

## PRESS RELEASE

Paris, May 13<sup>th</sup> 2014

### **KEEPING THE PACE OF TRANSFORMATION TO DELIVER SUSTAINABLE GROWTH AND PROFITABILITY**

- **Our ambition: be a leading European universal bank with the most efficient model to serve our clients and grow in a challenging environment**
  - **A client-oriented model** aiming at being the relationship bank of reference for all clients – individuals, corporates and financial institutions.
  - **A balanced model** with a diversified mix of retail banking activities in mature and selected emerging markets, coupled with historical expertise in corporate & investment banking
  - **A transformed model** well suited to economic, regulatory and technological challenges
  - **A synergetic model** with high cross-selling revenue and operational efficiency potential
  - **A solid model** with historical roots, focused, enhanced risk management and strong corporate values
  
- **Our strategic priorities for 2014-2016: leverage the full potential of profitable growth of our universal banking model**
  - **Further improve client satisfaction, and maintain leadership in innovation** as key differentiating factors at the heart of our strategy
  - **Capture growth through business development and increased synergies** with a focus on organic growth
  - **Deliver sustainable profitability** through strict cost, risk and capital discipline with an industrial efficiency approach
  
- **Main 2016 financial targets: to deliver growth, profitability and solidity**
  - **3% annual revenue growth (2013-2016)**
  - **ROE above 10% in 2016**
  - **Common Equity Tier One solvency ratio  $\geq$  10% and Total Capital ratio  $\geq$  15%**
  - Group cost income ratio to drop to 62% (from 66% in 2013)
  - Pay-out ratio: in cash, 40% in 2014 – Target of 50% for 2015-2016
  - 2016 EPS: EUR 6

#### **PRESS RELATIONS**

LAETITIA MAUREL  
+33(0)1 42 13 88 68  
[Laetitia.a.maurel@socgen.com](mailto:Laetitia.a.maurel@socgen.com)

HELENE AGABRIEL  
+33(0)1 41 45 98 33  
[Helene.agabriel@socgen.com](mailto:Helene.agabriel@socgen.com)

NATHALIE BOSCHAT  
+33(0)1 42 14 83 21  
[Nathalie.boschat@socgen.com](mailto:Nathalie.boschat@socgen.com)

ANTOINE LHERITIER  
+33(0)1 42 13 68 99  
[Antoine.lheritier@socgen.com](mailto:Antoine.lheritier@socgen.com)

ASTRID FOULD-BACQUART  
+33(0)1 56 37 67 95  
[Astrid.Fould-Bacquart@socgen.com](mailto:Astrid.Fould-Bacquart@socgen.com)

**SOCIETE GENERALE**  
COMM/PRS  
75886 PARIS CEDEX 18  
SOCIETEGENERALE.COM

A FRENCH CORPORATION WITH SHARE CAPITAL OF  
EUR 1 000 024 292.50  
552 120 222 RCS PARIS

Note - 2013 figures based on proforma quarterly series published on 31<sup>st</sup> March 2014, adjusted for changes the Group perimeter (notably the acquisition of Newedge and the sale of private banking activities in Asia), excluding legacy assets, non-economic and non-recurring items (as detailed on p. 45 of the Registration Document for 2014). Normative ROE of businesses calculated post-tax with equity allocated based on 10% of Basel 3 RWA. All 2016 CAGR targets are with respect to 2013.

Societe Generale today presents its 2014-2016 strategic and financial plan during an Investor Day in Paris, hosted by Societe Generale Chairman and Chief Executive Officer Frederic Oudea together with the participation of the Group's senior management team.

Commenting on the strategic and financial plan, Frederic Oudea said:

“Going forward, Societe Generale will keep the pace of transformation to reinforce its position as a leading European universal bank well suited to the needs of its clients and in a context of great transition marked by profound economic, regulatory and technological changes. Relying on our solid roots going back 150 years, on our shared culture, we have built an efficient, integrated and client-centric model. Having already completed the refocusing of the portfolio and the reinforcement of the balance sheet, the Group is now fully ready to deliver profitable growth in the future by taking advantage of its strengths: a balanced business mix with solid retail and corporate & investment banking expertise, high organic growth potential, a focus on client satisfaction and innovation, as well as strong management and Group values.

