



15 June 2010

# INVESTORday 2010

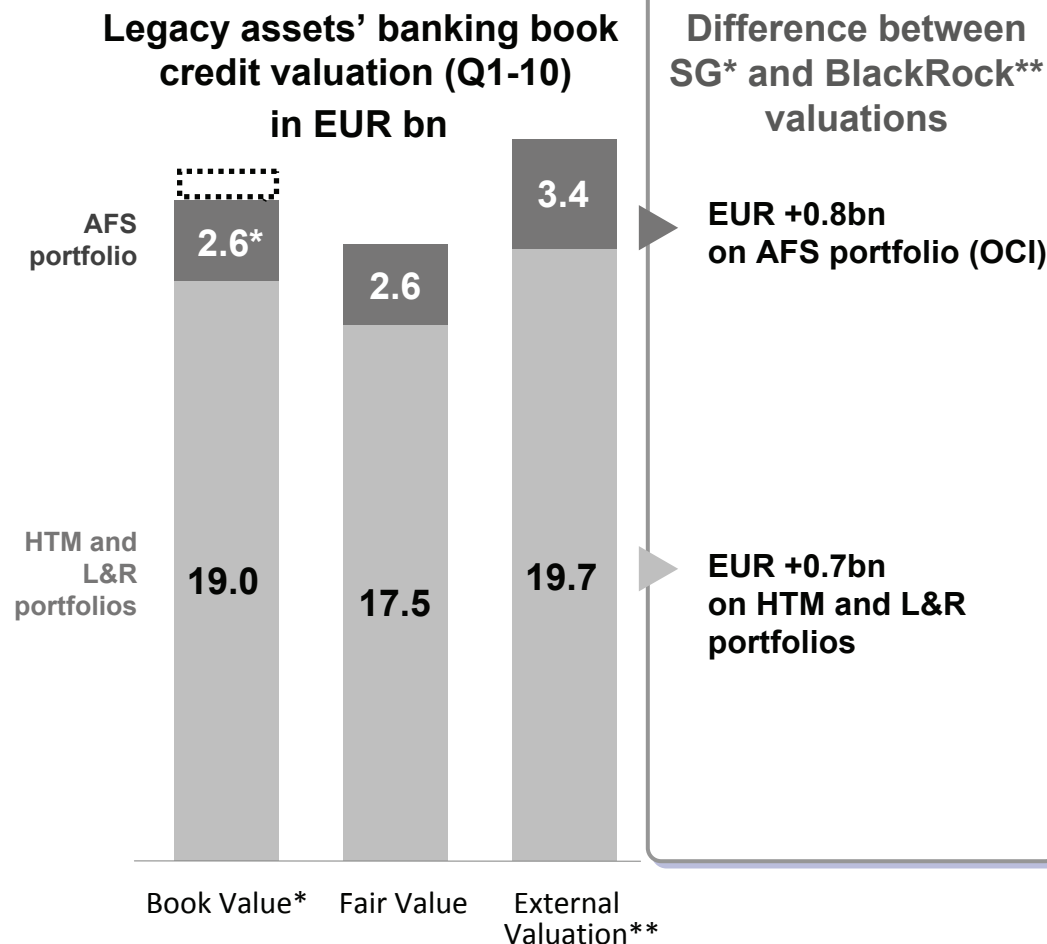
**Legacy assets  
Under control**

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## Legacy assets: external analysis confirms that SG marks are correct

- **External valuation of exposures led by BlackRock Solutions®**
  - ▶ Performed on all banking and trading book assets
  - ▶ Based on a fundamental credit analysis
  
- **Banking book: overall economic value of exposures EUR +1.5bn higher than their book value**
  - ▶ EUR +0.8bn on AFS portfolio: BlackRock\*\*'s valuation higher than Societe Generale (corresponding to EUR -0.8bn impact booked in Societe Generale OCI)
  - ▶ EUR +0.7bn on HTM and L&R portfolios: BlackRock\*\*'s valuation higher than Societe Generale (potential EUR +0.7bn on Societe Generale pre-tax income)
  - ▶ Gap between book value and fair value not representative of estimated losses on banking book exposures (EUR -1.5bn)
  
- **Trading book: current marks compare favourably with credit valuation, potential gains on cash assets offset by hedges**

