilitates the management of securities portfolios online, with the added advantage of competitive brokerage fees;
- **Habipack**, a package of property-related services at special prices aimed at home-buyers or real estate investors;

- **the "Avance Etudiant"**, a flexible and low-cost overdraft facility for students, awaiting receipt of funds at a known date;
- **a new handbook for customers**, which covers the principal legal and tax rules pertaining to specific areas of interest selected by the customers themselves (real estate projects, life insurance, tax optimization, etc.) along with the solutions offered by Société Générale. This handbook is the first mass publication of its kind in the banking sector in France;
- **the option for customers to choose their bank card PIN code**, which is a first among the leading French banks.

Professional customers*

2002 saw the development of stronger ties with tradespersons:

- **launch of the "CAP Métiers" agreement**, combining a range of everyday banking products with a flexible loan facility aimed at apprentices aged 18 to 24 years;
- introduction of a **financing scheme subsidized by the French National Tradesmen's Mutual Association**, with which the Bank entered into an exclusive 2-year partnership.

"It's easy at Société Générale"

Société Générale has kicked off the new advertising season with a campaign centered on convenience, featuring products and services that make customers' lives easier. These include customer advisers available by telephone outside of normal banking hours, the possibility of choosing the PIN code on bank cards and exemption from bank charges for 18- to 24-year-olds. This clearly demonstrates Société Générale's commitment to improving customer service by "making banking easier".



The Société Générale/ American Express Club

Société Générale and American Express have signed an exclusive agreement to launch the Société Générale/American Express Club, designed to meet the specific needs of Société Générale's affluent individual customers by providing:

- *asset management expertise and banking services;*
- *a premium bank card accompanied by a very high level of service;*
- *exclusive services (customer loyalty program, invitations to events, etc.).*

* Self-employed professionals, tradespersons, shopkeepers and farmers.

Highlights

Société Générale/Groupama Partnership

*In 2001, Société Générale and Groupama signed an agreement to create a multi-channel bank, **Groupama Banque**. In keeping with forecasts, technical and commercial tests began at two pilot sites in October 2002. The product line will be rolled out across Groupama's regional branches between now and 2004, when the model will be transferred to the GAN network.*

At the same time, personal health insurance products supplied by Groupama were offered on an experimental basis under the Société Générale brand in a number of branch groups.

Sustained growth in outstanding deposits and loans

2002/2001 CHANGE IN AVERAGE OUTSTANDING

Savings accounts	+4.1%
of which demand deposits	+6.8%
Life insurance	+5.8%
Total managed savings	+1.6%
Loans	+7.1%
of which individual customers	+9.9%
of which business customers	+4.7%

Source: Société Générale.

Since June 2002, the Bank has offered a new range of factoring services aimed at tradespersons and businesses with sales of less than EUR 1.5 million that offer deferred payment terms to their customers. This contract has a particularly attractive pricing formula based on actual usage of the service.

Business customers

The range of services was expanded, with the launch of **a special product line for small businesses** with sales of between EUR 1.5 million and EUR 7.5 million. This offer, which was launched in the third quarter, analyzes customer requirements and provides tailored services, and is initially aimed at a target group of prospective users.

Further growth in savings

Persistently bearish market conditions incited consumers to exercise caution, and **significant volumes of savings were shifted into risk-free or guaranteed products**.

In spite of this, further growth was seen in total customer deposits and savings. Individual customers' managed savings rose by 1.7% to EUR 96.4 billion. Individual customer deposits recorded particularly strong growth, up 4.4% overall, with sight deposits up 8.2%.

Life insurance sales increased

by 11.9% to EUR 4.5 billion, spurred by both euro-denominated policies and the success of guaranteed investment funds. Given the downturn in the financial markets, the Sogetop line was well received, attracting over EUR 1.2 billion in new money. Sogetop products combine capital protection, performance and a choice of tax wrapper.

In contrast, mutual fund investments suffered as a result of the collapse in stock market indices, with an 11.2% decline in investments by individual customers.

The lending activity was strong, with loans to individual customers up by 9.9%. Mortgage loans recorded particularly strong growth, rising by 11%, and new mortgage loan production reached a record high of EUR 7.2 billion in 2002, a 10.4% increase in relation to 2001.

Deployment of the multi-channel banking model

This program is a strategic initiative of Société Générale's Retail Banking arm. Unveiled in 1998, it aims to optimize customer relationship management (CRM) through an integrated multi-channel distribution platform and to standardize the level of service quality while lowering the network's break-even point. The initial components of the model were rolled out in 2002, with:

- the **first deliveries of the CRM application** (Contact). This tool will subsequently be deployed across the network as a workstation to be shared by various players (branches, multimedia customer relations centers and customer service departments);
- the implementation of the program to reorganize the distribution network around three types of entity:
 - **sales divisions**, which are responsible for managing the branches and the multi-channel relationship. Some twenty sales divisions are currently being set up;

- **multimedia customer relations centers** (mCRC), which function alongside the branch network to support the development of direct banking. Three platforms are now operational in Lyons, Nanterre and Lille. They handle e-mails, calls made to the Vocalia voice server and sales campaigns, as well as filtering some calls made to branches;
- **customer service departments**, which will group the middle and back-office activities previously carried out by the regional branch groups. Two such units are being set up in the Paris region.

The new versions of the websites for businesses and professional customers now provide access to banking services, including factoring and fleet management, as well as non-banking services such as legal, tax and employment-related information, and news roundups. These portals offer a full, personalized and targeted range of information and services.

Société Générale was also one of the first banks to offer its customers the possibility of monitoring their accounts using i-mode™ mobile telephones. This service, which was developed in partnership with Bouygues Telecom, complements the existing range of telephone banking services, namely Vocalia (voice server), Messalia (SMS) and Wap.

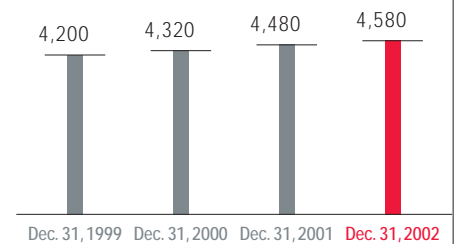
Lastly, Société Générale was the first French bank to offer a secure online payments service via its *e-carte bleue*.

Direct banking: a full range of services

The Group's direct banking channels were particularly successful in 2002, handling **over 128 million customer contacts**.

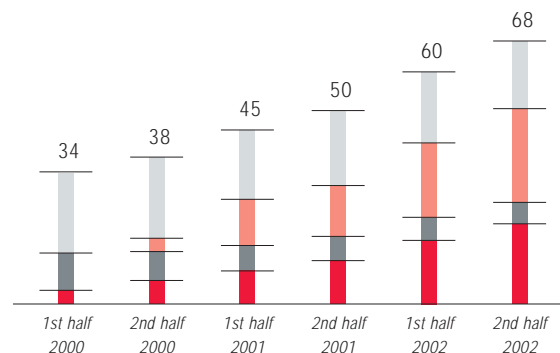
Highlights

380,000 new current accounts in 3 years: +9%



CHANGE IN NUMBER OF INDIVIDUAL CUSTOMER CURRENT ACCOUNTS

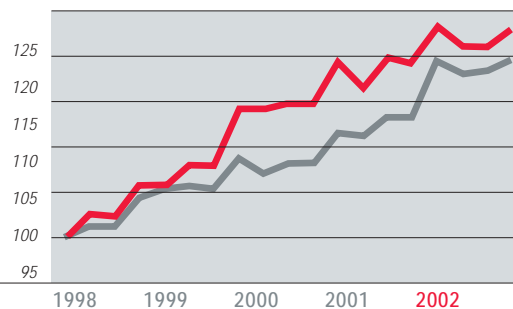
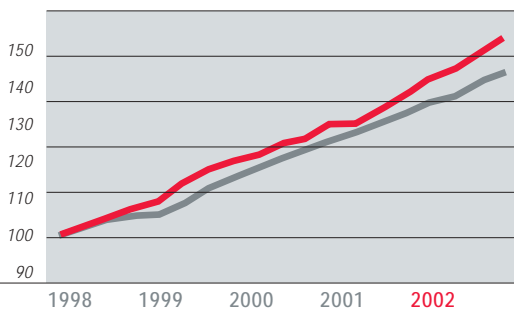
in thousands Source: Société Générale



