



# Activity 2003

## Overview of activity in 2003

*The Group's activity is well balanced between three core businesses*

### Retail Banking and Financial Services, which groups:

- The Société Générale and Crédit du Nord networks in France.
- Financial Services: business finance and consumer credit, banking services and securities, life and non-life insurance activities.
- Retail Banking outside France.

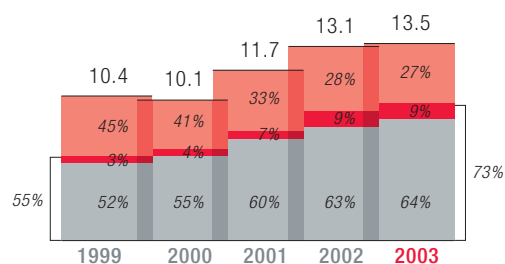
### Global Investment Management:

which comprises the Group's Asset Management and Private Banking businesses.

### 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), looks after the Group's asset/liability management, acts as the central funding department and bears the cost of major projects that do not relate directly to the activity of the core businesses.



**AVERAGE CAPITAL ALLOCATED TO CORE BUSINESSES (EXCL. CORPORATE CENTER), INCLUDING NON-AMORTIZED GOODWILL**

in EUR billion

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

As in 2002, Retail Banking and Financial Services and Global Investment Management together accounted for over two-thirds of capital allocated to the core businesses (including non-amortized goodwill) in 2003.

In 2003, all the Group's Retail Banking and Financial Services activities turned in robust performances, while the Global Investment Management businesses held up well under difficult stock market conditions at the start of the year. Thanks in particular to excellent performances by the fixed income and equity derivatives businesses, the full impact of cost-cutting initiatives and an optimized capital allocation policy, the Corporate and Investment Banking arm registered an exceptionally high level of profitability in 2003 (ROE after tax of 30.1%).

Strong top-line growth and tight cost control combined to produce a sharp increase in gross operating income, which was up 22% when adjusted for changes in Group structure and at constant exchange rates, excluding a EUR 187 million capital gain realized on a property disposal and booked under net banking income. With a drop in risk provisioning, operating income also showed a marked rise of 32% on a like-for-like basis and excluding the property capital gain. Net income came out at EUR 2.5 billion, up sharply on 2002 (+78%).

The Group retains a solid financial structure: as at December 31, 2003, the Group's Tier-one ratio stood at 8.7% versus 8.1% at December 31, 2002.

in EUR billion	2002	2003	Change	
Net banking income	14.6	15.6	+ 7.3%	+ 7.3%*
Operating expenses	(10.5)	(10.6)	+ 0.4%	+ 1.9%*
<b>Gross operating income</b>	<b>4.0</b>	<b>5.1</b>	<b>+ 25.3%</b>	<b>+ 21.5%*</b>
Net allocating to provisions	(1.3)	(1.2)	- 5.8%	- 2.1%*
<b>Operating income</b>	<b>2.7</b>	<b>3.8</b>	<b>+ 39.9%</b>	<b>+ 32.3%*</b>
Net income from long-term investments	(0.3)	0.4		
Amortization of goodwill	(0.2)	(0.2)		
Exceptional items and general reserve for banking risks	(0.0)	(0.2)		
<b>Net income</b>	<b>1.4</b>	<b>2.5</b>	<b>+ 78.4%</b>	
Group ROE (after tax)	9.4%	16.2%		
Business line ROE (after tax)	18.7%	23.8%		
Tier-one ratio	8.1%	8.7%		

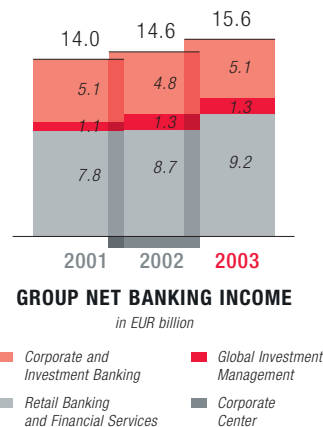
\* When adjusted for changes in Group structure, at constant exchange rates and excluding capital gain on property disposal.

## Growth across the board

In 2003, the Group continued to develop its franchises in all its businesses through a combination of organic growth and acquisitions. The domestic retail banking networks registered a 2.4% increase in the number of current accounts, while new loan issuance and inflows into personal savings products were particularly robust over the period (mortgage loans: +39% versus 2002, consumer credit: +10%, customer deposits: +3%). Global Investment Management gathered EUR 10.3 billion of net new money in 2003 against the backdrop of more bullish stock markets and an improved financial environment in the second half of the year. Corporate and Investment Banking maintained its top-tier positions in structured finance and derivatives, and turned in excellent performances in an environment marked by very low interest rates over the large part of the year and an upswing on the equity markets.

During 2003, the Group integrated the Tunisian bank UIB (Union Internationale de Banques), as well as the European multi-make operational leasing and fleet management activities of Hertz Lease (these acquisitions were finalized at the end of 2002). The Group also acquired and consolidated in its 2003 accounts Compagnie Bancaire Genève, which bolstered the Group's private banking platform in Switzerland, Constellation Financial Management (a management fees securitisation business) and two retail banks outside France in Réunion (BFCOI) and Ghana (SSB).

Net banking income rose by 7% to EUR 15.6 billion (up 8.7% when adjusted for changes in Group structure and at constant exchange rates). Revenues increased by 4.3% in the French Networks, by 17.6% in Financial Services and by 7.8% in Corporate and Investment Banking (+15.6% when adjusted for changes in Group structure and at constant exchange rates). Net banking income generated by Global Investment Management was stable over the full year when adjusted for changes in Group structure and at constant exchange rates, with a marked pickup seen in the second



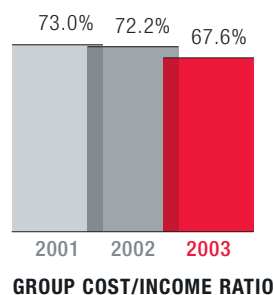
half of the year. Revenue growth was principally underpinned by the development of the Group's existing franchises, together with selective acquisitions in businesses offering strong potential for profitable growth (notably Financial Services and Private Banking).

## A marked improvement in the cost/income ratio

In 2003, the Group continued to implement its major cost-cutting programs focused on four main areas:

- Multi-channel retail banking platform and centralization of back offices.
- Centralization of the purchasing function.
- Integration of acquisitions and harnessing of synergies.
- Rightsizing of the Equity and Advisory platform.

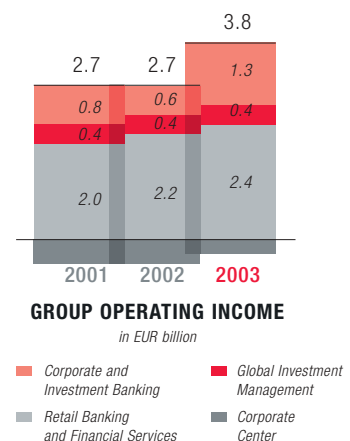
Consequently, operating expenses came out at EUR 10.6 billion, stable in absolute terms and up slightly by 2% when adjusted for changes in Group structure and at constant exchange rates. The combined effect of revenue growth and rigorous cost control produced a sharp fall in the Group's cost/income ratio from 72.2% in 2002 to 67.6% in 2003.



## Drop in specific provisioning for identified risks and reinforcement of general risk reserves

The net allocation to provisions fell 6% to EUR 1.2 billion in 2003. Expressed as a proportion of risk-weighted assets at the end of the year, the cost of commercial risk fell over the period to 59 bp versus 70 bp in 2002. On the Corporate and Investment Banking side, this included a marked reduction in specific provisioning for identified risks and a reinforcement of the general credit risk reserve in the amount of EUR 285 million. Risk provisioning booked by Retail Banking and Financial Services was stable at around EUR 650 million, while the cost of risk of the French Networks held steady at 37 bp in 2003 versus 36 bp in 2002.

Group operating income was up sharply at EUR 3.8 billion in 2003 (+40% in absolute terms, +39% when adjusted for changes in Group structure and at constant exchange rates).



## Slightly positive contribution by industrial equity portfolio

The net contribution made by the industrial equity portfolio to Group earnings was slightly positive in 2003 (EUR +124 million) compared with a negative contribution of EUR -350 million in 2002, reflecting the upturn on the Paris Bourse over the period (CAC 40: +16%). At December 31, 2003, the market value of the industrial equity portfolio stood at EUR 3.0 billion, representing an unrealized capital gain of EUR 0.4 billion.

# Retail Banking and Specialized Financial Services



The Group's Retail Banking and Specialized Financial Services arm comprises: the French Networks (Société Générale and Crédit du Nord), Retail Banking outside France and Specialized Financial Services.