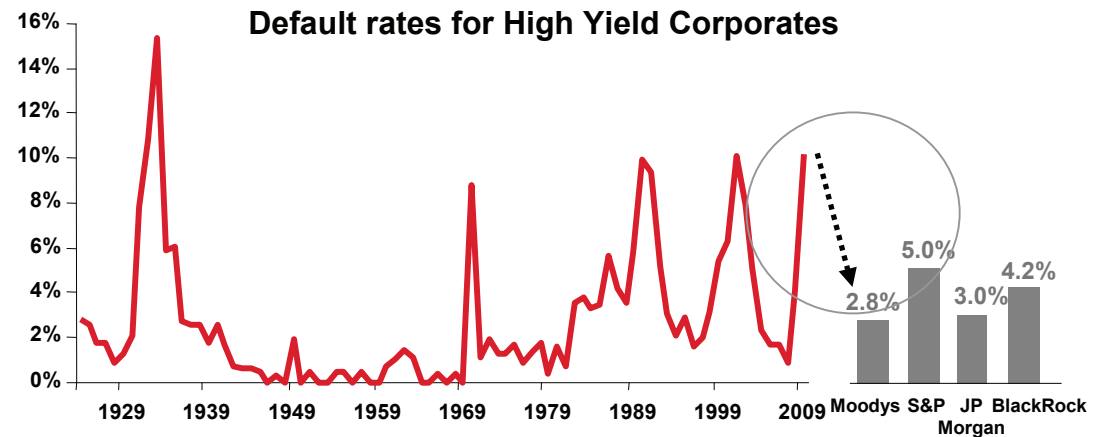


\* After the EUR -0.8bn OCI impact

\*\* BlackRock Solutions®

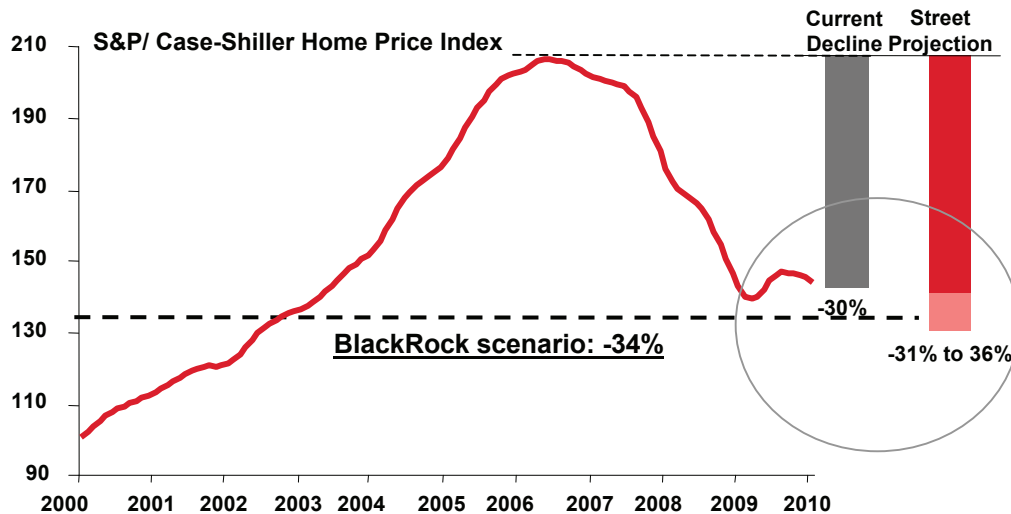
# BlackRock's Base Case Macro-Economic Projections

- Corporate credit market conditions are improving
- The real estate market crisis is abating, though speed recovery is highly uncertain
- Commercial real estate markets remain dislocated with underlying property cashflows and valuations continuing to decline

