# SOCIETE GENERALE

## MORGAN STANLEY
## EUROPEAN FINANCIALS CONFERENCE

Frédéric Oudéa, Chairman & CEO

*CREATING VALUE IN A DELEVERAGING ENVIRONMENT*

28 MARCH 2012

BUILDING TOGETHER
TEAM SPIRIT SOCIETE GENERALE

# DISCLAIMER

This document may contain a number of forecasts and comments relating to the targets and strategies of the Societe Generale Group.

These forecasts are based on a series of assumptions, both general and specific, notably - unless specified otherwise - the application of accounting principles and methods in accordance with IFRS (International Financial Reporting Standards) as adopted in the European Union, as well as the application of existing prudential regulations.

This information was developed from scenarios based on a number of economic assumptions for a given competitive and regulatory environment. The Group may be unable:

- to anticipate all the risks, uncertainties or other factors likely to affect its business and to appraise their potential consequences;
- to evaluate precisely the extent to which the occurrence of a risk or a combination of risks could cause actual results to differ materially from those provided in this presentation.

There is a risk that these projections will not be met. Investors are advised to take into account factors of uncertainty and risk likely to impact the operations of the Group when basing their investment decisions on information provided in this document.

Unless otherwise specified, the sources for the rankings are internal.

The Group’s consolidated accounts at 31 December 2011 thus prepared were approved by the Board of Directors on 15 February 2012. The consolidated financial statements have been audited by the Statutory Auditors.

The financial information presented for the financial year ended 31 December 2011 has been prepared in accordance with IFRS as adopted in the European Union and applicable at this date.

## CREATING VALUE IN A DELEVERAGING ENVIRONMENT

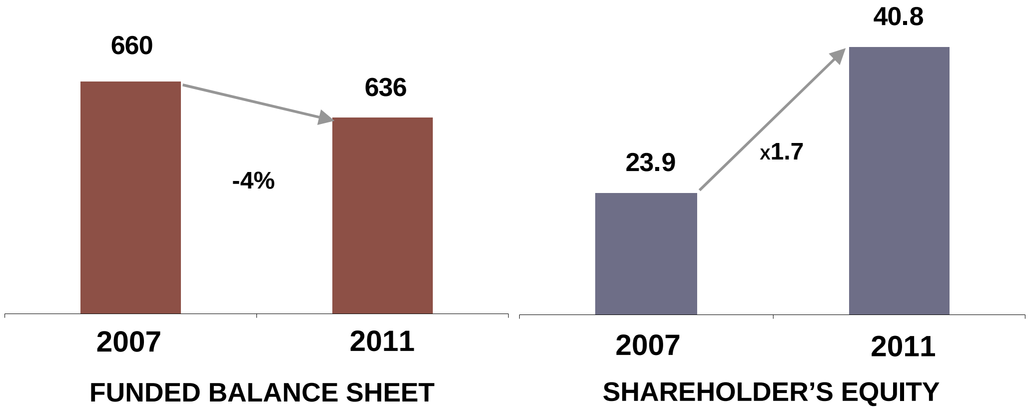
- Société Générale has significantly reduced its leverage ratio over the past 4 years
- The Group accelerated the reduction of its balance sheet since June 2011, at a limited cost and preserving client franchises
- Capital ratios are being strengthened in line with our Basel 3 Core Tier 1 target
- SG CIB is being transformed towards a more integrated, resource-light and distribution oriented model
- In a deleveraging environment our focus on costs and risk management remains critical

↳ Sound and robust business model, well positioned to create value in the new environment

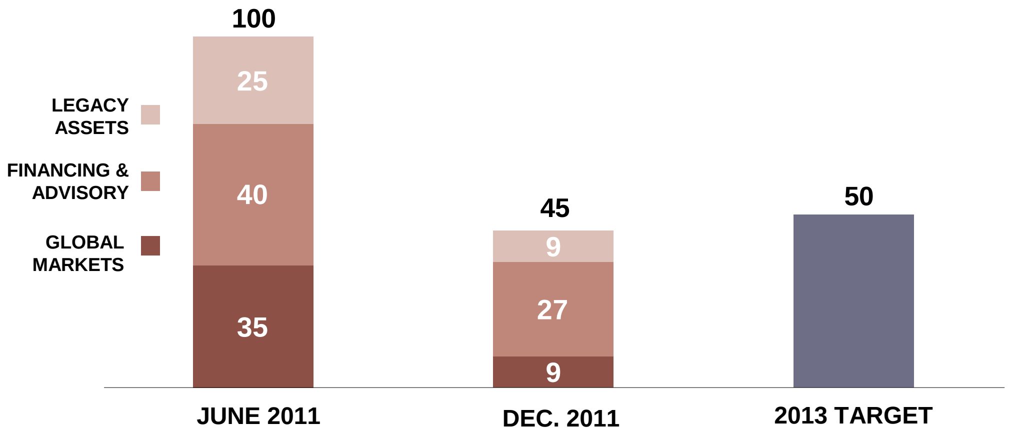
## STRONG REDUCTION IN LEVERAGE IN THE LAST 4 YEARS