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

2003 **ROE** after tax: **18.8%**

Over **15** million individual customers across **36** entities, up **49.7%** in **3** years

A **major European player** in business finance and services

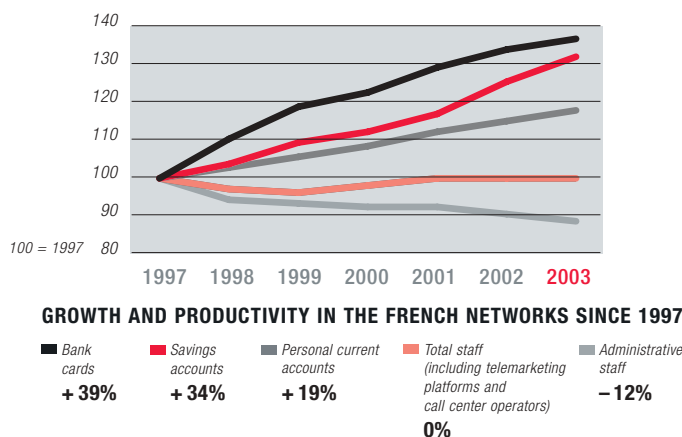
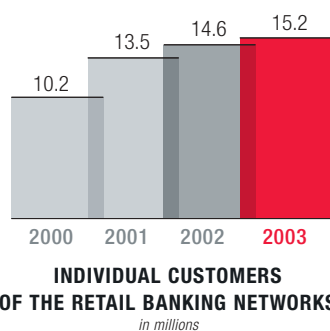
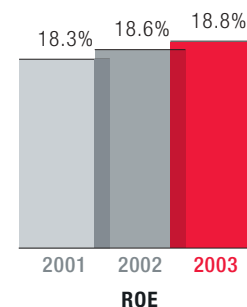
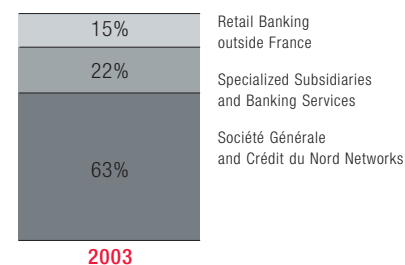
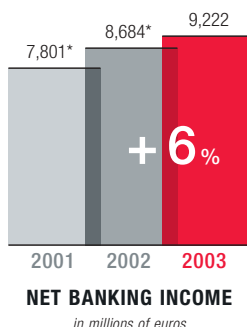
Source: Société Générale.

Despite the persistently sluggish economic environment in 2003, the French Networks saw strong growth in both franchises and sales activity, and generated a high level of profitability over the period. With gross operating income up 8% and net income up 9%, these businesses accounted for 56% of the Group's consolidated net income over the period. At the same time, the cost/income ratio also improved to stand at 67.2%.

These performances reflected continuous efforts to expand the customer base and build up loyalty, alongside continual adjustments to the product offering and distribution methods and the harnessing of synergies with other Group business lines.

Source: Société Générale.

# KEY FIGURES 2003



Note: figures restated to take into account the transfer of the Private Banking business to Global Investment Management.

\* Based on the Group structure in 2003.

## Société Générale Network

Excellent commercial performances and an in-depth transformation of the distribution channels

SOCIÉTÉ  
GÉNÉRALE

5.2 million current accounts:  
+8.3% in 3 years

EUR 73 billion  
in outstanding loans: +6.6%

7.6 products per personal  
current account

159 million customer  
contacts via direct  
banking channels: +26%

EUR 124 billion  
in deposits: +2.2%

Source: Société Générale.

### Strategy

Develop the franchise in growth segments.

Build customer loyalty through expertise, service quality and innovation.

Leverage customer value via CRM tools.

Deploy an effective multi-channel distribution platform.

Pool expertise with other Group business lines.

## Development of the franchise

In 2003, Société Générale saw sustained growth of 2.3% in its customer base (individuals, self-employed professionals, businesses, etc.), with the number of current accounts rising by 116,000 over the year to 5.2 million.

This dynamic performance is primarily due to the success registered on the youth market, and the quality of Société Générale's branch footprint in regions offering strong growth potential (Ile de France, Provence-Alpes-Côte d'Azur, etc.).

## Innovative products and services to build customer loyalty

In addition to attracting new customers, Société Générale is enhancing its relationships with existing customers through its extensive range of products and services.

The average number of products per personal current account rose again in 2003 to stand at 7.6, compared with 7.3 at end-2002.

Over 2003, Société Générale added a number of new services to its range to provide customers with a renewed and more comprehensive offering.

### Individual customers

- Launch of a **new loan insurance product**, in collaboration with Sogécap, **specifically designed for property investors buying to rent**.
- Renewal of the **guaranteed product offering**, with the launch of the Sogélyre line (principal-protected multi-manager investment products where customers can choose from a range of 20 recognized mutual funds from 13 management companies) and the Sogéseptuor line (offering customers 100% of the arithmetic mean annual performance of a selection of Société Générale's top mutual funds).

### Professional customers\*

- **Online loan offering:** Société Générale is currently the only bank to offer a fast-track online loan application system for amounts up to EUR 25,000.
- Launch of a service to help tradesmen, retailers and entrepreneurs in **transferring their company**, providing assistance on key issues and offering loans at preferential rates to the purchaser in order to facilitate the transaction.

## Customer Relationship Awards

Société Générale came joint first in the 2003 banking sector Customer Relationship Awards (source: TNS Sofres/BearingPoint, October 2003), which were based on the following criteria: ability to meet customer needs, responsiveness, after-sales service, innovation, policy towards customer loyalty, ease in reaching a customer relationship manager, and quality of contact.

## Retirement savings

Société Générale is aiming to draw on its strong positioning in financial and employee savings products and the recognized expertise of its life insurance and asset management subsidiaries, to launch a range of retirement savings plans in 2004, under the new Fillon law. It will extend its existing range of long-term savings products for individual and professional customers with the addition of a specific product line offering major tax benefits: the PERP (personal retirement savings plan). It also intends to expand its employee savings product offering for businesses and professionals, based on the PERCO (collective retirement savings plan).

General information on the new pension scheme is already available on the Société Générale website, along with a simulator allowing customers to assess their potential retirement income.

\* self-employed professionals, tradespersons, shopkeepers and farmers

# Retail Banking and Specialized Financial Services

## CONTACT: a successfully met challenge

At the end of 2001, Société Générale announced it was to integrate the SIEBEL customer relationship management application into its existing IT environment, a preliminary before the roll-out of a multi-channel distribution platform. Two years later, in keeping with its projected budget and deadline, Société Générale successfully deployed CONTACT throughout its Network. The application is a major innovation, providing a single point of access to up-to-date customer information across all markets, which can be shared by all those involved in managing the relationships.

Objective: improve sales efficiency and service quality through the provision of expert advice and know-how.

### Business customers

- Introduction of a **new type of equipment lease financing** (Sogelease Express), guaranteeing customers an immediate response to financing applications up to EUR 120,000 for transport, handling and building equipment and machine tools.
- Overhaul and simplification of the **domestic and export trade receivables management service**: CGA, the Group's factoring subsidiary, has developed an insurance brokerage business, distributing loan insurance products developed by Euler Sfac (Timonia and Grand Angle). It now offers a specialized trade receivables management service for SMEs.

### Sustained growth in loans and deposits

The network turned in a dynamic sales performance in 2003 on the personal loan segment. While the strong 31% rise in new mortgage loans, a low risk product that builds customer loyalty, can be attributed to high levels of demand, the excellent growth seen in consumer loans (+8%) was achieved despite a generally sluggish market.

In business finance, Société Générale is continuing to follow a cautious but open policy as a result of the economic slowdown.

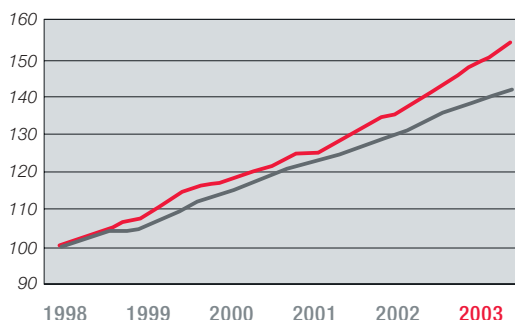
The savings trends seen in 2002 continued into 2003, with customers favoring low-risk products, as shown by:

- Strong inflows into capital guaranteed funds (EUR 1.2 billion);
- The sharp rise in premium income in the life insurance business: EUR 5.2 billion, up 15.6% on 2002, compared with growth of 10,3% for the bancassurance market as a whole;
- Healthy growth in sight deposits (+2.5% overall, and +4% for individual customers) and in special savings account deposits (+7.7%).

### Deployment of the multi-channel banking model

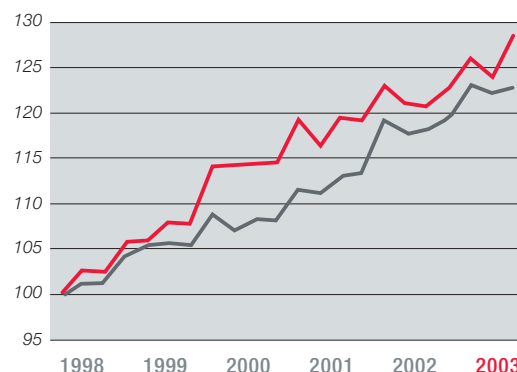
In 2000, the Société Générale Network launched the development of an integrated multi-channel distribution platform designed to optimize customer relationship management (CRM) and standardize the level of service quality, while lowering the network's break-even point.

The multi-channel CRM tool, CONTACT, is now fully operational on the workstations of 21,000 users, spread across the branches, multimedia customer relations centers and customer service units. Each workstation provides its user with an overview of the relationship between the bank and its customers.



CHANGE IN OUTSTANDING LOANS TO INDIVIDUAL CUSTOMERS

■ Société Générale ■ Market 100 = first quarter 1998



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

■ Société Générale ■ Market 100 = first quarter 1998

Sources: Société Générale, Banque de France.

At the same time, the distribution network is continuing its restructuring at a steady pace. At end-2003, over one-third of the network had been reorganized: 35 sales **divisions** were in place to manage the overall multi-channel platform and provide the central focus of the customer relationship; 3 multimedia customer relations centers (mCRC) were set up in Lyon, Nanterre and Lille to assist the network in developing the direct banking business; lastly, 7 customer service units (CSU) were established to centralize the after-sales service activities for one or more sales divisions.