DIRECT BANKING CHANNELS NUMBER OF CONTACTS

in millions of contacts

Source: Société Générale



CHANGE IN OUTSTANDING INDIVIDUAL CUSTOMER LOANS

CHANGE IN ON-BALANCE SHEET DEPOSITS EXCLUDING SHORT-TERM NOTES (RESIDENTS)

■ Société Générale ■ Market 100 = first quarter 1998

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Sources: Société Générale, Banque de France

Crédit du Nord Group network

A high level of profitability confirmed

Over **1.3** million customers, up **6.3%** in 3 years

Nearly **900,000** individual customer current accounts

Nearly **100,000** professional customers*

23,000 corporate customers



Strategy

A federation of 7 regional banks focused on neighborhood banking and the customer relationship

Committed customer advisers and specialists

An innovative offer tailored to customers' requirements

* Excluding private customers.

Source: Crédit du Nord.

Highlights

Consolidation of growth

Despite the difficult economic environment, Crédit du Nord continued to grow in 2002, registering an increase in both individual customer demand deposits (+6.8%) and corporate customer demand deposits (+6.7%). The lending business was also strong, notably with a 9.2% increase in outstanding mortgage loans.

Regionalization and proximity

The Group continued to develop its network, with a view to ensuring proximity to customers and enhancing efficiency:

- Crédit du Nord sold its branches in the Alsace and Moselle regions to Banque Kolb. This bank was already present in the Lorraine region, and is now the Group's bank in Eastern France;
- Crédit du Nord took over Banque Lenoir & Bernard (based in Amiens in Northern France);
- the Group acquired the business of the Lille branch of Banque Vernes Artésia;
- 11 new branches were opened, bringing the total number of Group branches to 625.

Customer relations and professionalism

The Group's ability to meet its customers' specific requirements was reinforced by:

- creating additional Corporate branches, with sales and administrative teams dedicated to this market;

- appointing two specialist contacts to look after mass affluent customers in the process of building up their asset base: a customer adviser for day-to-day transactions and an asset management specialist providing advice on savings, tax and succession matters.

Innovation and technology

The Group's commitment to innovation was reflected in its ongoing efforts to adapt its product and service offer to customer demand. As such:

- six capital-guaranteed funds were launched in 2002 for a total amount of EUR 260 million. The flagship product, **Etoile Rendement Garanti**, is an original investment fund paying an annual coupon of 2.20% above the rate of inflation;
- an inter-company savings plan, **Etoile PEI**, was introduced, with 1,100 contracts already signed;
- a partnership was signed with Eurofill, a subsidiary of Aviva, to provide car and comprehensive household insurance. Over 11,000 quotes were issued in nine months.

Lastly, customers now benefit from two innovative technological solutions, which facilitate the remote management of their day-to-day transactions:

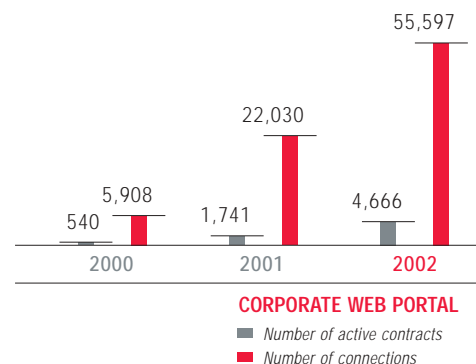
- access to all the different direct banking channels using the same login;
- immediate visualization through the direct banking channels of payments made by check via in-branch scanners linked to the Echange Image Chèque (EIC) check imaging database.

Reactivity in preparing for the future

The implementation of a number of major projects and the introduction of a new individual customer segmentation confirm the Crédit du Nord Group's reactivity and its ability to prepare for the future. Examples of this reactivity include the development of modern CRM tools for the corporate and professional customer markets, the overhaul of employee workstations with the completion of the first pilot sites, and the growing use of outsourcing to process bank card transactions.

The website for corporate customers

The corporate web portal for small businesses was launched in May 2001, and is now used by more than one in four customers. It offers one of the most efficient and comprehensive services on the market, notably including the automatic processing of electronic bills of exchange and the partnership set up with Dun & Bradstreet to provide business information in France.



Retail Banking outside France

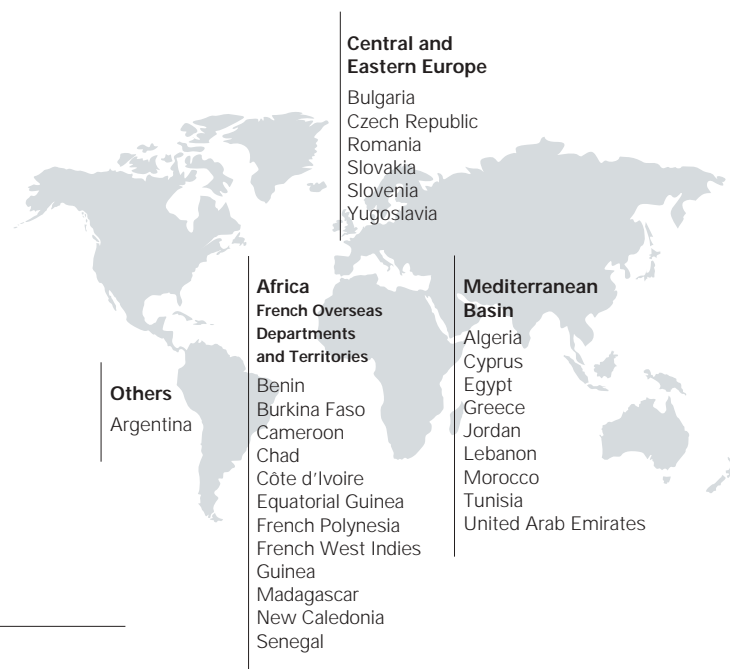
Continued strong growth

4.8 million customers in **28** countries

Over EUR **23** billion of deposits under management

27,000 employees

1,232 branches



Strategy

Adapt the French retail banking model to local markets, with subsidiaries in three key geographic regions:

- Central and Eastern Europe
- Mediterranean Basin
- Africa and the French Overseas Departments and Territories

Expand the franchise through organic growth and acquisitions in high-potential markets

Integrate new acquisitions

Draw on the expertise of other Société Générale Group business lines

Highlight

The creation of the Retail Banking outside France division in 1998 aimed to foster growth by exporting the Société Générale Group's know-how to countries that combined strong growth prospects on the local banking market, high profitability potential and an acceptable level of country risk. The investments made in recent years in regions like Central Europe – particularly in countries set to join the European Union – and the Mediterranean Basin are fully in line with this strategy.

Successful integration of recent acquisitions

The integration of acquisitions made in 2001, in particular SKB Banka in Slovenia and Komerční Banka (KB) in the Czech Republic, was a top priority in 2002.