- Significant reduction in leverage ratio over the past four years
  - **Strict control of balance sheet since 2007**
  - **Shareholder equity multiplied by 1.7x**
- Accelerated balance sheet reduction since end June 2011, at limited cost and preserving client franchises
  - **Significant adjustment made to Global Markets positions**
  - **EUR 13.1bn legacy assets disposals at less than 1% cost***
  - **EUR 6.0bn loan sales at less than 3% cost***
  - **SG CIB USD liquidity needs reduced by USD 55bn**
  - **No dependence on US money market funds resources at end-2011**

**Balance sheet leverage (in EUR bn)**




**SG CIB USD liquidity needs (in USD bn)**

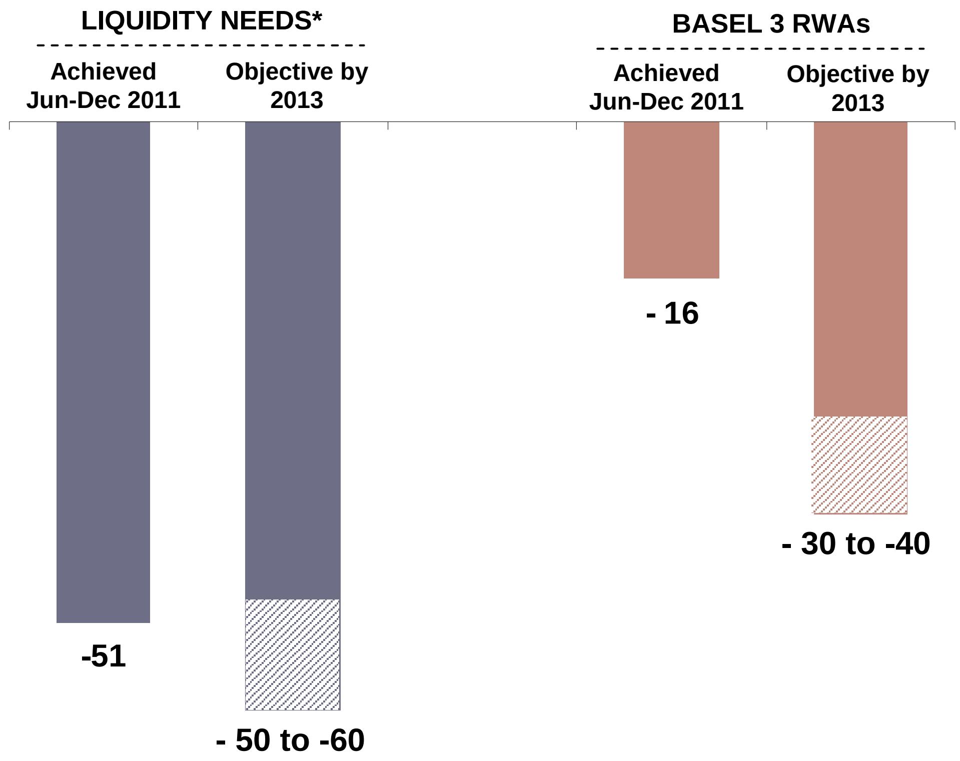



* Management information, 2011 disposals

## DELEVERAGING: UPDATE VS 2013 TARGETS

- SG CIB 2013 liquidity needs reduction targets achieved
  - **Mainly through reduced short term liquidity needs**
- 2012-2013: SG CIB liquidity needs to remain stable, but with a different mix
  - **Further loan sales to reduce long term needs**
  - **Higher liquidity consumption of Global Markets**
- SG CIB RWAs will be further decreased through actions on legacy assets and further loan sales
- Outside of SG CIB, business asset disposals to be realised by end-2013
  - **Liquidity need reduction of EUR 25-35bn**
  - **Basel 3 RWA reduction of EUR 30-40bn**
  - **100bps positive impact on Basel 3 Core Tier 1**