The roll-out of the multi-channel platform has been accompanied by a complete overhaul of sales methods to improve the identification of customer needs, take increased advantage of the opportunities detected via the various banking channels and increase cooperation between the various players.

### Strong growth in direct banking

Direct banking continued to attract more customers in 2003, and is now the channel of choice for certain types of transaction: two-thirds of stock market transactions and nearly half of all one-off transfers are now carried out via direct channels.

- Logitel Net, the free online banking site for individual customers, saw a 60% rise in the number of visitors, attracting 850,000 new users over the year;
- the annual number of connections to mobile telephone internet services, Wap and i-mode™, increased by a factor of 6.7 compared with 2002 to stand at over 550,000;
- subscriptions to the SMS account statement service totaled some 580,000 at end-2003, up by 32% year-on-year.

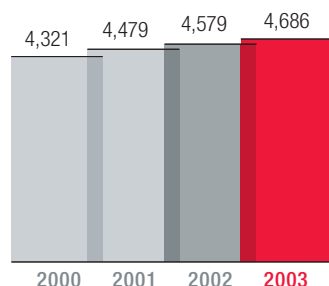
At the same time, Société Générale continued to expand its offering, notably in online trading, and made major investments in technology to keep pace with the steady rise in traffic.

### Société Générale/Groupama partnership

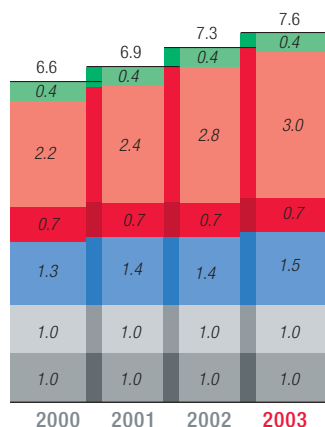
In 2001, Société Générale and Groupama signed an agreement to create a multi-channel bank, Groupama Banque. The entity opened for business in March 2003, with a product offering that includes the Astréa range of everyday banking services and the Désirio consumer credit product. This offering should be extended in the near future to include mutual funds and mortgage loans.

### Account agreement charter

At the start of 2003, Société Générale signed a deposit account agreement charter as part of its continuing commitment to maintaining open and transparent account relationships with its individual customers. The charter follows on from the discussions relating to the Murcef law and sets out three additional commitments to customers: to contractualize all current account relationships, to publish all fees and charges, and to provide information on the ombudsman process.



**CHANGE IN THE NUMBER OF PERSONAL CURRENT ACCOUNTS**  
in thousands



**CHANGE IN THE NUMBER OF PRODUCTS PER PERSONAL CURRENT ACCOUNT**

■ Current accounts ■ Cards ■ Special savings accounts  
■ Financial savings products ■ Services ■ Loans

### CHANGE IN CUSTOMER LOANS AND DEPOSITS (2003/2002, IN %)

<b>Savings accounts</b>	<b>+ 3.2%</b>
of which sight deposits	+ 2.5%
<b>Life insurance</b>	<b>+ 7.4%</b>
<b>Total managed savings</b>	<b>+ 2.2%</b>
<b>Loans</b>	<b>+ 6.6%</b>
of which individual customers	+ 11.2%
of which business customers	+ 2.9%

## Crédit du Nord Network



Strong growth in financial results,  
reflecting more robust commercial activity  
in all market segments

Over **1.3** million customers:  
**+2%** over **1** year

**EUR 13.5 billion**  
in customer deposits: **+2.1%**

Nearly **910,000** personal  
current accounts:  
**+2.4%** in **1** year

**EUR 15 billion**  
in outstanding loans: **+10.3%**

Sources: Crédit du Nord.

### Strategy

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

Committed customer advisers  
and specialists.

An innovative offering tailored  
to customers' requirements.

## Increasing numbers of customers

Despite an unstable economic and stock market environment, Crédit du Nord saw accelerated growth in 2003, registering a strong rise in the number of individual customers and self-employed professionals (1.7% and 4.6% respectively). The Group also saw a 10.3% rise in its overall lending activity, with mortgage loans up 16.8% and equipment loans up 6.1%, fuelling a sharp 6.1% rise in net banking income.

Crédit du Nord continued to expand its banking network, with the acquisition of the private banking franchise of KBC Bank Belgique's French branch by Norfinance Gilbert Dupont, Crédit du Nord's discretionary management subsidiary.

The Group also opened 9 new branches over the year.

## Improved customer service

For some years now, it has been Crédit du Nord's policy to establish written account agreements in order to contractualize its customer relationships over the long term. In line with this clear and fair commitment, the Group has subscribed in full to the Murcef Charter on account agreements, drafted in January 2003 in conjunction with the public authorities.

Throughout 2003, Crédit du Nord extended its range of mutual funds with the addition of the following products:

- *Étoile Multi Gestion Europe*, launched in partnership with Russell. This innovative multi-style and multi-manager fund, which is eligible for PEA (French equity savings plans), is managed on a discretionary basis by five international managers and not as a fund of funds.
- *Étoile USA 500*, a mutual fund designed to track the performance of the S&P 500 while providing euro-zone investors with protection against the majority of the

exchange rate risk. This is Crédit du Nord's second US equity fund after *Étoile USA 30*, which is indexed to the Dow Jones.

- *Étoile Alternative*, an alternative multimanagerment fund launched in collaboration with Russell and backed by Lyxor Asset Management's extensive expertise.

In June 2003, Crédit du Nord launched an internet site for to company savings plans targeting employees, businesses and self-employed professionals. It comprises a corporate section, which gives a summary of the Group's product offering (targeted information for each customer profile), and an account management section, which allows customers to check their available assets and most recent account transactions in real time.

Customers also have access to two new tools:

- A statement of wealth, which provides a detailed summary of the customer's banking and financial assets;
- Portfolio models: an Internet advisory service to help customers manage their investment portfolio, designed in particular for customers who want specialist advice on how to diversify their financial market investments. The portfolios models are updated each month according to market fluctuations and changes in the economic environment.

## Recognized performances

Étoile Gestion, Crédit du Nord Group's collective management subsidiary, won the following awards in 2003:

- The silver award for the best international equity range over three years at the 2003 mutual fund awards organized by the financial magazine *Le Revenu*. The award was in recognition of all Crédit du Nord's equity management strategies.
- At the mutual funds award ceremony organized by the financial magazine *Le Journal des Finances* in conjunction with Standard & Poor's, Crédit du Nord won second prize in the sectoral funds category for its *Premior* fund.



Example of a publicity poster.

The Crédit du Nord Group promotes its personal car loan offering.

## Recognized twice for the quality of its telephone customer service

The Crédit du Nord Group won the Casque d'or for the "best B-to-C relationship" at the 2003 Call Center Awards during SECA (European Call Centres and CRM Exhibition), and was also awarded the Casque d'or for the "best French call center" by ECCO (European Confederation of Contact Centre Organisation).

## Retail Banking outside France

### Sustained growth and profitability

Over **5** million customers  
across **31** entities

**27,400** employees

Over **EUR 23 billion**  
in deposits

**1,352** branches

Source: Société Générale.



### Strategy

Adapt the domestic retail banking model to local markets, with subsidiaries in three key geographic regions: Central and Eastern Europe, the Mediterranean basin, Africa and the French overseas departments and territories.

Continue to expand the franchise through a combination of organic growth and acquisitions in high-potential markets.

Consolidate recent acquisitions.

Harness synergies with other business lines within the Société Générale Group.

The Retail Banking outside France division was set up in 1998 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 risk.

## Continued development

The development strategy is focused on three key areas:

### Selective acquisitions

Société Générale gained a strong foothold in Ghana with the acquisition of a 51% stake in SSB Bank, the country's fourth largest bank with 38 branches and a total of 200,000 customers.

The Group also bolstered its retail banking operations in the Indian Ocean with the acquisition of a 50% stake in BFCOI (Banque Française Commerciale – Océan Indien), which serves some 80,000 customers through 18 branches.

At the same time, the division is continuing to integrate its recent acquisitions: SKB Banka in Slovenia, Komerčni Banka in the Czech Republic and UIB in Tunisia are currently being actively restructured, with the introduction of Société Générale's risk management and credit selection criteria and the reshaping of their product offering.

### Development of a retail banking business in Russia

Société Générale has a long-standing presence in Russia, and in April 2003 decided to develop its retail banking activities in the country via its existing investment banking subsidiary, Banque Société Générale Vostok (BSGV). Around 10 new branches should be opened by the end of 2004 in Moscow, Saint Petersburg and the other main Russian towns.

### Sustained development of the existing franchise

The customer base continued to grow strongly, particularly in Romania, Egypt and the Lebanon where the number of customers rose by 20%, 31% and 13% respectively.

This trend reflects the networks' ability to provide innovative services that meet consumer demand.

The highlights of the 2003 financial year included:

- the ongoing development of direct banking channels, notably with the launch of transactional websites in Morocco, Senegal, Lebanon and Egypt;
- initiatives targeted at the youth market: the *Banky* offer in Morocco, *Papilonija* in Slovenia, *Detske Konto KB* in the Czech Republic, etc;
- the launch of a number of life insurance products in collaboration with Sogécap: *Gamme Vital* in Morocco and the Czech Republic, *Gamme Sogelyre* in the French overseas departments and territories, *Cap Prévoyance*, *Projet* or *Investissement* in the Lebanon.