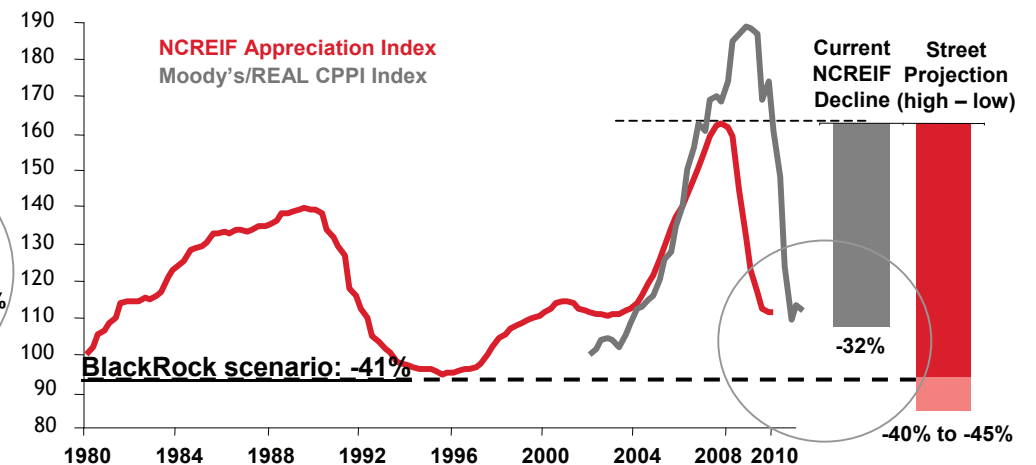


Source: Moody's, Barclays, JPMorgan, BlackRock

## Residential Home Price Decline – Current vs. Projected



## Commercial Property Price Decline – Current vs. Projected

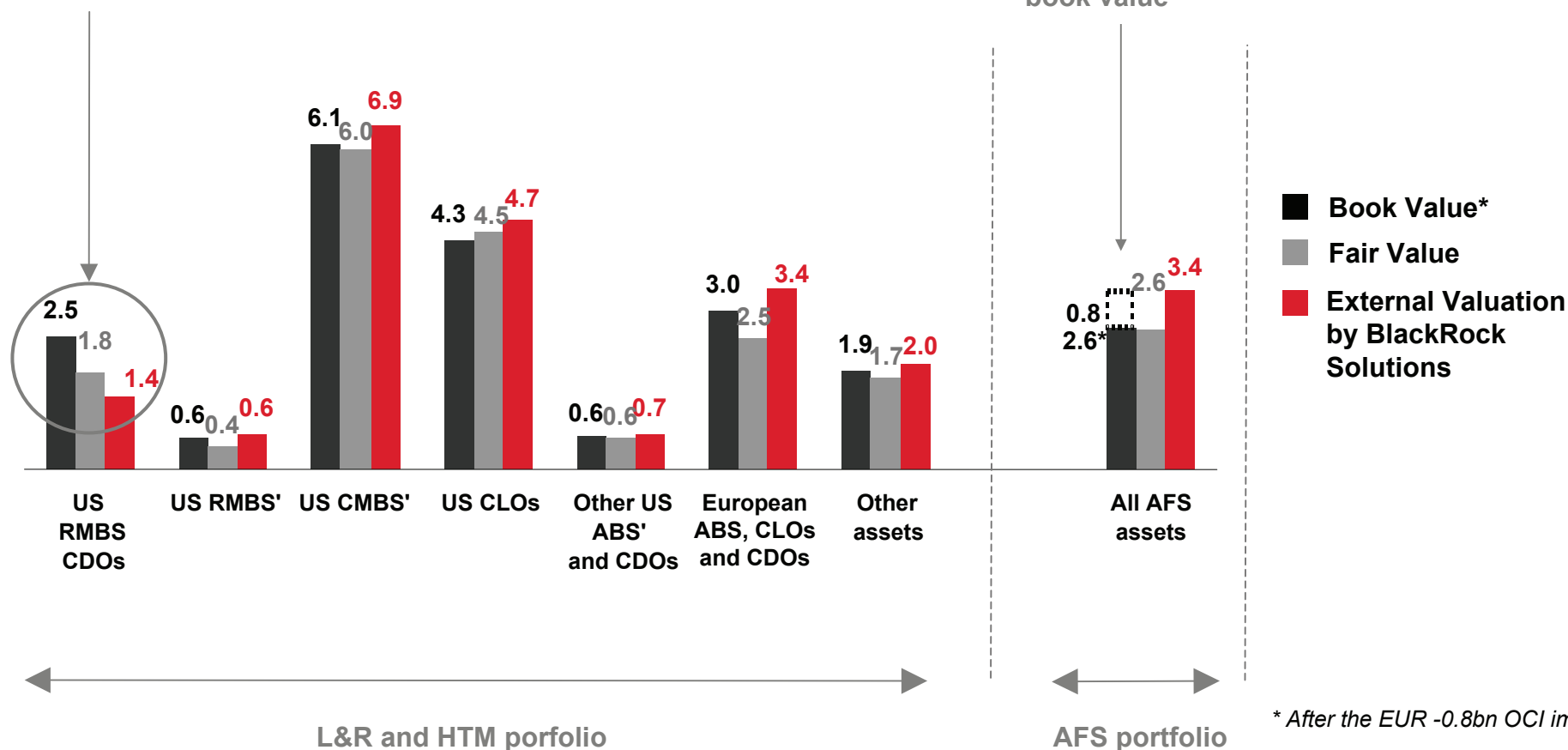


Notes: 1. BLK's default forecast is expected avg. default rate p.a. over next two years; 2. NCREIF Index as of 31/03/10, Moody's CPPI Index as of 28/02/2010