As such, Société Générale initiated a major project to transform KB as soon as it acquired the bank, by:

- restructuring KB's retail banking network by reorganizing branches, centralizing customer services and expanding the sales force;
- improving the range of products and services, while enhancing the direct banking systems;
- adopting and deploying the new visual identity;

- bringing KB's risk management procedures into line with Société Générale's standards and improving credit quality;
- implementing an active Human Resources and staff training policy;
- reducing operating expenses, including rightsizing the headcount.

KB is now ready to apply and implement the Société Générale Group model. As a result of this successful integration, KB reported stronger-than-expected results in 2002.

KB's share price on the Prague stock exchange rose by 126% between September 2001 and December 2002.

Continued policy of selective external growth

Geographical diversification

Having reinforced its position in Central and Eastern Europe in 2001, the Retail Banking outside France arm focused on expanding its presence in North Africa in 2002. Société Générale is now present in **Tunisia** following its acquisition of a 52% stake in UIB (Union Internationale de Banques). UIB is Tunisia's sixth largest local bank in terms of total assets. With 93 outlets, 200,000 individual customers and 14,000 business customers, it has a market share of around 8%.

Tapping the expertise of the Group's business lines KB in the Czech Republic

KB, which is a universal bank serving both individual customers and businesses, draws on the expertise of the Société Générale Group's various business lines:

- as part of the restructuring of KB's insurance subsidiary, Komerční Pojistovna, Sogécap assumed responsibility for developing life insurance products and benefit plans;
- Franfinance teamed up with KB to provide consumer credit;
- The asset management business run by KB's subsidiary, IKS, will be controlled by SG Asset Management.

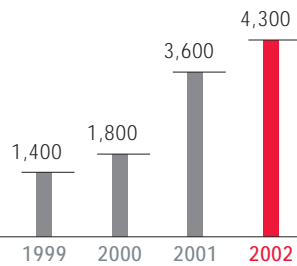
The sharing of expertise between the Group's retail banking subsidiaries outside France and its other activities also concerns:

- SG Private Banking for wealth management,
- ALD for operational leasing,
- CGA for factoring,
- SG for structured finance.



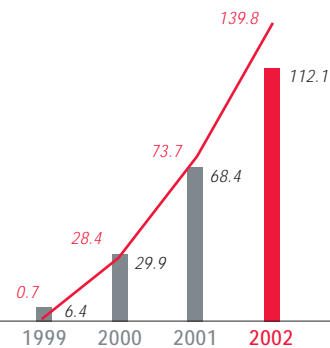
Highlights

Number of individual customers of the international retail banking network



In thousands
Source: Société Générale.

An example of strong organic growth: National Société Générale Bank in Egypt



■ Total bank cards in thousands
■ Number of individual customers in thousands

Source: Société Générale.

Société Générale also bolstered its presence in sub-Saharan Africa by creating a new subsidiary in **Benin**.

The Retail Banking outside France division permanently seeks opportunities that fit in with its strategy in terms of:

- providing growth drivers on fast-growing markets;
- rapidly generating a high level of profitability;
- diversifying country and counterparty risk.

Continued organic growth

At the same time, the retail banking franchise outside France is expanding rapidly:

- **the customer base once again grew sharply**, with 480,000 new customers in 2002, representing a 12% increase.

This was notably driven by:

- **Romania**, where the Romanian Bank for Development now has nearly 1.4 million customers, compared with 550,000 at the time of its acquisition three years ago;
- **Egypt, Slovenia and Morocco**, where the number of customers rose by 63%, 25% and 19% respectively in 2002;

- in 2002, the **retail banking network development plan** resulted in an expansion of the Group's international footprint, with an addition of **27 branches**.

The optimization of management tools and an expanding franchise generated profitable growth without adding to the headcount.

Development of direct banking

A major priority is to provide multi-channel banking solutions adapted to specific local market conditions, to complement the bricks-and-mortar networks.

At year-end 2002:

- over half of the entities had an automated voice server providing account information and some ten countries had a call center;
- all the Group's subsidiaries had an institutional website;
- six transactional sites are now online and the roll-out will be completed in 2003.

Specialized Financial Services

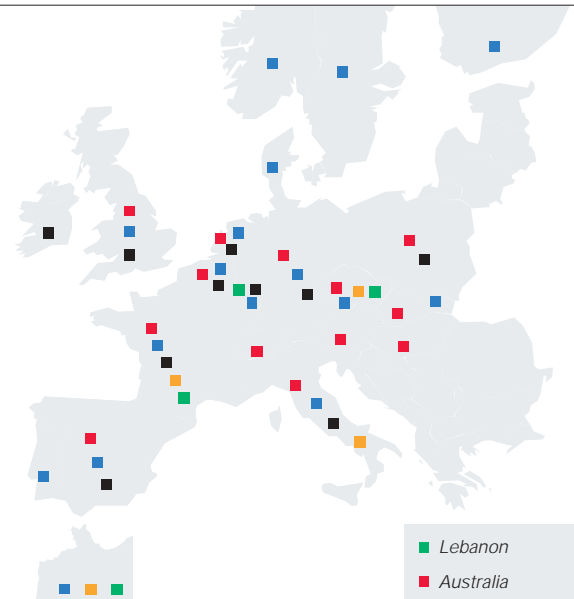
A European force in action

Number 1 in Europe⁽¹⁾
in equipment finance and vendor finance*

Number 1 in Europe⁽²⁾
in multi-brand IT asset leasing and management

Number 2 in Europe⁽³⁾
in operational leasing and fleet management

Leader in France⁽⁴⁾
in unit-linked life insurance policies



Strategy

Integrate newly-acquired subsidiaries to build a European financial services platform

Develop the pan-European product offer in vendor finance, vehicle leasing and fleet management, and IT equipment leasing

Rebalance the product mix in favor of value-added services and advisory

Strengthen partnerships and pool expertise with the Group's other business lines

Specialized Financing and Insurance

- 23 countries
- Nearly 5 million customers
- 8,200 employees

- Consumer lending
- IT asset leasing and management
- Business finance
- Vehicle finance
- Insurance

Source: Société Générale

* Excluding structured finance and vehicle finance.

(1) Sources: Leaseurope and 2001 annual reports.

(2) Sources: 2001 annual reports.

(3) Source: Datamonitor study, October 2001.

(4) Source: Argus de l'assurance, December 2002 supplement.

Specialist businesses

Highlight

ALD Automotive and Hertz Lease: a new dimension

In December 2002, Société Générale signed an agreement with the Ford Motor Company to acquire the European multi-marque operational car leasing and fleet management activities of Hertz Lease at the start of 2003. With a broad geographical reach spanning 16 countries, a world-class management team assigned to corporate accounts and a fleet of 500,000 vehicles under management, Société Générale will rank number two on the European vehicle leasing market following this acquisition. This new dimension will provide business customers with "direct pan-European access", expanded to include the Netherlands, Luxembourg and Belgium, as well as the Scandinavian countries of Norway, Sweden, Denmark and Finland.



Société Générale is now a **leading European player in Specialized Financial Services (SFS)**. In 2003, it will become the second largest operational car leasing company in Europe, by continuing to develop its integrated product offer at an international level. With a presence in 23 countries, solid market positions and strong synergies with its partners, Société Générale's SFS arm is on track in implementing its strategy.

Business Finance

IT asset leasing and management

A sales team dedicated to corporate accounts

ECS, which is present in ten European countries, offers its customers a local presence backed up by a reactive international structure. The offer has been enhanced by the creation of a dedicated team assigned to corporate accounts.