### A specific offering targeting the youth market

Société Générale is adapting its commercial offering with innovative products designed to capture the youth market. For example, Société Générale Marocaine de Banques has launched its "Banky" range of products and services aimed at 16 to 30 year olds, where customers put together their own customized package from a range of everyday banking, bancassurance, savings and direct banking services. The young person's pack notably offers preferential rates and charges, a pre-paid rechargeable bank card and the Guide Banky, a comprehensive guide to banking.



## Harnessing synergies

*In order to meet the specific needs of the Senegalese and Moroccan communities resident in France, Société Générale de Banques au Sénégal and Société Générale Marocaine de Banques set up a representative bureau at two branches of the Société Générale network in France. The Retail Banking outside France division thus continued its efforts to market its services to foreign communities settled in France.*

## Adapting to a difficult environment

*As a result of the difficult local conditions in Côte d'Ivoire, Société Générale de Banques en Côte d'Ivoire has been forced to restructure its banking platform, without calling into question its continued presence in the country. The entity posted respectable results for 2003, clearly demonstrating the ability of the international retail banking business model to weather a crisis.*

- The development of consumer credit activities in partnership with Franfinance: in Romania, Slovenia, Bulgaria, Egypt, French Polynesia and the Lebanon, and the creation of a joint venture in the Czech Republic and Morocco.

The division's market share outside France varies by geographic region, but is generally high. Market share in the French overseas departments and territories is particularly strong (around 30% in French Polynesia and New Caledonia), and averages 25% in Africa. In Central Europe, it ranges between 15% and 20% in the Czech Republic and Romania, while it varies from 4% to 10% in the Mediterranean basin for the largest entities.

## Risk management and increased harmonization

With risk management as a key focus given the business model, the division kept a tight rein on its exposure in 2003, despite a difficult environment. The net cost of risk was thus limited to 96 basis points, reflecting the positive effects of:

- the adoption of Société Générale risk management standards across all entities;
- the diversification of country risk.

Furthermore, the division has begun to harmonize its IT tools and processes in several locations, with a view to realizing cost savings and standardizing service levels.

## Strong profitability

Retail Banking outside France posted an ROE after tax of 32.1%, up 2.1 points on 2002, attesting to the robustness and profitability of its networks and their ability to adapt to difficult market conditions.

Given the solid fundamentals underpinning these results, the division is well-placed to benefit from the accession to the EU in 2004 of a number of countries in which it is present (Czech Republic, Slovakia, Slovenia, Cyprus).

With the 2003 results validating the strategy in place, Société Générale can also continue to look for other development opportunities, focusing in particular on:

- harnessing growth drivers in high-potential markets;
- generating high levels of profitability within a short space of time;
- diversifying country and counterparty risk exposure.

## Specialized Financial Services

### A robust development model

**No. 1** in Europe  
in equipment finance  
and vendor finance\* (1)

**No. 2** in Europe  
in operational vehicle  
leasing and fleet  
management (1)

**No. 1** in Europe  
in multi-brand IT asset  
leasing and management \* (1)



### Strategy

Integrate all the Group's specialized financial services activities within a single strategy to achieve sustainable and profitable growth in Europe.

Develop a pan-European offering in vendor finance, vehicle leasing and fleet management and IT asset leasing for businesses.

Continue to develop partnerships and promote skills sharing with the Group's other business lines.

\* Excluding structured finance.

(1) Sources: 2002 annual reports of competitors.



## ALD Automotive: direct access to Europe

With operations in 19 European countries, ALD Automotive offers one of the largest operational vehicle leasing and fleet management platforms, covering Western and Eastern Europe, Scandinavia and the Mediterranean Basin.

### Société Générale is a leading player in specialized financial services in Europe.

In less than three years, it has built up a robust sales and distribution network to meet the pan-European needs of an increasingly international customer base and take advantage of strong growth markets. With a presence in 26 countries, the Group's Specialized Financial Services arm is pursuing a policy of sustainable and profitable growth, offering customers and partners valuable services to help them meet their objectives.

## Business finance and services

### IT asset leasing and management

#### The dynamic of a market leader

In order to meet the increasingly specialized global demands of its international clients (Michelin, L'Oréal, etc.), the **ECS Group** has restructured its business into a series of cross-disciplinary European divisions.

Over 2003, it continued to develop its service activities (ISO 9001-certified) in Europe, harnessing synergies in Germany with SGVS (GEFA) and signing a number of new cooperation agreements, notably with Banque Populaire de Milan and Deutsche Bank in Spain.

In 2003, ECS generated turnover of EUR 1.8 billion.

### Equipment finance and vendor finance

#### Meeting the pan-European needs of business customers

Based in 14 countries, **Société Générale Vendor Services** (SGVS) continued to expand its pan-European offerings with major international groups (EMC2, Liebherr, etc.) in 2003, and signed new multi-country vendor finance agreements with British Petroleum and Linde.

In the second quarter, Philips Medical Systems and SGVS announced their intention to establish a long-term partnership in Europe together, in the form of a joint venture Philips Medical Capital.

In the Czech Republic, SGVS reinforced its partnership with Komerční Banka over the period with the launch of the "KB leasing" offer marketed to the Czech bank's customers.

In Germany, it extended its service offering for road haulers by introducing an innovative solution for financing motorway tolls.

SGVS' new leasing volumes for 2003 totaled EUR 6.7 billion, up 5.5% on the previous year.

### Operational leasing and fleet management

#### A European presence to meet our customers' aspirations

**ALD Automotive** is now one of the leading players in Europe. Following the acquisition of Hertz Lease's European activities from Ford, it currently ranks number 2 on the European operational vehicle leasing market, with 379,000 vehicles under ownership, representing assets of EUR 5.6 billion at end-December, coupled with a fleet of 132,000 vehicles under management. In 2003, ALD Automotive continued its expansion, setting up operations in Austria, Hungary and Poland.

In the UK, the company has developed an innovative remote vehicle diagnosis tool to allow customers to manage their fleet more closely.

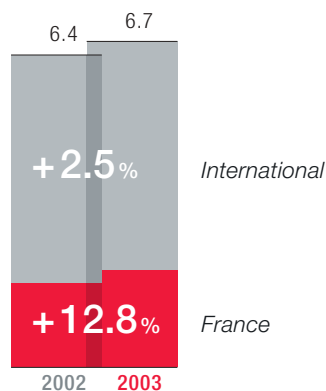
## Consumer credit

**Franfinance** and **CGI** had EUR 9.1 billion of outstanding loans under management at end-December 2003, up 7.9% on the previous year. Over the year, **the pooling of know-how between specialized subsidiaries and partnerships were reinforced.**

- CGI launched its "Providis" card, designed and managed by Franfinance, and took over the French network's hire purchase business.

- CGI has also developed a leisure sailing and yachting financing business in Italy, in conjunction with SGVS and Fidelity.

## SGVS: robust performances in a difficult environment



### PRODUCTION

in billions of euros

Source: Société Générale.

The consumer credit business also strengthened its ties **with the international retail banking networks**:

- in Morocco, Sogecredit merged with Eqdom, reinforcing its leading position;
- in the Czech Republic, the sales and distribution network set up in 2002 was bolstered with the acquisition of Essox;
- in Romania, the business line decided to set up a specialized company in conjunction with the Romanian Bank for Development.

In Italy, **Fiditalia** signed a number of **new partnerships** with major capital goods players (Olivetti, Subaru, etc.), and is developing an innovative tool for its vendors designed to approve contracts at the point of sale. At end-2003, new financing volumes were up an impressive 20% at EUR 1.8 billion.

## Insurance

### *Sogécap: the backing of a major Group*

For the second year running, **Sogécap** won the highest number of life insurance awards in the financial performance, innovation<sup>(1)</sup> and customer service categories. Sogécap is well known for its track record of innovation, and 2003 was no exception, with the successful launch of *Erable Evolutions* (160,000 policies in 9 months) and *Sogecapi Patrimoine*, the distribution of branded products by Oradéa Vie for the broker Sicavonline<sup>(2)</sup>, and creation of the Sogeretraite.com website.

With premium income up 18% at EUR 5.8 billion, Sogécap confirmed Société Générale's position as the number 3 bancassurance player in France.

### *Sogessur*

With around 100,000 new policies written each year and a continually expanding product range (launch of motorcycle insurance policies in 2003), **Sogessur** served nearly 360,000 customers at end-December 2003.

(1) Sogécap won 7 life insurance awards from the financial press.

(2) Innovation award for the multi-manager multi-investment policy "Exigence Patrimoine".

(3) Source: globalcustody.net.

## Banking services

### *Cash management*

2003 saw an extension of the services offered to business and professional customers through Progéliance Net, Sogecash Net and Sogecash Net International, which are used by over 46,000 customers.

An international cash management offering for large corporates is now available at the main subsidiaries in the international retail banking network (notably in the Czech Republic, Slovakia, Morocco and Egypt), while client banks who are not direct members of the CLS foreign exchange clearing and settlement system now have access to a representation service. In addition, Société Générale was the first bank to present the new SWIFTNet reporting services at the Sibos conference in 2003.

### *Custody services*

Despite a difficult market environment, assets under custody passed the EUR 1 trillion mark, rising 20% in 2003. Société Générale now ranks number ten worldwide and number four in Europe<sup>(3)</sup>.

Fitch Ratings has raised its rating for the Group's depository control activities in Paris to aa+. The division launched a new version of its internet tool, Glass, offering transaction and consultation services for all types of financial instruments, and continued to develop STP (Straight Through Processing) to reduce back-office data entries and increase processing security.