**SG CIB deleveraging (in EUR bn)**

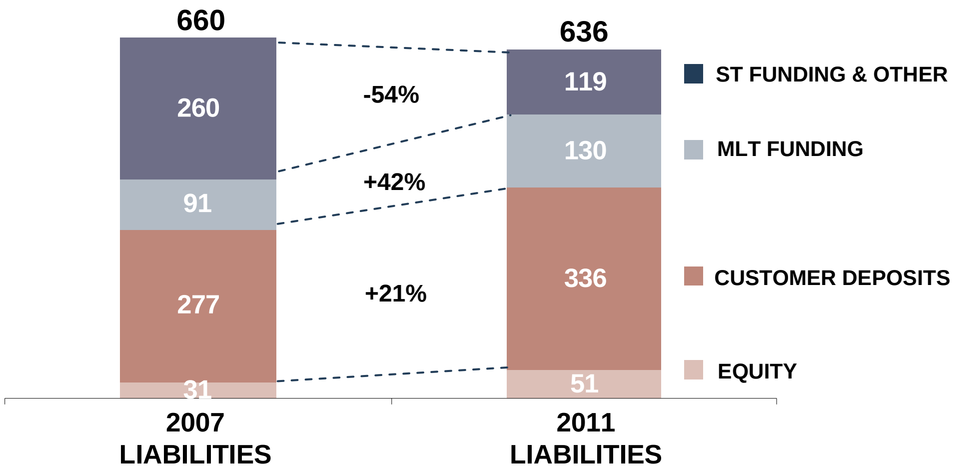



* All currencies

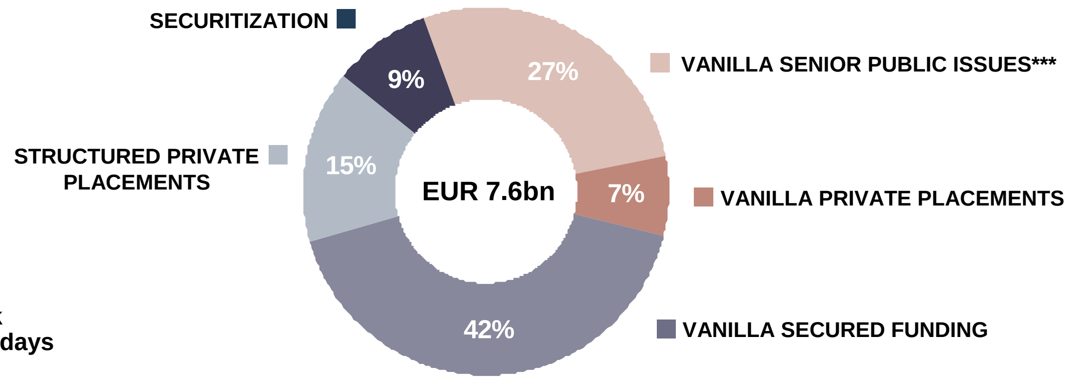
## FURTHER IMPROVEMENT OF OUR FUNDING PROFILE

- Sound and stronger funding profile:
  - **Short term funding: 19% of funded balance sheet, vs 39% in 2007**
  - **Medium and long term funding up 42% vs 2007**
  - **Customer deposits up 21% vs 2007**
- Liquid asset buffer* of EUR 84bn at end-December 2011
- Lower end of our 2012 funding objective already reached
  - **EUR 10-15bn 2012 long term funding programme**
  - **EUR 2.6bn prefunding in 2011**
  - **EUR 7.6bn issued in 2012 to date**
  - average maturity above 6.3 years**
  - average cost of funding below MS+150bps**

**Group funded balance sheet - Liabilities**
**(in EUR bn)**




**LT issuance as of 16 March 2012*****




* EUR 58bn central bank eligible assets + EUR 26bn net available central bank deposits. Excludes EUR 9bn liquid assets that can be sold between 15 and 30 days