In France, ECS and Crédit du Nord have set up a partnership aimed at promoting the range of IT leasing solutions and related services among the bank's business customers.

ECS confirmed its dominant position in Europe in 2002, with EUR 1.9 billion in turnover.

Equipment finance and vendor finance

A pan-European multi-sectoral offer

With an international network spanning 14 countries and pan-European expertise specialized by business sector, i.e. high-tech industries, transport and capital goods, **Société Générale Vendor Services (SGVS)** provides its business customers with solutions tailored to their markets.

In Germany, GEFA has honed its expertise, which is especially well regarded by big names such as Sun and Oracle, in vendor programs for the high-tech sector.

Similarly, efforts to pool expertise with the Group's other business lines are continuing. One example is in Italy between the factoring and medium-term business financing activities.

At the end of 2002, new financing amounted to EUR 6.4 billion, and outstanding loans were up by 15.5% at EUR 12.8 billion.

Operational leasing, fleet management and vehicle financing

An offer covering 16 countries

Following the acquisition of Hertz Lease, Société Générale will **rank number 2 in Europe in operational car leasing**.

By expanding its geographical coverage from 9 to 16 countries, ALD Automotive can serve its customers throughout Europe. In 2002, ALD Automotive was awarded two contracts by TotalFinaElf and Unilever following international invitations to tender. In France, two large partnerships were established, the first with EDF, as ALD Automotive acquired an equity stake in E-Lease, a company that promotes electric vehicles, and the second with Groupama to market lease purchase solutions for individual and professional customers.

Consumer finance

International expansion

Franfinance is France's fourth largest specialized consumer finance company⁽⁵⁾ with EUR 6.3 billion of outstanding loans under management. It entered into two major partnerships in 2002, the first with Groupama Banque to develop a line of consumer credit products and the second with Weldom to introduce a payment card combined with a customer loyalty program. In 2002, **Franfinance** also exported its know-how outside France, particularly to Société Générale's foreign subsidiaries:

- **in the Czech Republic**, it set up a subsidiary with Komerční Banka specialized in providing consumer credit via the branch network;
- **in Morocco**, Société Générale bolstered its market presence **by acquiring a 53% equity stake in Eqdom**, the country's leading consumer lending specialist with a 22% market share.

The expertise acquired by **Fiditalia**, Société Générale's consumer credit subsidiary **in Italy**, enabled the Group to conclude important marketing agreements with the Italian Post Office and Banca Sai, aimed at promoting consumer finance for household purchases.

Outstanding customer loans totaled EUR 2.2 billion at the end of 2002.

CGI, France's second largest multi-marque vehicle financing company⁽⁶⁾ and the market leader in boat financing⁽⁷⁾, saw outstanding loans rise by 9.6% to EUR 2.2 billion at the end of 2002.

Banking services

Global Securities Services

A core growth area

The Global Securities Services business line continued to grow in 2002 with **assets under custody up by 6.5%** to EUR 860 billion.

For the second consecutive year, the Bank was awarded **Moody's highest Management Quality Rating (MQ1)**, while **Fitch-AMR** upgraded its rating to **aa**. This attests to the quality of Société Générale's services in peripheral asset management businesses and underscores its policy of maintaining transparency for institutional investors or fund managers seeking custodial services.

EuroVL, which was acquired in 2001, rapidly expanded its mutual fund valuation business and continued its international growth, moving into Luxembourg and Ireland.

The activity providing back-office processing and custody services to brokerage firms and banks on the world's major financial markets continued to implement its productivity enhancement programs.

The Global Securities Services business line is now capable of offering a full range of high-quality products throughout Europe, leaving it well positioned to profit from any market rebound.

Cash management

Expanded product range

2002 saw the introduction of **three transactional banking websites**: Progeliance Net for professional customers, Sogecash Net for SMEs and Sogecash Net International, designed to meet the international needs

of large corporations. At the close of 2002, these various services were used by 33,000 customers.

Insurance

Sogécap

Winner of the most awards in France in 2002

Sogécap was the winner of **7 life insurance awards** in the financial performance, innovation and customer service categories. This was the highest number of awards ever won by Sogécap and the highest won by any company in the industry.

Sogécap continued to add to its product range in 2002 with the introduction of guaranteed funds, which attracted over EUR 600 million in new money.

Notable developments outside France included the new range of insurance products launched in Morocco, the Lebanese subsidiary reaching break-even only two years after start-up and the introduction of bancassurance services in the Czech Republic.

At year-end 2002, Sogécap's policy reserves stood at EUR 33 billion, of which EUR 13 billion related to unit-linked policies.

Sogessur

An enhanced offer

The principal highlights of 2002 were the rapid growth in the number of new policies written and the enhancement of the product offer.

The success of the "Garantie des Accidents de la Vie" product (a personal accident insurance policy) confirms the quality of the product range on offer. 50,000 policies were sold through the Société Générale network in the first four months following its launch.

(5) Sources: 2001 annual reports.

(6) Source: Journal de l'automobile (April 2002).

(7) Source: Financement des particuliers magazine (No. 121, January 2003).

Asset Management and Private Banking



EUR **269** billion in assets under management

3rd largest euro-zone bank in asset management

Source: Société Générale.

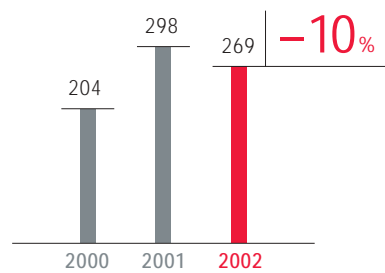
Asset Management and Private Banking

In 2002, the Group's **Asset Management and Private Banking** business continue to develop, with the acquisition of a private banking company in Japan and the formation of two asset management partnerships - one in China and the other with Axa in France in the employee savings sector.

In spite of the very difficult financial markets, assets under management stood at EUR 269 billion at December 31, 2002 thanks to inflows of new money totaling EUR 15.1 billion over the period, including EUR 5.1 billion through cross-selling initiatives.

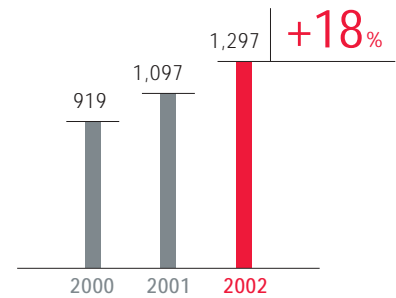
Net income from the Group's Asset Management and Private Banking arm came out at EUR 237 million in 2002, down slightly on 2001.

2002 KEY FIGURES



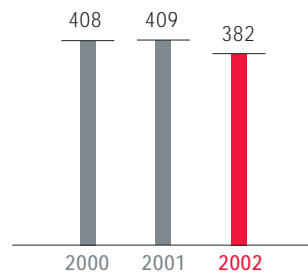
ASSETS UNDER MANAGEMENT

In millions of euros



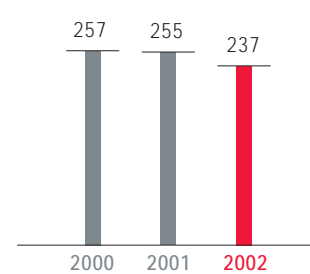
NET BANKING INCOME

In millions of euros



OPERATING INCOME

In millions of euros



NET INCOME

In millions of euros

Asset Management

Close to the markets, close to the clients

EUR **232** billion in assets under management*

EUR **12.5** billion of net new money in 2002*

3rd largest euro-zone bank in asset management

Rated **aa+** by Fitch-AMR

for its whole international structure,
including TCW (acquired in 2001)