### *Services for issuers*

Société Générale offers a full range of services to assist French corporates with their stock-option and employee share ownership plans, and has now extended this offer to issuers in the euro zone. The Dutch company, EADS, has chosen Société Générale to manage its global stock-option plans.

Société Générale is now number one in Europe in terms of holders of stock-option plans.

### *An innovative range of credit cards*

#### *Providis card*



**Franfinance** distributes *Providis*, which combines all the advantages of an international payment card with the added flexibility of a cash reserve.

#### *Eureka & Vacanze di Valore Conto card*



**Fiditalia** launched the first co-branded revolving credit card in collaboration with leading players in the tourism sector.

### *Custody services, a commercial success*

In 2003, Société Générale acquired all AGF's securities custody business, representing total assets of EUR 62 billion. In addition, the Generali Group transferred all its custody business to Société Générale. The service offering covers global custody for portfolios and UCITS depository services.

# Global Investment Management and Services



Global Investment Management and Services comprises SG Asset Management and Private Banking. 2003 operating results remained excellent despite a difficult market environment for the third consecutive year. These results reflected product performance, sound risk management and a solid, well-balanced development model.

**EUR 284 billion** in assets under management

**3,600** staff worldwide

**4th** largest euro-zone bank for asset management

Source: Société Générale.

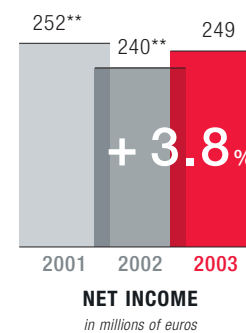
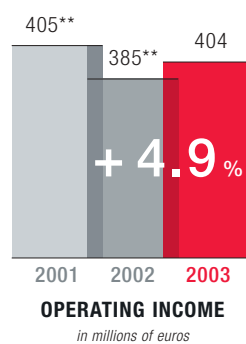
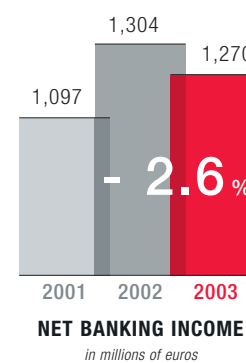
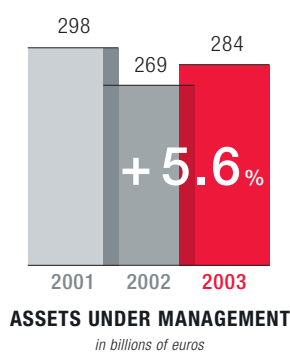
The year 2003 was marked by the continued implementation of the growth policy:

- acquisition of Compagnie Bancaire Genève and reorganization of the Swiss Private Banking business;
- development of the partnership between SG Asset Management and Baosteel in China with the launch of the first investment product;
- grouping of all alternative investments activities within a single subsidiary, SGAM Alternative Investments, and the creation of a real-estate investment arm;
- development of the Sogelux fund offering, which now comprises 47 sub-funds corresponding to SG Asset Management's leading investment strategies, and has USD 4.5 billion of assets under management (+64% year-on-year).

Since February 2004, the Securities Services business has joined the Global Investment Management and Services arm.

Source: Société Générale.

## KEY FIGURES\* 2003



\* Excluding securities services.

\*\* Adjusted for 2003 Group structure.

## SG Asset Management



ASSET MANAGEMENT

### Active investing

**EUR 239 billion** in assets under management\*

**EUR 6.3 billion** of net new money in 2003\*

Rated **aa+** by Fitch-AMR for the whole of its international structure

**4th** largest euro-zone bank for asset management

Source: SG Asset Management.

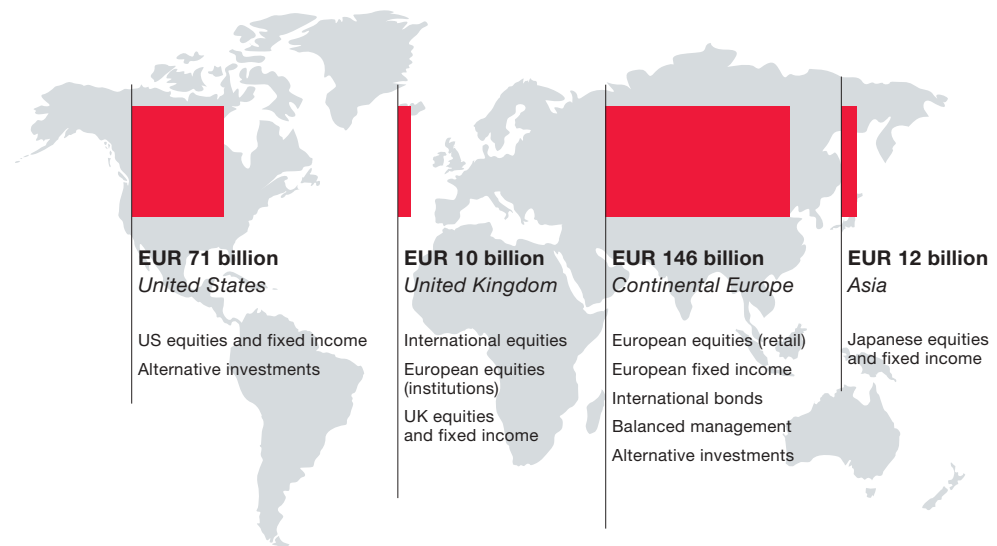
### Strategy

To consolidate our position as a global player supported by specialized centers of expertise in the world's four main investment regions (United States, Japan, Continental Europe, United Kingdom).

To strengthen our position in high-potential markets (Asia, Central and Eastern Europe, etc.) by developing growth drivers for the years to come.

To offer high-return products in all asset classes to all our clients worldwide (institutions and corporate investors, third-party distributors, retail investors).

To maintain a high quality of asset management, notably through rigorous risk control.



## High-return products

SG Asset Management has developed extensive expertise in the management of all asset classes: equities, balanced products, bonds, money market products and alternative investment products, in all the world's financial markets.

Despite a persistently bearish market environment in 2003, our products and portfolios turned in excellent performances overall, particularly in the equity and alternative investments segments that offer high added value.

### Equities

SG Asset Management manages over EUR 56 billion in equity investments, a result of gaining the confidence of investors across the globe through its proven expertise in all geographic regions, investment styles and types of capitalization. Its reputation is based on the recognized skills of its investment teams, which comprise some 100 equity managers and 72 analysts worldwide. The strength of SG Asset Management's buy-side analyst teams lies in their geographic proximity to the companies they cover, which means that they can meet the managers several times a year.

### Examples of top-performing strategies in 2003

- **Sogelux Euro Mid Cap** is invested in euro-zone mid-caps, and follows a unique investment strategy combining a bottom-up (issuer analysis) and top-down (sectoral analysis) approach, which is particularly well suited to this type of security. The three fund managers focus primarily on company research, and have developed an in-depth knowledge of the sector thanks to over 300 company visits each year. This fund posted a 1-year performance of 28.23% at end-December 2003, ranking it in the top quartile for its category.
- **Sogelux Equity US Concentrated Core** comprises 25-30 of the leading stocks on the New York stock exchange (selected from the S&P 500). The fund has maintained a consistent investment strategy since 1987, combining innovative stock-picking and analysis techniques, and has outperformed its benchmark for 13 of the past 15 years. It ranks in the first quartile for its category, and racked up an annual performance of +49.98% at end-December 2003, outperforming its benchmark by 20.23%.
- **Sogéactions Pacifique** is invested in Asian stocks outside Japan, and has been managed by the same team based in Singapore for the past 17 years. The fund has consistently tracked its benchmark, and outperformed it by 0.50% over the 12-month period ending December 31, 2003, with an annual return of 23.24% that places it in the top quartile for its category.

### Sogelux: SG AM's flagship product

*Sogelux is SG Asset Management's flagship international product. It comprises 47 sub-funds invested in all asset classes across all financial markets, and combines the full expertise of SG Asset Management's teams around the globe. The Sogelux range is authorized for sale in 18 different countries. Offering a mixture of conventional and more innovative products, Sogelux allows investors to transfer their assets between the different sub-funds at any time, free of charge, in order to find the asset allocation that best meets their investment needs or strategy.*

*At end-December 2003, 74% of the assets under management in the Luxembourg funds (including Sogelux, Equisys and SIS) were ranked in the first and second performance quartiles for their category.*

## Retirement and pensions

SG Asset Management is a major player in the management and creation of retirement products. Thanks to the quality of its resources and clients around the world, it has developed in-depth expertise in the management of retirement products in the United States, the United Kingdom, Japan and France, both for defined-benefit funds and defined-contribution company retirement schemes such as 401k plans, as well as for employee savings funds or life insurance.

As a result of demographic changes in developed countries and increasing life expectancy, existing retirement funds are being replenished at a dwindling rate, while statutory contributions (social and fiscal) are already considered to be high. A large number of countries are currently in the process of reforming their existing pension systems and introducing opt-in schemes offering a variety of tax benefits. SG Asset Management is well positioned to take advantage of these changes, notably in France, where the recent Fillon reforms have introduced a retirement dimension to employee savings plans. SG Asset Management is a top-tier player in this field, with a 15% market share.



## Alternative investments

Investors' appetite for alternative investment products, which deliver absolute returns decorrelated from traditional financial markets, has increased significantly over the past few years. SG Asset Management is one of the European leaders in this area, with EUR 30 billion in assets under management at end-December 2003. It has strengthened its alternative investments platform considerably since 1998, and now offers guaranteed structured products, hedge funds, private equity and, since 2003, real-estate investment.