2014-2016 will be a new phase of development for the bank during which we intend to leverage the full potential of organic growth, synergies and operational efficiency of our model to reach a return on equity above 10% by 2016.”

---

## 1. Build on our European universal banking model: the most efficient model to serve our clients and grow in a challenging environment

---

- **Societe Generale has built a strong universal banking model beneficial to its 32 million clients** (corporate, institutional and individual). It has refocused its business around **three core complementary pillars with strong market positions**:
  - Retail Banking in France,
  - International Banking and Financial Services,
  - Global banking and Investor Solutions.
- Going forward, **Societe Generale will maintain the balance of its model**, which is well suited to clients' needs and to capture growth in the challenging environment characterised by a mixed economic outlook, increasing disintermediation and digital transformation:
  - **In terms of geographic footprint** – 75% of revenues in mature markets, 25% in fast-growing emerging markets;
  - **In terms of business mix** – ca. 60% of revenues and risk-weighted assets in Retail Banking, ca. 20% in Financing & Advisory, Market activities limited to 20%.

In Retail Banking, our development will be focused on Europe and Africa where we have historical presence, strong knowledge of the markets and leading franchises. Regarding wholesale banking, we will develop our activities beyond the EMEA boundaries, leveraging in the US and in Asia our leading product expertise and international network.

- **Societe Generale has successfully completed the first phase of its transformation.** It has achieved the necessary adjustment to Basel 3 regulations with a reinforced balanced sheet, a

strengthened risk profile and has completed the refocusing of its activities. It also has enhanced its management values – team spirit, innovation, commitment and responsibility, consolidating the foundations for sound growth in the future. Hence 100% of the management focus can be dedicated to the future transformation and development of the businesses.

---

## **2. Strategic priorities for the Group: leverage the full potential of profitable growth of our universal banking model**

---

- The Group will keep the pace of transformation of its businesses to deliver growth and profitability.

### **Further improve client satisfaction, and maintain leadership in innovation**

- **The Group aims to be a bank of reference in client satisfaction**, which has been at the heart of its strategy since 2010. The Group will further capitalise on progress already made to enhance client satisfaction across all client segments.
- The Bank will continue to put its expertise and culture of innovation at the service of clients and **maintain its leadership in innovation**, especially in France in its retail networks.
- **For corporate clients and financial institutions**, who expect expertise as well as a close relationship with their bank, international reach and tailored solutions, Societe Generale offers high quality coverage, wide international presence in 76 countries and first-class expertise in order to provide custom-made solutions.
- **For individual clients**, who expect advisory services throughout their lives, value for money as well as real-time and mobile solutions for their everyday banking needs, Societe Generale offers best-in-class online services and expertise.
- Pursuing the change in culture initiated in 2010 and accelerating the IT transformation, **the Group will further increase its digital readiness.**

### **Capture growth through business developments and increased revenue synergies**

- **All businesses will contribute to the Group's growth with** an overall combined target of 3% annual average revenue increase.
  - **Main growth drivers will be International retail banking** (principally in Africa, Eastern Europe and Russia), **Insurance and Financial services to corporates, Private banking in Europe, Financing & Advisory, Investor Services** (benefiting from the integration of Newedge).
  - **More modest growth** is expected from **mature retail banking markets** (France and Czech Republic) and **Market activities.**
- **The Group's organic growth will also be fuelled by increased synergies** generated by our universal banking model thanks to cross-selling revenues within each core pillar as well as between core pillars. In 2013, cross-selling revenues amounted to 5.5 billion euros, representing 25% of the Group's total revenues. In the future, the Group wants to **increase revenue growth from synergies and has identified new levers** to do so:
  - Increasing the cooperation between Private Banking and Retail networks

- Implementing cooperation across Investor Services
- Deepening and widening the footprint of the *bancassurance* offering
- Expanding its Global Transaction Banking platform to serve all its corporate clients.