ASSET MANAGEMENT

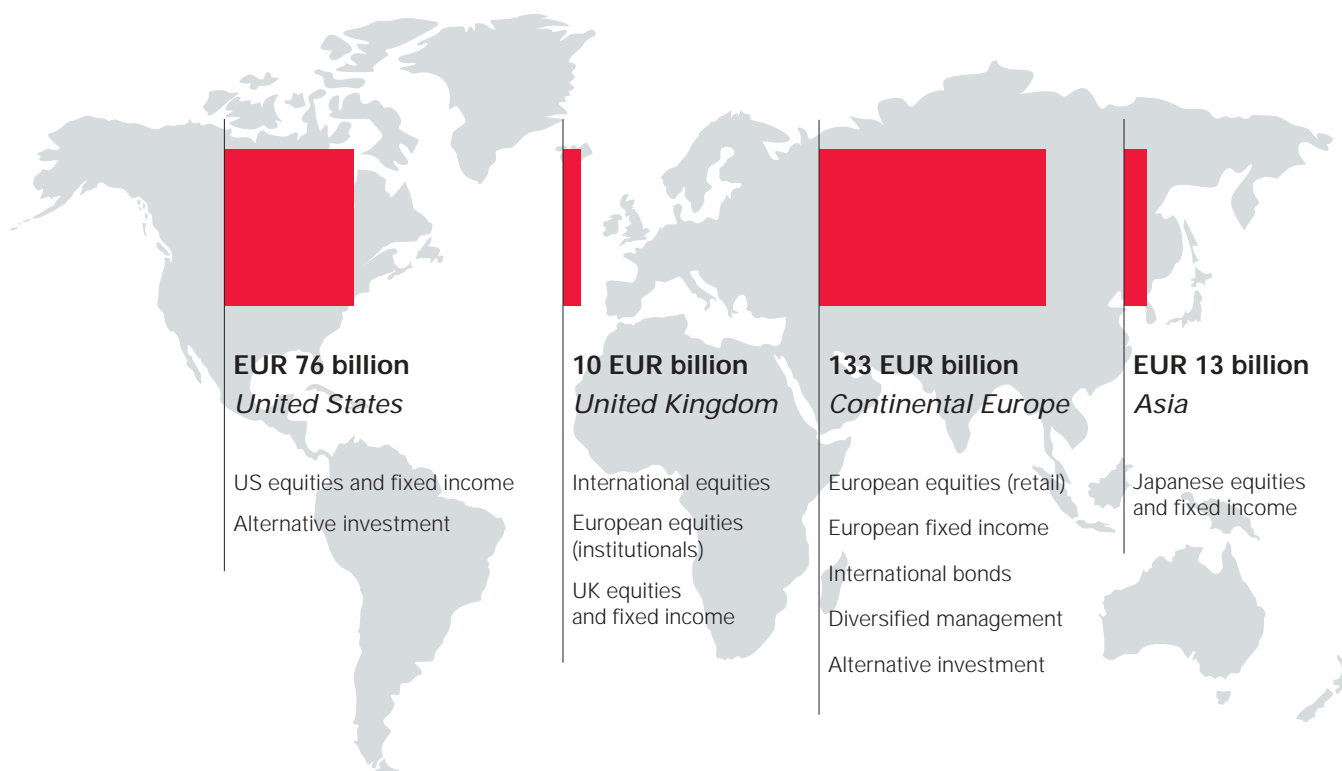
Strategy

To be a global player supported by specialized centers of expertise in the world's four main investment regions

To offer access to all asset classes across all financial markets to all types of client (institutional investors, corporates, distributors, individuals)

To increase the number of distribution agreements worldwide

To prepare future channels for growth



A robust development model

Against a backdrop of extremely difficult financial markets marked by a 50% plunge in European equities over two years, many asset management companies saw their margins collapse and losses mount in 2002. The business model developed by SG AM enabled it to steer through this unprecedented crisis while maintaining stable earnings. This strong performance reflects the quality of the product range, the well-balanced client mix and the international diversification of the portfolio.

— **Product range:** equity and diversified portfolios account for less than 40% of total assets, while short and long-term fixed-income products account for 48%. The remaining balance of over 12% is invested in alternative investment. The considerable growth seen in this asset class is a result of the significant investments made by SG AM since 1998. As this management style is more resistant to market volatility, it attracted over 40% of net new money in 2002;

— **Client mix:** the balance between institutional investors (51% of assets under management), and retail clients plays an important role in ensuring the stability of SG AM's earnings and the volume of assets under management;

— **International diversification:** a fair spread between the United States (33% of assets under management), Europe (61%) and Asia (6%) enables the Group to weather a local market crisis while having available different drivers for growth.

Highlights

External distribution: dynamic sales growth

SG AM has made distribution outside the Société Générale network a strategic development priority, which accounts for over 10% of assets under management. Distribution agreements have been signed with some twenty major partners in the banking and insurance sectors in the United States, Asia (Japan and Singapore) and Europe (France, Spain, Italy, Germany, etc.). These major partnerships are supplemented by over 500 marketing agreements with independent financial advisers. The specialized products sold this way include alternative investment, multi-manager funds (developed in partnership with Frank Russell) and the Group's umbrella funds – Sogelux (for Europe and Asia) and Galileo (for the United States).

Channels for future growth

The Group is currently seeking future growth drivers in Asia, North America and Eastern Europe.

- In Asia, **China** represents a huge market with its population of 1.2 billion people. The formation of a joint venture with Baosteel, China's largest industrial firm, in July 2002, opens the doors to China's principal banks, whose retail networks provide access to tens of millions of potential clients. The first joint products are expected to be unveiled during 2003.
- In America, the Group is targeting **Canada** and especially **Mexico**, which has 120 million inhabitants and now has very close trade and economic ties with the United States, as a result of its membership of NAFTA.
- Lastly, **Central and Eastern Europe** offers strong potential for growth, notably as a result of the enlargement of the European Union. The expansion of the asset management business in this region is taking place alongside the acquisitions made by the Retail Banking Outside France arm in the Czech Republic, (EUR 1 billion under management), Slovenia, Romania, etc.

Product innovation to enhance cross-selling

Success of MBS in Europe

Mortgage Backed Securities (MBS) represent the largest segment of the US bond market and offer the best risk/return ratio. TCW, the Group's asset management subsidiary in the United States, is one of the leaders on this market with 26 specialized experts and over EUR 28 billion of assets under management. The management performance regularly features at the top of the league tables (first quartile of the Russell universe over 1, 3, 5, 7 and 9 years at September 30, 2002). The MBS sub-fund of the Sogelux umbrella fund was rated AA by Standard & Poor's for the quality of the investment process and performance. American MBS management is a core component in cross-selling initiatives, with nearly EUR 2 billion sold in Europe and Asia in 2002.

The success of alternative investment

Since 1998, SG AM has invested massively in human resources and tools dedicated to alternative investments, which are decorrelated from traditional markets. Assets under management exceeded EUR 29 billion at the end of 2002 and net new money over the period amounted to more than EUR 5 billion, representing over 40% of SG AM's total net inflows. This success is based on an international business model and high-caliber teams with a strong culture of innovation. A broad range of hedge funds complements the range of structured products, offering 10 different investment strategies.

Highlight

Sustainable development and employee savings

SG AM added an "ethical and socially responsible" investment fund to its range of employee savings funds in 2001, thereby offering employees a selection of securities based on sustainable development criteria. SG AM's commitment to developing socially responsible investment solutions was reinforced in 2002 by the creation of the "Arcancia label" fund family, consisting of six employee investment funds that incorporate socially responsible criteria into their investment policies. The French inter-union employee savings committee awarded its label to this product offering in June 2002.