### Examples of top-performing strategies in 2003

■ **Trésorerie Plus Garanti** is a dynamic cash investment fund with daily liquidity, and a rolling one-year capital guarantee. The fund has outperformed its money-market benchmark, the Eonia, over 3 months, 6 months and 1 year, thanks to the dynamic management of seven different sources of added value. At end-December 2003, the fund posted returns of 3.11%.

■ SG Asset Management can now deliver strong returns with any type of hedge strategy, through its comprehensive range of alternative funds. **SGAM ADF Platinum**, for example, is indexed to one of our diversified hedge funds, SGAM ADF, and offers a maximum leverage of 5. SGAM ADF Platinum was launched in August 2003 and at end-December 2003 posted a return of 13.22%, representing an annualized performance of 34.73%.

## Risk management, a guarantee of quality

A solid risk management structure is essential in asset management as it helps guarantee consistent, sustainable returns for clients and ensures all regulatory and client investment constraints are respected. SG Asset Management places strong emphasis on this aspect of its business, dedicating significant human and IT resources to it that are strengthened on an ongoing basis.

Risk management is the responsibility of an independent Risk Department, which reports directly to SG Asset Management's General Management. The Department comprises a compliance officer and internal auditors, along with risk managers who are located in the operational departments. A number of IT tools are also used to automate risk control, with audit trails and processing chain controls (management of orders, real-time update of portfolios, validation, accounting, and calculation of portfolio net asset values).

Investment constraints and risk indicators are also analyzed (strict definition of managers' discretionary limits, verification of the consistency between forecast risk and actual risk for investment portfolios, a *posteriori* reaction to the analysis and quantification of portfolio risks, etc.), and market risks are also monitored (application of consolidated credit risk limits to enable exhaustive monitoring of issuers and counterparties on a daily basis).

SG Asset Management demands high levels of quality from its financial service providers (consistency between the volumes given to each financial intermediary and the quality of the service they provide), valuers and custodians.

As a result of these efforts over the past few years, and the constant emphasis placed on the quality and consistency of its transactions, SG Asset Management has avoided being implicated in the recent financial scandals around the world.

### Third-party distribution: a presence in growth markets

SG Asset Management has attained critical mass internationally and has extended its investment expertise to cover all asset classes. It is now focusing on developing the sale and distribution of its products.

#### First priority

**To develop cross-selling with Group entities**, in order to provide all our clients, regardless of geographic location, with direct access to the highest quality investment products. For example, European pension funds can take advantage not only of our high quality local offering, but also our US and Asian management capabilities. Cross-selling accounted for over half SG Asset Management's sales in 2003.

#### Second priority

**To develop agreements with third-party distributors worldwide:** major banking networks, international insurers, medium-sized players and independent investment advisers. SG Asset Management currently has 650 active distribution agreements.

#### Third priority

**Growth drivers:** economists estimate that Asia should account for nearly half the world's GDP within ten years. In order to take advantage of this development, SG Asset Management has been strengthening its position in the region for some time now. We have been present in Singapore since 1996, in Japan since 1998, in China since 2003, and in Korea (14th largest investment fund market in the world) since the start of 2004. The US and NAFTA (with Canada and Mexico) also offer strong growth prospects and SG Asset Management has established a significant presence in these areas with the acquisition in 2001 of TCW, one of the largest independent players. SG Asset Management is also focusing on Central and Eastern Europe, particularly those countries set to join the European Union, by supporting the expansion of Société Générale's international retail banking network.



### SGAM Real Estate Venture Capital Fund

In September 2003, SG Asset Management launched the SGAM Real Estate Venture Capital Fund, the first mutual fund offering real-estate investment in a French REIT (Real Estate Investment Trust) wrapper.

This product offers clients:

- privileged access to the real-estate sector with a diversified portfolio of actively managed quality investments;
- unique market configuration and leverage: rental yields are currently running higher than the refinancing rate and purchases are being financed with loans, allowing clients to benefit from the full leverage effect;
- tax benefits: provided they hold their investment for 5 years, French residents are not liable for tax (excluding social charges) on any revenues paid by the fund or on capital gains from disposals.

### China fund

This is the first fund to be launched by the Fortune SGAM joint venture, set up by one of the leading Chinese industrial groups, Baosteel, and SG Asset Management. In the three weeks following its launch in July 2003, the fund attracted inflows of EUR 472 million. Of the 39 funds launched in China in 2003, this new management company ranks 6th in terms of asset gathering.

Baokang Fund ("happy wealth" in Chinese) is a Chinese open-ended fund comprising 3 sub-funds invested in the Chinese market, with three different risk profiles (dynamic, balanced, defensive).

It attracted a total of 99,900 Chinese investors, split evenly between institutions and individual private clients.

## Private Banking



PRIVATE BANKING

Wealth management services, offering estate planning and investment products to clients with at least EUR 1 million of financial assets or those offering significant potential.

**EUR 45 billion** in assets under management

**41** offices in **25** countries

**1,730** staff

Source: Société Générale.

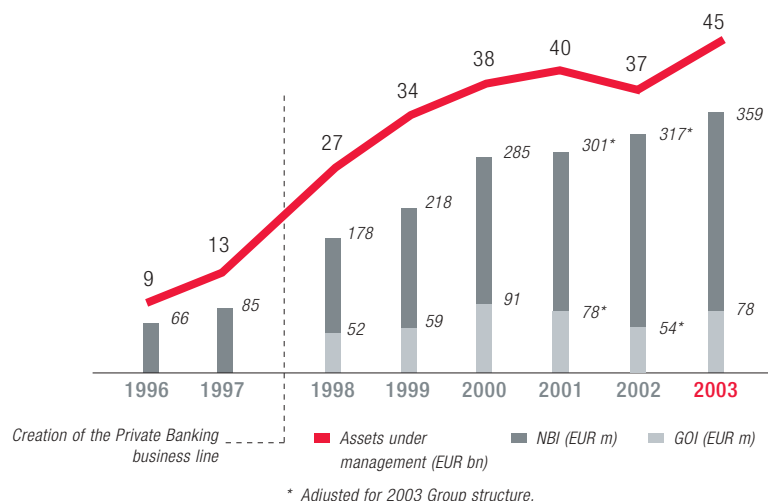
### Strategy

To focus on analyzing the individual needs of each client in order to offer a tailor-made wealth management strategy.

To offer a complete range of innovative products and services that meet the changing demands of clients.

To continue to expand the structure and activities, while combining high profitability with rigorous risk management.





## Strengthening the Swiss platform

Switzerland is the world's leading private banking center, and is particularly attractive for investors following the recent cooperation agreements signed with international regulators and the European Union. The country's financial system is currently going through a period of consolidation, precipitated by the bearish market environment.

Société Générale was already present in the country through its subsidiary SG Rüegg Bank but, due to the changing market context, decided to strengthen its position by taking control of Compagnie Bancaire Genève. The two companies merged to form SG Private Banking Suisse on December 1, 2003, creating one of the top-ranking foreign banks in Switzerland with some EUR 12 billion in assets under management. The new company has recentered its activities in Geneva and significantly improved its profitability. The acquisition will enable Société Générale to take increased advantage of high-potential geographic zones such as South America.

**SG Private Banking is continuing to grow rapidly in Asia**, where assets under management, excluding Japan, have increased by an average of 29% per year for the past three years, amounting

to some EUR 5.4 billion, and placing SG Private Banking among the ten leading players in this market.

**Strong growth in recently created or acquired entities:** SG Private Banking Japan, which was launched in mid-2002, has seen faster than expected growth in asset gathering and overall profitability, thanks in particular to effective management of its development costs.

Banque de Maertelaere, which was acquired at the end of 2001, is continuing to shift towards a high net worth client base, with the value of the average client portfolio increasing by nearly 50% in 2 years.

**This development has been achieved notably by extending the alternative investments and structured product offering:** building on the solid results achieved in 2002, thanks to alternative and structured products developed by SG Asset Management and SG Corporate and Investment Banking, SG Private Banking increased its offering in 2003 with the addition of a number of third-party funds. Overall, assets invested in alternative products rose 50% over 2003, and strong growth in quarterly inflows of new money was seen throughout the year.

The revenues generated by these products doubled between 2001 and 2003.

## Continued development of alternative investments

*The alternative investments offering, both in-house and from third parties, is constantly evolving in order to meet the changing demands of clients. At December 31, 2003 assets invested in alternative products totaled nearly EUR 600 million.*

# Corporate and Investment Banking



CORPORATE &  
INVESTMENT BANKING

Source: Société Générale.