### **Deliver sustainable profitability: disciplined cost, risk management and allocation of capital**

- The **Bank will be run on an industrial model**. The increase in operating expenses is limited at 1% per year through 2016 and the cost/income ratio will be lowered to 62% in 2016.
  - The Group will ensure a tight control of investments and discretionary costs.
  - The Group will continue to deliver on its 1.45 billion euros 2012-2015 cost reduction programme and is ahead of schedule. 100% of reduction initiatives have been launched and 1 billion euros of savings secured by end-March 2014.
  - The Group will further improve its operational efficiency via the pooling of its resources, optimisation of its geographical footprint, efficiency gains and IT transformation.
- Societe Generale **will maintain its reduced risk profile**:
  - Thanks to comprehensive risk framework across the Group
  - Through an enhanced employee risk culture
  - By keeping a high quality credit portfolio, with **a cost of risk estimated between 55 to 60 bp in 2016**
  - **By further reinforcing its capital and funding structure**: Common Equity Tier 1 ratio maintained at 10% or higher, Tier 1 and Total Capital ratios to be raised further  $\geq 12.5\%$  and  $\geq 15\%$  respectively in 2016; short-term wholesale funding to be reduced to 60-70 billion euros by end-2014 and leverage ratio to be lifted to around 4% in 2016.
- The Group will pursue **strict discipline in the allocation of its capital**, with the aim of **growing its risk-weighted assets by 4% annually**
  - RWA growth will focus on fast-growing and profitable client franchises.
  - The Group will maintain a well-balanced capital allocation, with the share of Market activities limited to 20%.
  - The Group will continue to manage its portfolio of activities, dealing actively with underperforming areas, and being open to consider targeted acquisitions, consistent with the Group's business model and synergy potential.
  - The dividend pay-out ratio<sup>(1)</sup> will be 40% in 2014 with a target of 50% in 2015-2016, in cash.

---

### **3. French retail banking: at the forefront of the digital transformation**

---

Societe Generale's French retail banking networks enjoy a competitive set-up ready to deliver higher growth than its peers thanks to the strengths of its three different, yet complementary, brands present in the fastest-growing and richest regions in France, as well as to leadership position in digital banking services.

---

<sup>(1)</sup> Subject to Annual General Meeting of shareholders' approval

▪ **MAIN TARGETS FOR 2016**

- Revenue growth +1% per year
- Cost/ income ratio below 63%
- Cost of risk between 45-50 bp
- ROE at 14%

▪ **OUR STRATEGIC PRIORITIES:**

- **Develop the client value proposition and gain new clients, and pursue the transformation of the customer relationship model**
- **Increase operational efficiency, and leverage on our strengthened risk management**

For individual clients:

- Focus on accompanying customers throughout their lives thanks to the development of our *bancassurance* model. Increasing penetration rates for life insurance, personal protection and property & casualty insurance is expected to lead to an **increase in insurance NBI of 160 million euros by 2016**.
- Further differentiate the value proposition to clients through the development of the new private banking model: **25% increase in French Private Banking operating income** expected by 2017.
- Accelerate the development of **Boursorama** with the ambition of tripling the number of customers to **1.5 million** by 2020.

For corporates & SMEs:

- Strengthen the Group's position as main banker by continuing to attract new clients and to finance the economy: **10,000 new account openings with corporates & SMEs** targeted by 2016; **19 billion euros** mobilised per year to finance the economy
- Develop our transaction banking capabilities in order to anchor the relationship with clients: **expected annual revenue growth of around 6% in transaction banking**.