Private Banking

Strengthening of international network and sales platform

EUR **37** billion of assets
under management

3 priority regions: France,
Europe and Asia



Strategy

Offer personalized advisory services and a full range of innovative products and services as part of a global approach to clients' needs

Develop the sharing of know-how with the Group's other business lines and tap the client acquisition potential offered by the domestic and international retail banking networks

Increase profitability by enhancing productivity, pooling resources and managing risk

Reinforce the international presence



PRIVATE BANKING

Strengthening of the international network and product offer

Creation of SG Private Banking Japan

SG Private Banking has expanded into **Japan**, the world's second richest country in terms of private wealth, by acquiring the licenses and activities of Chase Trust Bank (Japan). Under Japan's specific regulatory framework, the status of a trust bank provides the competitive advantage of conferring the right to offer a full range of private banking services to a targeted customer base under one roof. These include banking services, discretionary management, advisory management, financial engineering and the transfer of private or business assets.

Expansion of the private banking network in Belgium

The acquisition of Banque de Maertelaere (BDM) reinforced the Société Générale Group's presence in **Belgium** and extended its on-shore private banking platform in Europe. A specialist in asset management, Banque de Maertelaere extended its footprint by opening three new branches in the second quarter of 2002 in areas offering strong growth potential. This raises the number of offices to 15.

Development of structured products and alternative management

An expanded and updated product range resulted in a **tripling of revenues** from the sale of structured and alternative management products **between 2000 and 2002**.

Resilient performance in a tough market

The Private Banking arm gathered EUR 2.6 billion in new money under difficult market conditions. This performance attests to the validity of SG Private Banking's business model and the commitment of its teams. However, it did not entirely offset the negative price effect. Assets under management stood at **EUR 37 billion** at end-December 2002, compared with EUR 40 billion at year-end 2001.

Net banking income rose by 5.8% to EUR 309 million owing to changes in Group structure. Despite the drop in brokerage fees and interest rates, net banking income recorded a limited fall of only 1.1% on a like-for-like basis and at constant exchange rates, essentially due to the success of innovative capital-guaranteed structured products.

Highlights

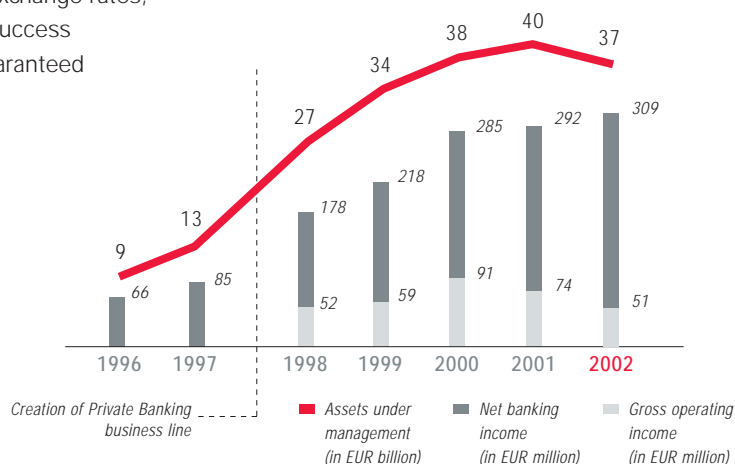
SG Private Banking

www.sgprivatebanking.com

- A global business line dedicated to high net worth individuals with over EUR 1 million in financial assets or offering strong potential,
- present in 22 countries,
- 1,500 employees.

Launch of Funds Research

In addition to the funds managed by SG AM, SG Private Banking now offers a selection of the world's best mutual funds chosen by its team of experts and organized by asset class.



Corporate and Investment Banking



3rd largest corporate and investment bank in the euro zone⁽¹⁾

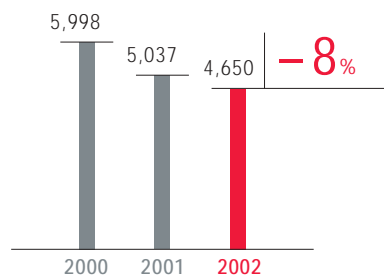
One of the **top 10** financial institutions on the euro capital and derivatives markets

*(1) In terms of pre-tax profit.
Source: published annual results of competitor banks.*

Corporate and Investment Banking

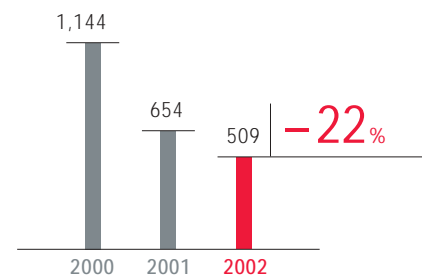
SG, the Société Générale Group's corporate and investment banking arm, serves corporate clients and investors in 45 countries. It is recognized by its clients for its innovation and execution capabilities. Thanks to these qualities, SG now ranks among the top ten financial institutions on the euro capital markets and remains the global leader in derivatives. Present on the European, US and Asian markets, SG offers its clients a tailored approach to meet their financial and strategic needs. The Corporate and Investment Banking business generated net banking income of EUR 4,650 million and an ROE after tax of 14.2% in 2002, attesting to the robustness and profitability of its platform in a challenging business environment.

2002 KEY FIGURES



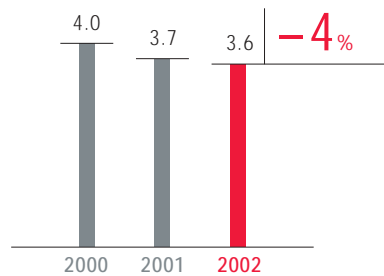
NET BANKING INCOME

in millions of euros



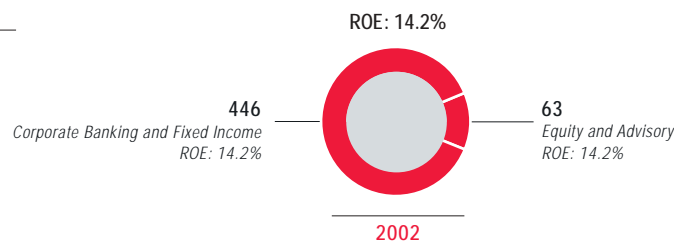
NET INCOME

in millions of euros



AVERAGE ALLOCATED CAPITAL

in billions of euros



NET INCOME AND ROE AFTER TAX

in millions of euros

Corporate and Investment Banking

A well-balanced and solid platform

Strategy

Reinforce SG's positions

A new sales division for corporates and financial institutions

Synergies and innovation



**CORPORATE &
INVESTMENT BANKING**

SG, the Société Générale Group's Corporate and Investment Banking division, aims to generate recurrent revenue streams by developing its client-driven activity on the back of innovative solutions underpinned by extensive product and sectoral expertise. SG's aim is threefold:

- in Europe, to be a reference bank for its selected clients, specialized in euro capital market products, derivatives and structured finance, as well as offering M&A services to European target clients mostly involved in French transactions;

- in the Americas, to serve the global financial needs of its target select multinational clients and to offer expertise in selected specialized industries;
- in Asia, to serve the global financial needs of local and multinational clients.

In 2002, SG demonstrated the soundness of its strategy, as illustrated by the resilience of its business mix. Despite the marked decline in the investment banking environment, which was also affected by a higher cost of risk in certain sectors (telecoms/media and energy in the United States),

SG generated an ROE after tax of 14.2% for the year, ranking the Group among the most profitable banks in the euro zone.