An outstanding year, confirming the relevance of SG Corporate & Investment Banking's (SG CIB) profitable growth strategy

**3rd** largest corporate and investment bank in the euro zone\*

**3** target businesses:  
- euro capital markets  
- derivatives  
- structured finance

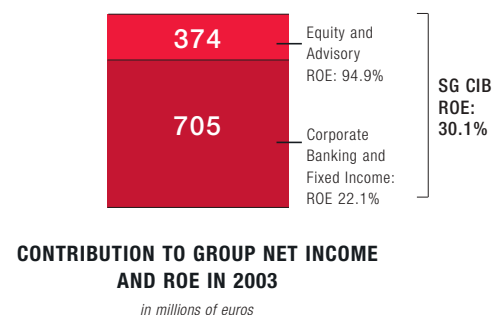
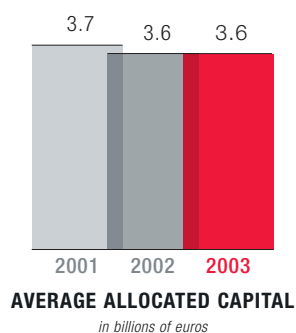
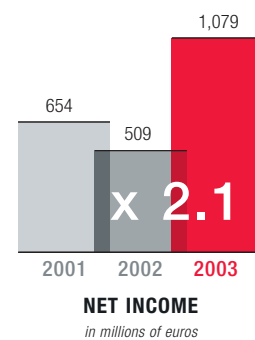
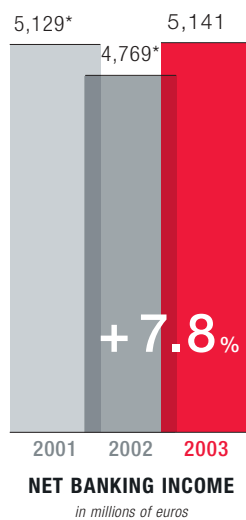
SG CIB is one of the **most profitable** corporate and investment banks in Europe

SG CIB, the Group's Corporate and Investment Banking arm, generated a net banking income of EUR 5,141 million in 2003, up 7.8% on the previous year, confirming its position as the number three corporate and investment bank in the euro zone by revenues.

ROE after tax was 30.1%, placing SG CIB among the most profitable corporate and investment banks in Europe.

Source: Société Générale.

KEY FIGURES  
2003



\* Figures for 2001 and 2002 adjusted for operating expenses previously deducted from net banking income, in accordance with 2003 method.

# Corporate and Investment Banking

## Strategy

SG CIB's strategy is to capitalize on its well-balanced and diversified business mix to achieve profitable growth through four main areas of development:

**Products:** strengthen or consolidate its positions in its three target businesses – euro capital markets, derivatives and structured finance.

**Clients:** step up sales drive with major corporates and financial institutions.

**Geography:** pursue policy of sustained expansion in Europe, and selective development in US and Asia.

**Synergies:** increase cross-selling and synergy revenues between SG CIB teams and with other Group entities.

The excellent results registered in 2003 confirm SG CIB's ability to implement its strategy by taking full advantage of periods of favorable market conditions and by weathering more difficult environments, as in 2002, while continuing to optimize resources and manage risk exposure effectively.

## A partner of choice in euro capital markets, derivatives and structured finance

- In the **euro capital markets**, SG CIB offers issuers and investors a comprehensive range of debt, equity or hybrid products, combined with pan-European distribution and research capabilities.
- SG CIB offers standard and structured **derivatives products** across a full range of underlying assets (equities, indexes, foreign exchange, interest rates, credit, commodities), enabling its clients to optimize their approach to market risk.
- In **structured finance**, SG CIB provides corporates and investment funds with bespoke solutions to finance their development projects in its fields of specialty.

In 2003, SG CIB consolidated or reinforced its overall positions in these three core businesses. These results reflect the sustained efforts of its teams to win new market shares, expand the product offering and develop innovative products that set SG CIB apart from its rivals.

## *Euro capital markets, a confirmed position among the top ten players*

In 2003, SG CIB confirmed its position as one of the top ten banks in the euro capital markets.

In debt products, SG CIB reinforced its overall position:

- SG CIB was No. 9 for euro-denominated bond issues, with volumes up by over 30% and a reinforcement of its market share at around 5%;
- the Bank moved up to No. 6 in the league table for corporate euro-denominated bond issues, and ranked No. 4 for financial institutions;
- in euro-denominated international securitizations, it strengthened its position, rising to No. 6;
- SG CIB was No. 11 for syndicated loans.

SG CIB ranked No. 6 for European convertible and exchangeable bond issues.

In the secondary equity markets, the increased emphasis on sales and research is starting to bear fruit, following the major restructuring in 2002.

SG CIB also demonstrated its capacity for innovation, notably lead-managing for Michelin the first deeply subordinated issue under the new French financial security act (August 2003), enabling issuers to launch lowest ranking subordinated debt issues. The Bank also sets itself apart from the competition through its advisory approach to debt products, offering clients optimized financing solutions.

## 3 target businesses\*

### **Euro capital markets**

*Bonds*  
*Syndicated loans*  
*Securitization*  
*Convertible and exchangeable bonds*  
*Equities*

### **Derivatives**

*Equity and indexes*  
*Interest rates*  
*Credit*  
*Foreign exchange*  
*Commodities*

### **Structured finance**

*Export finance*  
*Commodities finance*  
*Project finance*  
*Asset finance*  
*Acquisition and leveraged finance*  
*Media & Telecoms finance*

\* This list does not cover SG CIB's full product and service offering.

## Market positions in 2003

### Euro capital markets <sup>(1)</sup>

- No. 9 For euro-denominated bond issues
- No. 6 For corporate bond issues
- No. 4 For bond issues by financial institutions
- No. 11 Bookrunner of European syndicated loans (EMEA\*)
- No. 6 For euro-denominated securitization
- No. 13 For European equity issues (EMEA\*)
- No. 6 For European convertible and exchangeable bond issues (EMEA\*)
- No. 1 For secondary equity market issues - Euronext

\* EMEA : Europe Middle East Africa.

### Derivatives

Equities and indexes  
Equity Derivatives House of the Year <sup>(2)</sup>

- Top 3 Commodities <sup>(3)</sup>
  - Best Bank for Oil Products <sup>(4)</sup>
  - Best Bank for Asian Energy and Commodities <sup>(5)</sup>

- Interest rates and loans <sup>(6)</sup>
  - Top 5 Fixed income derivatives
  - No. 4 For hybrid credit structures
  - No. 9 For foreign exchange for corporates <sup>(7)</sup>

### Structured finance

- No. 1 In export finance <sup>(8)</sup>
- No. 1 In structured commodity finance <sup>(8)</sup>
- No. 5 In project finance - Global MLA\*\* <sup>(9)</sup>
- No. 10 In strategic acquisition finance - Western Europe MLA\*\* <sup>(10)</sup>

\*\* MLA: Mandated Lead Arranger.

(1) Source: IFR/Thomson Financial and Euronext 2003 rankings.  
(2) Source: The Banker, September 2003, Risk Magazine and IFR 2002.  
(3) Source: Risk Magazine, certain product categories, February 2004.  
(4) Source: Energy and Power Risk Management awards 2003.  
(5) Source: AsiaRisk Magazine, October 2003.  
(6) Source: Risk Magazine, certain product categories, September 2003.  
(7) Source: FX Week, November 2003.  
(8) Source: Trade Finance, June 2003.  
(9) Source: Project Finance International, January 2004.  
(10) Source: Loanware 2003.

### A world leader in derivatives

In 2003, SG CIB was named *Equity Derivatives House of the Year*, confirming its position as one of the global leaders in equity and index derivatives, and as the leading player worldwide in *warrants*. It also ranked in the top three in Europe for ETFs <sup>(1)</sup>. SG CIB continues to rank among the top global players in various categories of interest rates, credit and commodity derivatives.

Over 2003, SG CIB extended its range of innovative structured products based on equities, indexes, stock baskets and fund units (creation of the Titanium and Prestissim ranges, etc.) with the launch of three new ETFs by Lyxor Asset Management <sup>(2)</sup>, designed to track the Dow Jones Global Titans 50, FTSE Eurofirst 80 and S&P/MIB. SG CIB also put the finishing touches to its credit derivatives sales platform, so that it can meet the anticipated rise in volumes.

The equity derivatives teams and Lyxor Asset Management proved their ability to innovate with the launch of the *MSCI Hedge Invest Index* in conjunction with *Morgan Stanley Capital International* (MSCI), an index comprising a sample of funds representing a full range of alternative management strategies and designed for fund managers, funds of funds and brokers. SG CIB also joined the iBoxx credit-linked notes trading platform, the leading platform for structured credit products on the euro market, and thereby reinforced its positions in a growth market.

Lyxor Asset Management saw assets under management rise by over 50% year-on-year to stand at EUR 28 billion.

In derivatives brokerage, Fimat further increased its market shares on the main derivatives markets over 2003. The company continues to rank as one of the leading international players on these markets.

### A world leader in selected areas of structured finance

Despite a relatively low level of corporate investment, SG CIB turned in a satisfactory performance in structured finance, and consolidated its position among the leaders in this sector:

- best export finance arranger worldwide;
- best bank for structured commodity finance;
- no. 5 global project finance arranger.

Highlights in 2003 included SG CIB's participation in the financing of a EUR 665 million power plant for AES (Spain/US). The Bank also financed the acquisition of SigmaKalon (France), a subsidiary of Total, by Bain Capital, and of a US market research company by Taylor Nelson Sofres for GBP 490 million. In the UK, SG CIB also announced the creation of a British investment fund, in a joint-venture with Barclays Private Equity, on the secondary lending market for infrastructure projects.

(1) Exchange Traded Fund.

(2) Wholly-owned subsidiary specializing in alternative management, structured funds and ETFs.

## Increased commercial effort on target segments

One of the key objectives of the coverage division for corporates and financial institutions, set up in 2002, is to develop client-driven activities, which account for nearly two-thirds of SG CIB's net banking income.

In 2003, SG CIB continued to implement its action plans for each of its target client segments:

- On the European corporates segment, SG CIB stepped up its commercial activity and communication drive to reinforce its presence with target clients, and position itself as the partner of choice in euro capital markets, derivatives and structured finance.
- Financial institutions were singled out as a major commercial target and significant investments were made to reinforce the sales and origination teams and build up a suitable offering in asset/liability management and hybrid debt.