---

#### **4. International Retail Banking and Financial Services: Back to profitable growth**

---

In International Retail Banking and Financial Services, Societe Generale has leading franchises with recognised expertise in three key regions, Europe (Western, Central & Eastern Europe), Russia and Africa, in Insurance, and in two businesses providing financial services to corporates (ALD car renting and fleet management and SG Equipment Finance). This division has undergone an in-depth transformation over recent years with a refocused portfolio, a more self-funded and an optimised model, as well as an improved risk profile. In the future, International Retail Banking and Financial Services will be one of the Group's main growth engines thanks to the high potential of its markets and increased synergies, which already account for 25% of its revenues.

▪ **MAIN TARGETS FOR 2016:**

- NBI +5% per year
- Cost/ to income ratio to drop by 3 points to 53%

- ROE at 15%

▪ **OUR STRATEGIC PRIORITIES:**

- **Capture growth potential, boosting synergies, and raise profitability across markets and businesses**
- **Russia:** Societe Generale affirms its long-term commitment to Russia despite the current uncertainty. While maintaining the exposure to Russia to a moderate level (3% of the total 2013 Group's commitments), the Group will implement a sound, focused and profitable self-funded growth strategy. SG Russia (including Rosbank, Delta Credit, Rusfinance, Societe Generale Insurance and ALD Automotive) will deliver a **revenue growth of 7% per year, a ROE of 14% in 2016, and a contribution of around 5% to the Group's net result in 2016**. The Group will in particular improve its retail activities and will rely on its comprehensive integrated set-up (positioned as the number one foreign-owned banking group in Russia with access to the global capabilities of the Group's business lines), to take advantage of the attractive Russian banking market prospects (with double-digit anticipated growth in the medium to long-term due to the current low banking penetration rate).
- **Czech Republic:** Maintain a strong position (third largest banking group) and profitability in one of the most attractive retail banking markets in mature countries, by expanding the digital offering and synergies with targeted **annual revenue growth of 2% and a ROE exceeding 20%**.
- **Romania:** Rebound strategy to take advantage, as the country's 2<sup>nd</sup> largest banking group, of the growth potential of the market with a fully reshaped set-up, **targeting annual revenue growth of around 2% and ROE of 13-14%**.
- **Africa:** Leverage on a positioning as one of the top 3 global banking groups to further grow the business across all segments, targeting **annual revenue growth of 7% and ROE above 15%**.
- **Insurance:** Accelerate the roll-out of the *bancassurance* model in all retail markets and all business segments (life insurance, personal protection and property and casualty), reaching an **annual revenue growth of 5% and ROE around 20%**.
- **ALD:** Reinforce global leadership with the aim of growing **NBI by 3% annually with a ROE above 20%** and to become number 1 in Europe and number 2 worldwide in car leasing.
- **Equipment finance:** Resume growth and boost profitability with **expected annual revenue growth of 5% and ROE of 13%**, thanks to leading position with best-in-class international vendors, a strong foothold in Germany and Scandinavia and further synergies.
- **Increase synergies with other divisions:** developing private banking services, developing regional CIB platforms for capital markets activities and structured finance, raising penetration of corporate clients in leasing and car renting, upgrading capabilities in commercial banking (trade finance, cash management and factoring).

---

## 5. Global Banking and Investor Solutions: focused and different

---

Dedicated to corporate clients, financial institutions and private banking clients, the division encompasses Corporate and Investment Banking, Private Banking, Asset & Wealth Management and Securities Services. Societe Generale has built a top 5 European player with a multi-specialist model and best-in-class profitability. After having sharply reduced its risk profile since 2007, the

Group has shifted towards a more client-driven model. Societe Generale is now well-positioned to gain market share in a changing CIB industry landscape, where many players are still reviewing their strategies and reducing the scope of their activities. Societe Generale can take advantage of the increasing disintermediation in Europe and of the development of new products and services related to the post-trade services evolution, thanks notably to its recent acquisition of Newedge.