SG turned in a resilient operating performance thanks to the cost-cutting measures undertaken in 2002, which partly offset the fall in net banking income and limited the drop in gross operating income to just 3% compared with 2001.

SG rapidly took on board the challenges linked to the economic environment in 2002. Investment banking activities (cash equity and advisory) suffered the repercussions of the decline in global equity markets, as well as the sharp fall in indices, issuance volumes and trading volumes on major stock markets.

Against this backdrop, which is likely to last in 2003, SG has taken steps to adapt, rightsize and optimize its cash equity and advisory platform. These measures, some of which involve regional initiatives (Europe, Asia), led to a reduction in the total headcount of around 550 staff⁽²⁾ in 2002 and are expected to produce full-year savings of approximately EUR 90 million.

Reinforcing SG's positions

In 2002, SG registered a sharp improvement in its competitive positions on the euro capital and derivatives markets. The bank attained its goals by ranking among the top ten financial institutions on these markets.

According to Thomson Financial's 2002 league tables, SG strengthened its positions among the ten leading institutions on the main market segments:

- **Convertible bonds:** named **European Equity-Linked House of the Year 2002** by IFR magazine, SG was ranked **No. 1 bookrunner by number of issues** and **No. 2 bookrunner by volume** (No. 9 in 2001) of convertibles in Europe (EMEA⁽³⁾), with a market share of 13.5% versus 5.7% in 2001;
- **Bonds:** SG was ranked **No. 7 bookrunner** (No. 13 in 2001) of euro bond issues with a market share of 4.9%, up from 2.6% in 2001. SG made significant progress among Corporates (SG No. 8) and Financial Institutions (SG No. 1), and in securitization deals;
- **Securitization:** SG was ranked **No. 7 bookrunner** (No. 19 in 2001) of euro-denominated securitizations in Europe with a market share of 5.6% versus 1.3% in 2001;
- **Syndicated loans:** SG was ranked **No. 10 bookrunner** (as in 2001) of syndicated credits in Europe (EMEA) with a market share stable at 3%;
- **Equity:** SG was ranked **No. 10 bookrunner** (No. 9 in 2001, No. 20 in 2000) of secondary offerings in Europe (EMEA).

In addition to these strong performances on the primary markets, SG confirmed its **leading position in derivatives** in 2002. Considered one of the global leaders in equity derivatives, SG is also recognized for its expertise in interest rate, currency, credit and commodity derivatives.

Underpinned by growth in activity and gains in market share, these positions were achieved despite the challenging market environment marked by dwindling volumes, high volatility and fierce competition. This attests to SG's improved standing in Europe vis-à-vis both issuers and investors. In addition to its performance on the French market, SG also won mandates from a growing number of European and international issuers.

(2) Source: Société Générale Group.

(3) EMEA: Europe, Middle East, Africa.

Highlights

A sales division for corporates and financial institutions

- Defines and implements sales strategy.
- Manages relationships with 1,300 target clients.
- Draws on the full resources of the Société Générale Group.

New alternative management product range

SG has developed a unique range of guaranteed alternative management products based on rigorous risk management. Lyxor Asset Management, a subsidiary of the Société Générale Group, is backed by a risk management platform, which manages over EUR 6 billion. SG currently ranks among the top ten worldwide for guaranteed products indexed on hedge funds.

A new sales division for corporates and financial institutions

This new sales division is intended to enhance SG's understanding of the needs of corporates and financial institutions by offering them the full range of the Société Générale Group's products.

The sales division is responsible for managing and developing relationships with 1,300⁽⁴⁾ target clients. Each of these clients is covered by a senior banker, backed by dedicated experts within the business lines. This client relationship model improves geographic proximity to, and fosters closer contact with, Société Générale's target clients. It also serves to promote value-added solutions based on the complementarity of the Group's various business lines. This approach encourages the development of synergies between the business lines.

Synergies and innovation

SG's corporate banking and fixed income activities have been grouped within a single platform for the past two years, which has produced significant revenue synergies: EUR 100 million in 2001, over EUR 140 million in 2002⁽⁴⁾, and in line with its target of EUR 200 million for 2003.

SG has established a reputation among its clients as a partner of choice for the development of innovative, value-added solutions that meet their specific needs. Similarly, SG also excels in the implementation of customized solutions. This is well illustrated by the modular, pan-European securitization program involving EUR 1.6 billion in car loans, structured for RCI Banque, Renault's finance arm.

As an advisor to the French government, SG developed an original privatization technique for the sale of part of the government's stake in Thomson (formerly Thomson Multimédia). This EUR 1.1 billion placement was carried out using the accelerated bookbuilding technique, which had never been used by the government before. The transaction was accompanied by an OCEANE issue (bonds convertible or exchangeable for new or existing shares) by Thomson amounting to EUR 600 million.

In addition, SG continued to make technological investments in its global equity derivatives platform to consolidate its market leadership. Its teams notably launched the first Exchange Traded Funds (ETF) on the Italian and Belgian markets and have already established a leading position⁽⁵⁾.

Lastly, despite the sluggish economy in 2002, SG implemented a policy of cost management and the development of credit portfolio management.

⁽⁴⁾ Source: Société Générale Group.

⁽⁵⁾ Italian stock market: 74% market share at December 31, 2002.

Belgian stock market: 100% market share at December 31, 2002.

SG's selectivity and well-balanced business mix enabled it to weather the harsh economic climate

The Corporate and Investment Banking business is made up of two arms: the Corporate Banking and Fixed Income businesses, and the Equity and Advisory activities.

Corporate Banking and Fixed Income:

Robust performance against a contrasting backdrop

2002 followed an exceptional year in terms of revenues in 2001. Performances were highly satisfactory thanks to sustained client-related activity and low interest rates which favored the fixed-income activities, keeping revenues stable in comparison with 2001. However, 2002 was characterized by a marked rise in the cost of risk, in particular linked to the crisis that afflicted the media-telecoms sector and to difficulties in the energy sector in the United States.

Debt and derivative markets

The Group's enhanced sales approach enabled it to improve its positions on the debt and derivative markets vis-à-vis both issuers and investors.

SG ranked among the top ten bookrunners of **euro bond issues**, up from No. 13 in 2001 to No. 7 at the end of 2002.

Over the period, the Group won several mandates from French issuers including France Télécom, Renault, Sodexho and Vinci, as well as from a growing number of European issuers, such as Volkswagen, BBVA, Deutsche Telekom, Deutsche Bahn, Hilton and the Republic of Portugal.

On the **securitization market** segment, SG notably rose to No. 7 in the European league table, drawing on both its expertise in structuring and its reinforced placement capacities. In March, SG acted as arranger and bookrunner of the first mortgage loan securitization transaction for a savings bank in Germany, BHW Bausparkasse AG, for EUR 1.2 billion. BHW Bausparkasse AG selected SG again for its second transaction, launched in November, for EUR 1.5 billion. SG also consolidated its leading position on the **derivatives market**. SG was ranked No. 5 worldwide on euro-denominated short-term interest rate swaps and was recognized for its technological leadership in exotic interest rate and credit derivatives⁽⁶⁾.

In the **foreign exchange and treasury** activity, SG ranked No. 9 worldwide for corporates and No. 8 for investors⁽⁷⁾.

Highlight

SG's rankings in the Corporate Banking league tables

	2001	2002
Bookrunner euro bond issues		
All issues	13	7
Corporates	13	8
Financial institutions	15	1
Bookrunner – syndicated loans, EMEA zone	10	10
Euro-denominated securitizations in Europe	19	7

Source: Thomson Financial.

(6) Risk Magazine, September 2002.

(7) FX Week, November 2002.

