Lorenzo Bini Smaghi reviewed the key points of 2018, a year of considerable achievements and contrasting results. Societe Generale made progress with the different areas of its strategic plan: growth initiatives, refocusing of activities, establishing a culture of responsibility, optimisation efforts and the far-reaching transformation, in particular in digital matters, are all beginning to show results. However, since mid-2018, the outlook in terms of interest rates, economic conditions and the political environment have changed considerably. In these conditions, which are less favourable for the whole European banking sector, the Group adjusted its strategic plan and its financial goals. Diony Lebot, Deputy Chief Executive Officer, presented the Group’s results for 2018 and the first quarter of 2019, and Frédéric Oudéa, Chief Executive Officer, set out the Group’s strategy. Lorenzo Bini Smaghi then provided an update on corporate governance and Jean-Bernard Lévy, in his role as Chairman of the Compensation Committee, presented the Group’s policy in this area. All the resolutions presented to the meeting were approved. The dividend for 2018 was set at €2.20 per share, with the option to receive payment in shares.

FOR FURTHER INFORMATION ON THE RESOLUTION VOTES VISIT: www.societegenerale.com/annual-general-meeting-vote

“Societe Generale has built a solid and resilient banking model over the recent years.”

Robust results and ongoing transformation

The Group actively continued its transformation in 2018 and delivered robust results thanks to strong commercial momentum. The last three major legal disputes with the US authorities were settled in 2018, for a total of $2.7 billion. This figure was covered by provisions and therefore had no impact on the Group’s results. In recent years, Societe Generale has made considerable efforts to strengthen its control systems and processes, and instil shared culture and conduct principles across all its activities.

In 2018, underlying Net banking income rose by 0.6%. Underlying Group net income was stable against 2017 at €4.5 billion and Reported net income rose sharply, by 37.7%. Return on equity improved in relation to 2017, with underlying ROTE of 9.7% and reported ROTE of 8.8%.

In French Retail Banking, growth initiatives are proving effective, but low, even negative, interest rates continued to weigh on revenues, as is the case for most of our European peers. For International Retail Banking and Financial Services, growth was very strong in all business lines and regions. Global Banking and Investor Solutions recorded more contrasting trends.
Major changes over the past 10 years

Our French Retail Banking networks are going through a major period of adjustment as customer expectations change, in particular given the growth of new technologies. The changes, considerable in their extent, gathered pace in late 2015, and apply to all organisations, all commercial procedures and all members of staff.

We have made our International Retail Banking and Financial Services activities a major driver of profitable growth for the Group, and this core business recorded net income of €2 billion in 2018, compared with less than €500 million in 2014. Global Banking and Investor Solutions activities have made in-depth changes to their business models, moving away from transaction-focused models to a more client-focused approach.

Innovative business models to drive long-term growth

Alongside these major transformation projects, Societe Generale has never lost sight of the need to remain an enterprising bank, developing year after year business models able to deliver growth. The expansion of our insurance activities, Boursorama, or our vehicle fleet management subsidiary, ALD Automotive, are prime examples. Our capacity for innovation is also evident in the rapid rollout of digital technology and new ways of working across all our business lines and functions. We have also forged relations with startups through partnerships, investments, acquisitions and in-house business creations, with the aim of building new activities.

A business model that creates value

Societe Generale has built a solid and resilient banking model over the recent years, one that will enable it to continue growing in the future. At the same time, Net tangible asset value per share, which represent the Group’s intrinsic value, have steadily increased to stand at €55.80 at year-end 2018. Over the long term, the return over 10 years is higher than the average of eurozone banks. The fall in Societe Generale’s share price at the start of this year reflected doubts in the financial community. Beyond the European banking sector in general having limited appeal at the moment, investors raised concerns about the level of our capital and the profitability of our Corporate and Investment Banking activities.

We are in the process of delivering a rapid response to these two concerns. Our CET1 capital ratio rose sharply between the end of 2018 and March 2019. We aim to meet our 2020 target of 12% as soon as possible. We are working on a more selective capital allocation policy and have begun to reduce the amount of capital allocated to market activities. We are also continuing to refocus the Group. Regarding the profitability of our Corporate and Investment Banking business, and our market activities in particular, we have announced an ambitious strategic and operational restructuring plan.