▪ **MAIN TARGETS FOR 2016:**

- NBI +3% per year
- Cost/income ratio at 68%
- ROE at 15%

▪ **OUR STRATEGIC PRIORITIES:**

➤ **Focused growth on existing strengths, maintaining a resource-efficient set-up**

- **Growing our client footprint:** accelerate the development of business with corporates through the onboarding of 100 new clients (+9% in annual revenue growth by 2016), enhance presence among financial institutions (+4%), expand High Net Worth Individual client base in Europe (+4%).
- **Commit more resources to develop the Financing & Advisory** businesses in order to achieve 8% annual revenue growth by 2016<sup>(1)</sup>: allocating more capital with a view to growing natural resources and structured financing activities; using available long-term funding capabilities and increasing origination-to-distribution capabilities; accompanying credit disintermediation in Europe through the strengthening of primary market activities (USD platform and high yield).
- **Build on strengths in Market activities** with expected annual revenue growth of 1%<sup>(1)</sup> by 2016 above the market trends: bolster leadership position in flow equity derivatives where significant potential remains through expansion in Germany, Asia and the US; take advantage of positive trends to grow cross asset solutions (structured products); invest to further develop distribution capabilities in credit markets to accompany clients.
- **Be at the forefront of the post-trade services revolution**, thanks notably to the acquisition of Newedge: fully integrate Newedge and develop the prime services division; enhance the custody and fund administration platform and develop value-added post-trade services; resulting overall in annual revenue growth of 12%<sup>(2)</sup> by 2016.
- **Strengthen Private Banking and Lyxor in core European countries** with a target of more than 35 billion euros additional assets under management, with annual revenue growth of 4% by 2016.

<sup>(1)</sup> 2013 figures excluding loss on tax claim in Financing and Advisory and Lehman claim recovery in market activities. Iet f not restated, CAGR would be respectively +10% and +0%

<sup>(2)</sup> Taking into account contribution of 50% of Newedge bolt-on acquisition and subsequent turnaround to NBI growth. NBI at constant perimeter: +2% CAGR

### Societe Generale

Societe Generale is one of the largest European financial services groups. Based on a diversified universal banking model, the Group combines financial solidity with a strategy of sustainable growth, and aims to be the reference for relationship banking, recognised on its markets, close to clients, chosen for the quality and commitment of its teams.

Societe Generale has been playing a vital role in the economy for 150 years. With more than 148,000 employees, based in 76 countries, we accompany 32 million clients throughout the world on a daily basis. Societe Generale's teams offer advice and services to individual, corporate and institutional customers in three core businesses:

- **Retail banking in France** with the Societe Generale branch network, Credit du Nord and Boursorama, offering a comprehensive range of multichannel financial services on the leading edge of digital innovation;
- **International retail banking, financial services and insurance** with a presence in emerging economies and leading specialised businesses;
- **Corporate and investment banking, private banking, asset management and securities services**, with recognised expertise, top international rankings and integrated solutions.

Societe Generale is included in the main socially responsible investment indices: Dow Jones Sustainability Index (Europe), FSTE4Good (Global and Europe), Euronext Vigeo (Global, Europe, Eurozone and France), ESI Excellence (Europe) from Ethibel and 5 of the STOXX ESG Leaders indices.

For more information, you can follow us on twitter @societegenerale or visit our website [www.societegenerale.com](http://www.societegenerale.com).

### Societe Generale: 150 years

In 2014, Societe Generale Group celebrates its 150th anniversary with a focus on entrepreneurial spirit, innovation and team spirit. Founded by a group of industrialists and financiers, the bank's very name illustrated their ambition: "Société Générale pour favoriser le développement du commerce et de l'industrie en France" ("**Societe Generale to support the development of trade and industry in France**"), as written into the Imperial decree signed by Napoléon III on 4 May 1864.

Societe Generale has always served economic development, contributing to the financing of infrastructures that symbolised the modern world and of leading French groups. Societe Generale was among the first French banks to open branches in London and in Russia in the 1870s, before expanding into the Maghreb, New York and Africa and to set up operations in Central European countries.

Societe Generale has always been at the cutting edge of financial innovation, and takes strength from its origins to assert its banking vision for the future, reinvent its businesses to serve its clients and become the reference bank of the 21st century.