# Estimated losses on US RMBS CDOs more than offset by other asset classes

US RMBS CDOs: only one asset class for which external credit valuation is less than net book value

EUR 0.8bn OCI impact already included in SG book value



## Details by asset classes (excluding hedges)

Portfolio assets (banking book and trading book)		Net book value at 31 March 2010*	Discount rate
<b>US RMBS CDOs</b>	Heavily discounted assets Slowdown in provisioning rate	EUR 5.0bn Banking book: EUR 2.5bn Trading book: EUR 2.5bn	<b>56%</b>
<b>US RMBS'</b>	Banking book: Super Senior tranches, very limited realised losses (impairments) Trading book: positions hedged with ABX index	EUR 2.1bn Banking book: EUR 0.9bn Trading book: EUR 1.2bn	<b>45%</b>
<b>US CMBS'</b>	Good quality assets: <b>"Majority of exposures are Super-Senior AAA, the highest position in the capital stack. Minimal expected loss"</b> **	EUR 8.3bn Banking book: EUR 6.2bn Trading book: EUR 2.1bn	<b>8%</b>
<b>Other US ABS' &amp; CDOs</b>	Mainly ABS' backed by credit cards and car loans No realised losses (impairments) in banking book	EUR 3.0bn Banking book: EUR 1.0bn Trading book: EUR 2.0bn	<b>21%</b>
<b>US CLOs</b>	No / few expected losses: <b>"Portfolio consists mainly of Super-Senior AAA, Mezz AAA, and AA tranches with sufficient credit enhancement"</b> **	EUR 7.2bn Banking book: EUR 4.3bn Trading book: EUR 2.9bn	<b>7%</b>
<b>European ABS', CDOs and CLOs</b>	Mainly RMBS', CMBS' and CLOs No realised losses (impairments) in banking book	EUR 4.9bn Banking book: EUR 4.2bn Trading book: EUR 0.7bn	<b>24%</b>
<b>Other assets</b>	Mainly corporate bonds and infrastructure loans Very limited realised losses (impairments) in banking book	EUR 6.8bn Banking book: EUR 2.5bn Trading book: EUR 4.3bn	<b>11%</b>

### The monoline hedging strategy is also cautious

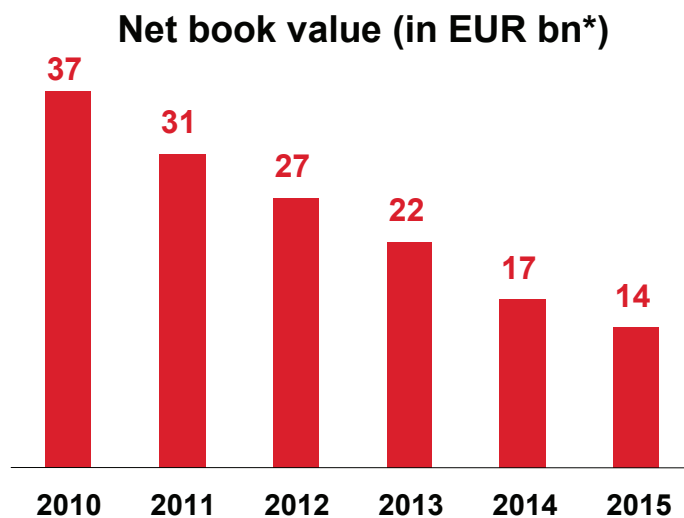
- ▶ 77% hedged
- ▶ Hedges on riskiest assets fully replaced

\* After EUR -0.8bn OCI \*\* Source BlackRock Solutions

## Legacy assets natural amortisation : -60% by 2015

### Natural amortisation of positions

- ▶ Average maturity of European portfolio assets: 3 years
- ▶ Average maturity of US portfolio assets: 4 years, with maturity varying by asset (5 years on US CMBS' vs. 3 years on US RMBS')



\*Conversion at exchange rates on 31/03/2010

### Targeted and opportunistic deleveraging strategy according to market conditions

#### 4 major deleveraging criteria

- ▶ Asset return
- ▶ Sensitivity to credit assumptions
- ▶ Freed-up regulatory capital
- ▶ Freed-up funding

## Disclaimer

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