An initial assessment shows positive results, and the target of 20% growth in client-driven revenues over the period 2002 to 2005 has been revised upwards to the 25-30% range.

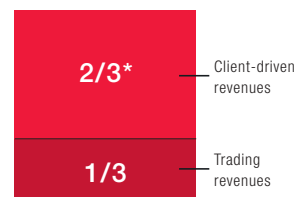
## Europe, a strategic priority

SG CIB continued to build on its solid product platform in Paris and London to expand its presence in Europe. Elsewhere, in the Americas and Asia, its achievements were in line with its more selective growth strategy.

### Europe

SG CIB increased or strengthened its presence in sales and origination in the main European countries, notably in the euro capital markets. The Bank maintained its dominant position in structured equity and index derivatives in Continental Europe (Benelux, Germany, Switzerland, Italy, Spain and France), notably with retail banking networks and institutional investors.

## Intensification of the sales drive



REVENUE MIX (CLIENT-DRIVEN AND TRADING) IN 2003

\* Including trading revenues linked to client-driven activities.

## Geographical breakdown of client-driven revenues in 2003



■ SG CIB locations around the world.

## Market positions in Europe in 2003

### France

- No. 2 For euro bond issues <sup>(1)</sup>
- No. 3 Bookrunner of syndicated loans <sup>(1)</sup>
- No. 1 For equities and convertible and exchangeable bonds <sup>(1)</sup>
- No. 3 For equity research <sup>(2)</sup>
- No. 3 For mergers & acquisitions – announced deals <sup>(1)</sup>

### Spain

- No. 1 For euro bond issues <sup>(1)</sup>
- No. 4 Bookrunner of syndicated loans <sup>(1)</sup>
- No. 1 For securitization <sup>(3)</sup>

### Germany

- No. 3 For corporate euro bond issues <sup>(1)</sup>

### Italy

- No. 2 For global risk management and derivatives <sup>(4)</sup>
- Best bank for equity derivatives <sup>(4)</sup>

<sup>(1)</sup> IFR/Thomson Financial 2003 rankings.

<sup>(2)</sup> AGEFI, Grands prix 2003.

<sup>(3)</sup> Expansión, January 2004.

<sup>(4)</sup> Risk Italia, May 2003.

### France

SG CIB has a solid presence in France, placing it in top-tier positions:

- No. 1 in the primary equity market;
- No. 1 in convertible and exchangeable bond issues;
- No. 2 in euro-denominated bond issues;
- No. 3 in merger and acquisitions (announced deals). In 2003, SG CIB advised Alcan in its bid for Pechiney, France Télécom in its offer for the minority stakes in Orange, Vivendi Universal in the sale of VU Entertainment to NBC, and Alstom in the sale of its transmission and distribution activities to Areva;
- No. 3 in equity research. SG CIB's new research team has overhauled its offering and analysis techniques, and has stepped up the promotion of its research products. The results for 2003 were particularly promising.

### United Kingdom

SG CIB strengthened its London platform and continued to increase its business with UK companies. As a result, it carried out a number of major deals, notably a GBP 300 million bond issue for the Hilton Group and a GBP 1.6 billion hybrid debt transaction for AVIVA.

SG CIB also has a dominant position in the high-growth UK warrants market, which was created at the end of 2002, with a market share of over 50%.

### Spain

The Bank confirmed its leading position on the Spanish market, where it ranks No. 1 for euro-denominated bond issues, *Cédulas Hipotecarias* <sup>(3)</sup>, and securitization, and No. 4 for syndicated loans. SG CIB issued EUR 848 million of bonds convertible into Endesa shares for La Caixa, and EUR 1.5 billion of *Cédulas Hipotecarias* for Banco de Sabadell.

### Germany

SG CIB made a spectacular entry into the German market, rising to No. 3 in the league table for German corporate euro-denominated bond issues, and to No. 10 for syndicated loans. Highlights in 2003 included a EUR 750 million bond issue which it lead-managed for BMW and a EUR 5 billion issue of bonds convertible into Deutsche Telekom shares for KfW.

### Italy

SG CIB was voted best bank for equity derivatives in Italy. It ranked No. 2 for the quality of its risk management and derivatives advisory service, and was also selected by the Milan stock exchange to launch the first Exchange Traded Fund (ETF) on the new Italian S&P/MIB index.

In structured finance and debt products, SG CIB set up a local origination and distribution platform, and racked up a string of successes in this area, notably a EUR 3.15 billion inflation-indexed issue for the Italian Treasury.

<sup>(3)</sup> Bonds issued by financial institutions and backed with a portfolio of mortgage loans guaranteed by the issuer.

## Americas

In the US, SG CIB offers expertise in its three target businesses to multinational clients as well as expertise in selected specialized sectors (e.g. sport, gaming industry, aeronautics, hotels and tourism, etc.).

SG CIB has also stepped up its commercial effort with major investors, notably in foreign exchange and equity derivatives. The acquisition of the assets of Constellation Financial Management, an innovative company specializing in the securitization of fund management fees, provides a perfect complement to SG CIB's activity in terms of technology and client base.

## Asia

In Asia, SG CIB serves a local and international client base. In 2003, it launched the first securitization transaction on the Taiwanese market, issuing TWD 3.6 billion of asset-backed securities for the Industrial Bank of Taiwan, which was voted the "Best securitization deal of the year in Taiwan"<sup>(4)</sup>. In South Korea, SG CIB also saw some major successes, notably its transaction for Hanaro Telecom which was voted "Best Loan Deal"<sup>(5)</sup>. The Bank is also a recognized player on the equity and commodity derivatives markets ("Best equity derivatives house"<sup>(6)</sup>) and "Best bank for energy and commodities"<sup>(7)</sup>. Lastly, SG CIB was granted a license by the Chinese authorities to offer its international clients financing solutions in local currency.

## Synergies as a vector for growth

By fostering cooperation between its various businesses, SG CIB can offer its clients global, integrated solutions and maximize the return on the client relationship.

In 2001, the Bank launched a revenue growth plan, based on the harnessing of synergies between its debt and fixed-income activities within the Corporate Banking business on the basis of a control scheme mainly combining debt and interest rate hedging products. In 2003, it achieved its synergy revenues target of EUR 200 million and registered encouraging results with its efforts to realize synergies within SG CIB as well as between SG CIB and other Group divisions. The acquisition of SigmaKalon by Bain Capital demonstrates the ability of SG CIB's business lines to work together in order to meet the full spectrum of their clients' financing and advisory needs, while generating additional revenues for the Bank.

The sustained efforts of SG CIB's teams and the coverage division for corporates and financial institutions should generate increased revenues in the medium term through the implementation of synergies. This is in line with the action plan adopted in 2003, which set a target of a 25% increase in cross-selling and a 25-30% increase in revenues from the implementation of synergies between 2002 and 2005.

## Boursorama

*Boursorama was created in 1995, and has since become one of the leading European players in online savings, with 225,600 accounts and 3.8 million orders executed in 2003. Boursorama allows individual investors to manage their savings independently via the internet, and offers a wide range of financial products (equities, warrants, options, futures, mutual funds, life insurance, trackers, bonds, certificates, etc.) and services (Internet access to the main international financial markets, GTS – a trading application, WAP, telephone and Minitel access).*

*In France, Boursorama Invest is the market leader in online brokerage, with a market share of 38%, while [www.boursorama.com](http://www.boursorama.com) is the leading online financial information portal.*

*Boursorama is also a major player in Germany where it operates under the Fimatex brand name, and in Spain and the UK under the Selftrade by Boursorama brand name.*

*The company is 71% owned by the Société Générale Group and has been listed on the Nouveau Marché of Euronext Paris since March 23, 2000.*

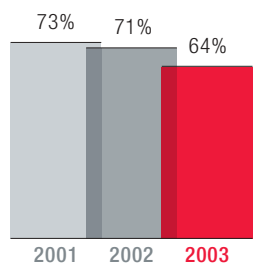
(4) *Euroney 2003.*

(5) *Asia Money 2003.*

(6) *AsiaRisk 2003 and Asia Money 2003.*

(7) *AsiaRisk, October 2003.*

*Managing and  
optimizing resources*



**CHANGE IN COST/INCOME RATIO  
(EXCL. RESTRUCTURING COSTS)**

## Optimization of resources and rigorous risk management

While keeping its operating expenses stable in 2003 compared with 2002, thanks to a policy of strict cost control, SG CIB has had a selective investment policy, with 150 new recruits, dedicated to the sales teams for euro capital markets and derivatives. These recruitments should have a positive full-year impact of EUR 100 million on operating income. Overall, SG CIB's cost/income ratio continued to fall, in line with targets.

In terms of allocated capital, SG CIB's Cooke-weighted assets were up slightly at constant exchange rates, in line with its targeted growth strategy.

The Bank continued to manage its risk exposure carefully in 2003. Its VaR remained low, and provisions for credit risk were down compared with 2002. Over the period, specific provisioning for identified risks fell sharply, but the general credit-risk reserve was reinforced as a precautionary measure. SG CIB also continued to manage its loan book actively over the year.

## Continuation of the "profitable growth" strategy in 2004

SG CIB has already established a solid basis for growth and intends to strengthen its position as one of the most competitive banks in the euro zone in 2004. Against the backdrop of a less favorable market environment for the banking sector, SG CIB intends to step up its "profitable growth" strategy, focusing on four main areas of development: products, clients, geographic presence and synergies. By increasing client-driven revenues while at the same time making selective investments and keeping a tight rein on costs and risks, SG CIB should achieve its objective for 2004 of combining growth and profitability.