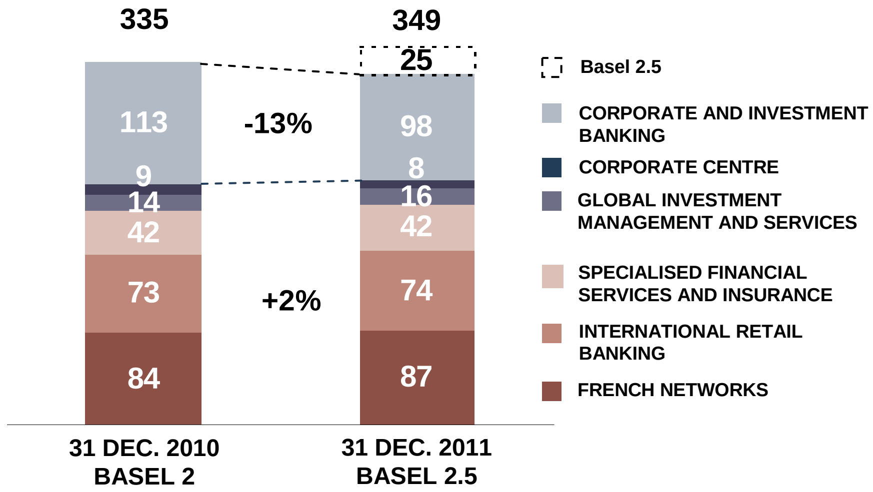
** Excluding securitization

*** Including EUR 350m tap issued on March 22, due to settle on April 2

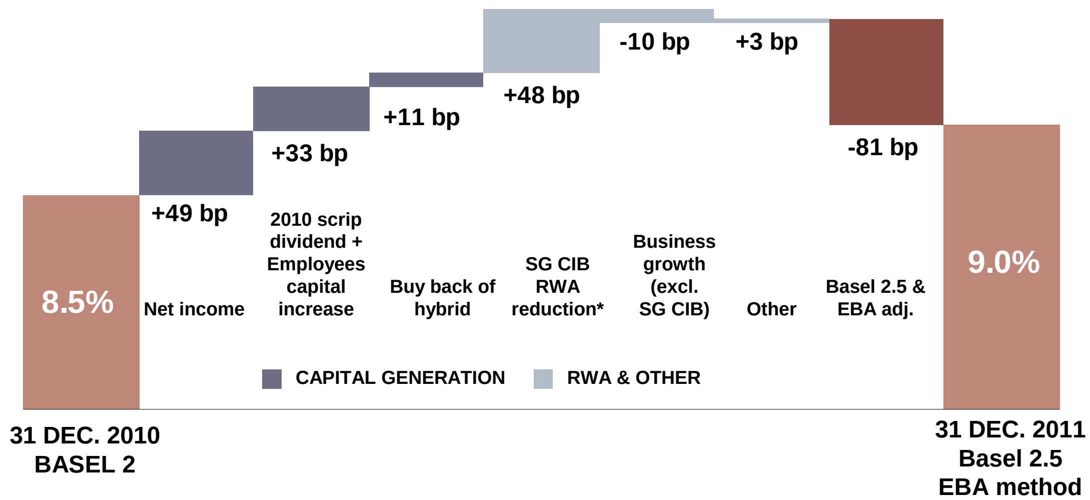
## STRENGHTENED CAPITAL RATIOS IN LINE WITH OUR BASEL 3 OBJECTIVE

- Strict control of RWAs
  - **Driving SG CIB Basel 2 RWAs down by 13% in 2011**
  - **Contained RWA increase in other businesses**
- 9.0% Core Tier 1 at end-2011 (Basel 2.5)
  - **Reinforced retained earnings**
  - **No dividend payment on 2011 results**
  - **Active derisking and deleveraging**
- On course to meet our Basel 3 Core Tier 1 objective by 2013

**Group RWA (in EUR bn)**




**Core Tier 1 ratio**

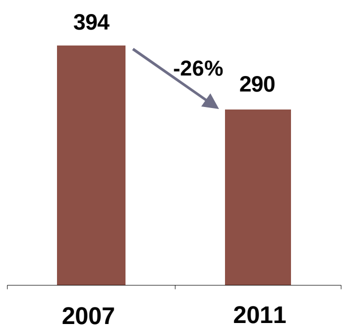



* Including legacy assets CT1 deductions

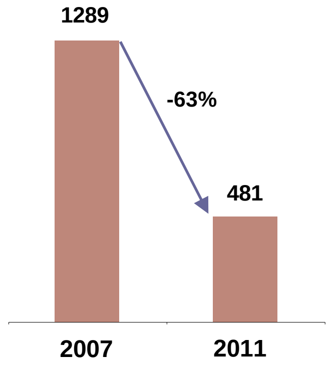
## SIGNIFICANTLY OPTIMISED USE OF SG CIB BALANCE SHEET SINCE 2007