Highlight

2002: a record-breaking year for Fimat

Fimat is SG's specialized financial instruments and commodities brokerage subsidiary (derivatives and underlying securities, listed and OTC), principally serving institutional investors.

Fimat capitalized on the high levels of market volatility to once again improve its positioning, consolidating its place as one of the leading global clearers with sharp growth in volumes:

- No. 1 on CBOT (Chicago Board of Trade) for execution⁽⁸⁾
- No. 3 on EUREX for settlement⁽⁹⁾
- No. 1 on LIFFE for commodities (execution and settlement)⁽¹⁰⁾.

Specialized financing

Specialized financing turned in a more mixed performance due to the sensitivity of these activities to tension on the credit markets and the slowdown in corporate investment, which was particularly noticeable in the second half of the year.

SG figures among the global top three in **export finance** and **commodity finance**. Ranked No. 1 worldwide in 2002⁽¹¹⁾, the export finance business line once again performed extremely well. SG also ranked No. 2 in the world for structured commodity finance⁽¹¹⁾ for the second consecutive year.

On a difficult **project finance** market, SG consolidated its position among the global leaders, ranking No. 2 in 2002⁽¹²⁾. While the energy sector in the United States was hit by a crisis, reflected in the provisioning booked on certain counterparties, SG completed a number of major transactions, including the financing for the international consortium tendering for the privatization of Sydney airport in Australia, which was named "Asia-Pacific Loan 2002" by IFR magazine.

Similarly, SG maintained its dynamic performance in **acquisition finance** with several major transactions over the period, including, in Italy, the takeover of Eurogen by Edipower and the public tender offer made

by Eurofind (subsidiary of Auchan and Ifil) for the retail group La Rinascente. On the leverage finance segment, SG successfully implemented its new strategy focused on European investment funds.

Fimat

Fimat produced an exceptional performance in 2002, notably thanks to its bond brokerage activity in the United States. In addition to the excellent performance of its core activities, Fimat also pursued its diversification strategy: e-trading advisory and support; high value-added services (risk netting and margin calls).

Equity and Advisory:

Resilient performance in the face of bearish equity markets

Even more than 2001, the 2002 financial year was marked by turbulent equity markets: collapse of volumes, depressed share prices and sluggish M&A markets. Consequently, the cash equity (primary market, distribution and trading, research) and M&A advisory activities were particularly strongly affected.

⁽⁸⁾ Data published by CBOT.

⁽⁹⁾ Data published by EUREX.

⁽¹⁰⁾ Data published by LIFFE.

⁽¹¹⁾ Trade Finance, June 2002.

⁽¹²⁾ Project Finance Magazine League Tables 2002.

Highlight

“Best European Equity-Linked House”⁽¹⁷⁾ and “Best Equity-Linked Deal of the Year” in 2002⁽¹⁸⁾

SG was named Best European equity-linked house. SG successfully extended its expertise, which has long been recognized in France, to the rest of Europe.

For the second consecutive year, SG won the “best equity-linked deal of the year” award for the transaction arranged for Accor (EUR 570 million), notably thanks to the deal’s innovative structure.

Primary equity

In a primary market down by 34%, SG maintained a strong positioning thanks to its expertise on the European equity-linked segment, despite an equivalent drop in this market. Ranked No. 2 for convertible issues in Europe (EMEA), SG managed 11 convertible issues in Europe (EMEA) for a total volume of USD 2.9 billion, representing a market share of 13.5%, compared with 5.7% in 2001.

The main deals managed by SG in 2002 included issuers from four different countries: Holcim (Switzerland); Arcelor (Luxembourg); Aegis (United Kingdom); Financière Agache/LVMH, Thomson (formerly Thomson Multimédia) and Accor (France). In the United States, SG Cowen maintained its position despite a depressed market and was particularly competitive with its AFO (Accelerated Follow-On⁽¹³⁾) product.

M&A advisory

SG Cowen extended its expertise in the retail consumer goods and media/leisure sectors, and was very active in the aerospace/defense sector. Despite a significant decline in the technology sector, SG Cowen nonetheless concluded major

transactions in the healthcare sector. SG Cowen advised Biosearch Italia on its merger with Versicor, the first share exchange merger between a listed Italian company and a listed US company (USD 260 million). SG was very active in Europe, including in cross-border deals such as Auchan-Ifil/Rinascente, Castorama/Kingfisher, Saica/La Rochette, Vallourec/North Steel Star Tubes, and Arbed/Arceralia/Usinor.

Secondary equity

In a difficult market environment, the European MSCI⁽¹⁴⁾ index and the CAC 40 fell 30.9% and 33.8% respectively, and the number of transactions on European stock markets fell, producing an unfavorable impact on results. However, SG kept its position as No. 1 broker on the French market⁽¹⁵⁾ with a 10.7% market share⁽¹⁶⁾. In the United States, SG Cowen maintained its volumes and market share, and even improved its presence slightly among its main clients.

Given this poor environment and in view of the lack of near-term recovery prospects, SG rightsized its cash equity and M&A platform in Europe and Asia.

⁽¹³⁾ Accelerated placement of new shares.

⁽¹⁴⁾ MSCI Blue Book, December 2002.

⁽¹⁵⁾ Euromoney, July 2002.

⁽¹⁶⁾ Euronext data.

⁽¹⁷⁾ IFR Review of the Year 2002.

⁽¹⁸⁾ The Treasurer, December 2002.

Highlight

SG's ranking in Investment Banking league tables

	REGION	2001	2002
Equity issues (bookrunner ranking by amount of issues managed)	France	1	3
	Europe	8	11
	All international issues	10	7
Convertible bond issues (based on deals completed or unconditional)	Europe	9	2
	All international issues	10	7
Mergers & Acquisitions (based on deals completed or unconditional)	Europe (target or buyer)	16	19
<i>Sources: Thomson Financial, IFR, January 2003</i>			
Warrants ⁽¹⁹⁾	World	#2	#1
ETF (outstanding) ⁽¹⁹⁾	Europe	#4	#2

Equity derivatives

The equity derivatives business line produced a strong performance in 2002 and confirmed its position among the global leaders on this market.

The client-driven activity of this business line focuses on two kinds of products: structured products and listed products.

Structured products

The teams of traders, financial engineers and salespeople have developed one of the most integrated offers on the market. The bearish market conditions seen throughout 2002 reinforced retail clients' interest in structured products (capital-guaranteed products, alternative management), a sector where SG's expertise is recognized worldwide throughout the equity and index derivatives industry.

Both institutional and retail investors benefit from this activity's strategy based on innovation and permanently adapting its product range.

This capacity for innovation and the wide range of structured products on offer (Mountain range, Emerald, Saphir, etc.) enabled the Group to register a level of sales activity comparable to 2001, in terms of both inflows of new money and results, despite the challenging market environment in 2002.

Listed products

This activity offers individual and corporate clients a wide choice of equity derivative products: warrants, certificates, reverse convertibles and trackers.

SG offers its clients a high level of service quality:

- real-time price quotations via the internet and teletext,
- a dedicated internet site warrants.com,
- a monthly newsletter (120,000 subscribers),
- a toll-free number in several languages,
- direct contact with retail clients (seminars, etc.).

SG regained its position as global leader on the warrants market (15.1% market share worldwide⁽¹⁹⁾) and confirmed its position as European leader on the ETF market (No. 1 in Europe by volume of transactions, No. 2 by outstanding).

SG also remained highly active in trading activities (arbitrage and volatility trading), where it enjoys a globally recognized expertise. Despite the difficult market conditions, the results generated by these activities were satisfactory thanks to effective risk management.