Combining responsibility and innovation over the long term

The challenge for the years to come will be to combine innovation and responsibility. The transformation of our business lines must continue. The second challenge will be to develop new business models in line with new social trends. And, lastly, we intend to engage in the positive transformations of our customers and economies, especially in the area of energy transition.

For over 10 years, the Group has offered world-class expertise in renewable energy financing and in 2018 was ranked as the leading French bank and second bank overall for renewable energy financing in our main market of Europe, Middle East and Africa. While supporting its clients, Societe Generale has reduced its activities related to fossil fuels and stopped financing certain activities, including projects dedicated to coal, Arctic oil production and the production of oil from bituminous sands. Sustainable development in Africa is one of the main issues facing the planet, and Europe in particular. Societe Generale has a real role to play in this area, even as international banks are tending to withdraw from the continent. More broadly, the Group intends to benefit from its positioning in business lines and regions that offer strong growth potential. Market conditions will remain challenging in Europe and Societe Generale’s positioning in more bullish regions provides it with a real competitive advantage.

(1) Dealogic ranking
For our capital base, the target we have set for the end of 2020 takes into account the following: capital generation from profits, the dividend policy, strict control of the allocation of capital to each business line, the downsizing of our market activities, the effect of disposals, the review of our internal regulatory capital models, the option to receive the dividend in shares and the global employee share ownership plan. Our targets also allow for some leeway.

What was the total cost of settling litigation in recent years?

The Group’s litigation issues are estimated to have cost €4 billion over the past five years. Societe Generale signed settlement agreements with the US and French authorities in 2018. We have put our major legal disputes behind us and the Bank is now fully committed to fulfilling all the obligations set out in the remediation programmes arising from these settlements.

Can the Group survive on its own? Is it not time to join forces with a French or European bank?

Consolidation on the European banking market will most likely take place once the banking union is complete, which is far from being the case. A number of uncertainties...
remain. The European banking market is still fundamentally fragmented. While the idea was to build a fully integrated borderless banking market, national rules are still preventing the free circulation of capital and money and there are still uncertainties about the different types of resolution mechanisms. A merger may seem simple on paper, but it is well known that nothing is more complicated than a business merger, and it is not necessarily the right solution. Our priority of completing our roadmap over the coming quarters will create much more value in the near term.

**Why do Societe Generale group’s banks have different pricing policies?**

The Group has three banks in France – Boursorama, Crédit du Nord and Societe Generale. Each bank has its own personality and targets different customers, who have different expectations in terms of service quality and price. For example, Boursorama’s customers want an online bank that is the cheapest on the market, which Boursorama has been for the past 11 years. Societe Generale’s individual customers require digital services and the possibility of interacting with an adviser and experts. Societe Generale has strong franchises among business, private banking and wealth management customers, and also offers services for young people. Crédit du Nord has regional banks with a very strong presence in their local areas.

**Won’t cutting the number of branch employees affect customer service quality?**

Societe Generale offers its customers many means of communication. Our branches are an important part of this, but customers also appreciate our call centres which allow them to sign up for products, set an appointment with an adviser or get answers to their questions. Our wide range of communication channels works well. To provide value-added advice and expertise to those customers who visit branches, the Group continues to invest in the training of its staff. Branch managers are the backbone of Societe Generale.

“Societe Generale offers its customers many means of communication.”

**How are you aligning your activities with global warming targets?**

The Group has been developing its expertise in renewable energy financing for more than ten years. It has pledged to help raise €100 billion in financing for the energy transition by 2020 and has already raised €78 billion. In 2016, it made proactive responsible commitments regarding coal financing. We were one of the first banks to apply a number of exclusion policies by no longer financing projects related to coal and reducing the amount of coal in the energy production mix financed by the Group. The Group will continue to align its methodologies in line with the Paris climate agreement for other sectors of activity and will undertake further commitments beyond 2020. For example, we recently signed the Katowice Commitment with four other banks.

**How do you expect interest rates to evolve?**

Following a period of extremely bullish expectations for growth and higher interest rates in late 2017, a turnaround occurred in mid-2018 when forecasts instead began to anticipate a slowdown in growth and low interest rates for a much longer period. We are not expecting interest rates to rise because we are living in a world of low inflation, and this remains the European Central Bank’s priority.