- SG CIB 2011 core revenues comparable to 2007
- … while using 26% less balance sheet
- … and with a lower risk profile
  - **Market stress tests cut by 63% vs 2007**
  - **More client oriented businesses**
  - **Strict monitoring of liquidity consumption in trading activities**
- "Originate to distribute" approach already initiated in our financing activities

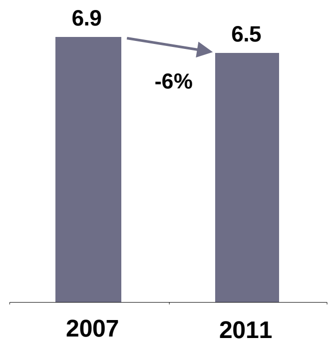
**SG CIB balance sheet excl. derivatives and legacy assets (in EUR bn)**



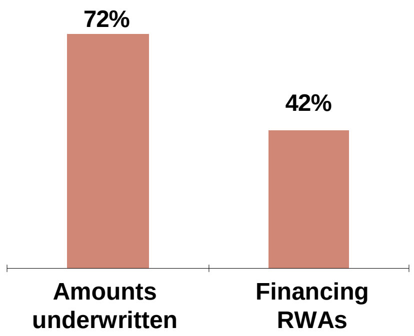

**Market stress test (in EUR m)**




**SG CIB core revenues (in EUR bn)**

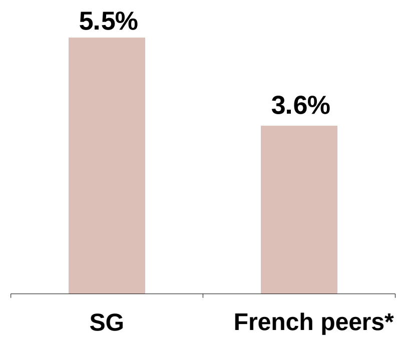



**Financing RWAs & syndicated loans underwritten**




**SG as a % of French peers* (2010-2011 average)**

**Financing revenues / RWAs (average % 2010-2011)**

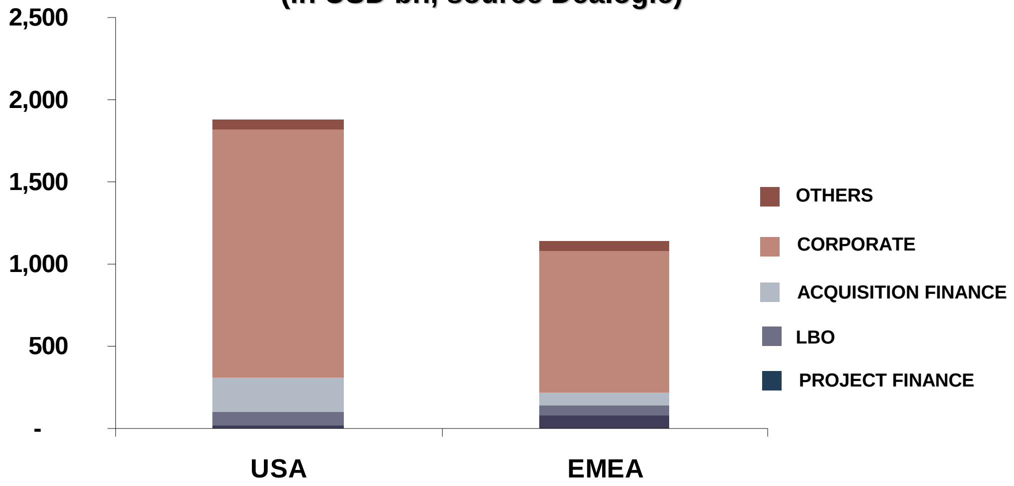



* **BNPP and CA CIB Financing activities**

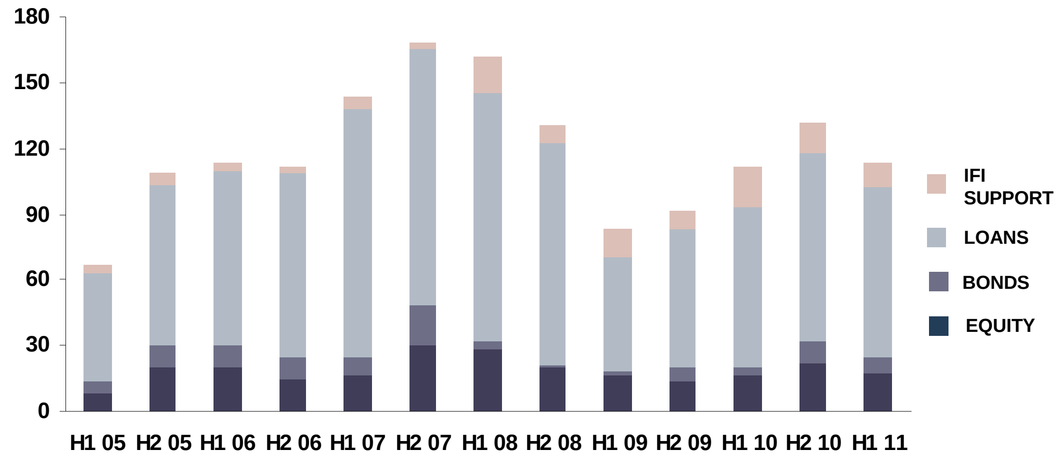
## ENHANCE DISTRIBUTION CAPACITIES FOR OUR FINANCING ACTIVITIES

- Today, SG CIB distributes one third of the loans it originates:
  - **Vanilla/slightly structured loans are largely distributed, mainly through syndication**
  - **Structured loans are barely distributed**
- Pushing a US-like 'originate to distribute' model for the least structured activities
- Comprehensive plan to increase distribution and liquidity over time for structured loans
  - **Educate investors about new asset classes**
  - **Review origination practices to improve transferability and liquidity of assets**
  - **Develop repackaging solutions (project bonds, securitisation…)**
  - **Work on alternative distribution channels / partnership deals**

**Syndicated loan 2011 volumes: EMEA vs USA**
**(in USD bn, source Dealogic)**




**Global project finance volumes: still largely relying on bank debt (in USD bn, source Infrastructure Journal)**

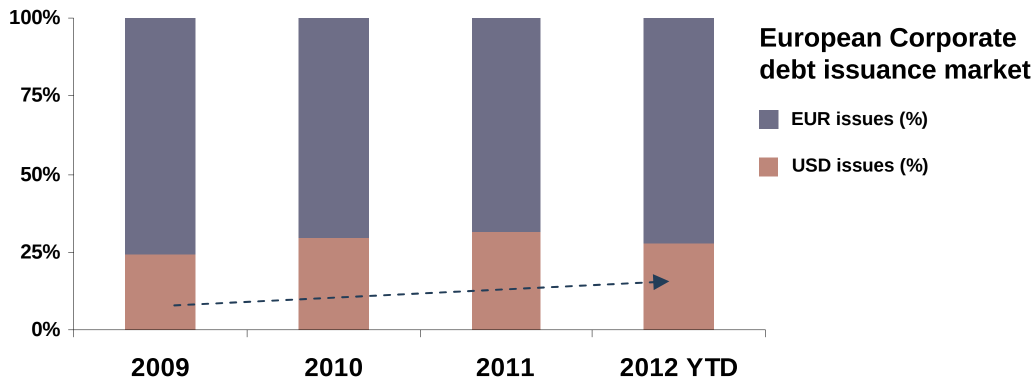


## TOWARDS A MORE INTEGRATED, RESOURCE-LIGHT, DISTRIBUTION ORIENTED MODEL

- Refocus on our core strengths
  - **Natural resources financing, equity derivatives, cross assets structured products**
  - **European client base**
  - **Euro corporate bonds and Euro rates**
- Shift towards a more distribution oriented model, leveraging on our capabilities
  - **Leading Euro Corporate bond platform**
  - **N°4 bookrunner YTD on the growing market of USD bond issuance by European Corporates**
  - **Project financing expertise positioning us well to win Bond mandates**
- Strong action on costs
  - **13% staff reduction initiated**

⇘ Value creation for the Group while maintaining prudent risk management

### Debt capital markets capabilities
**(source IFR)**




| | 2009 | 2010 | 2011 | 2012 YTD |
|---|---|---|---|---|
| SG rank – EUR issues | #3 | #3 | #3 | #2 |
| SG rank – USD issues | #16 | #19 | #12 | #4 |

### 'Originated & distributed' deals in 2012

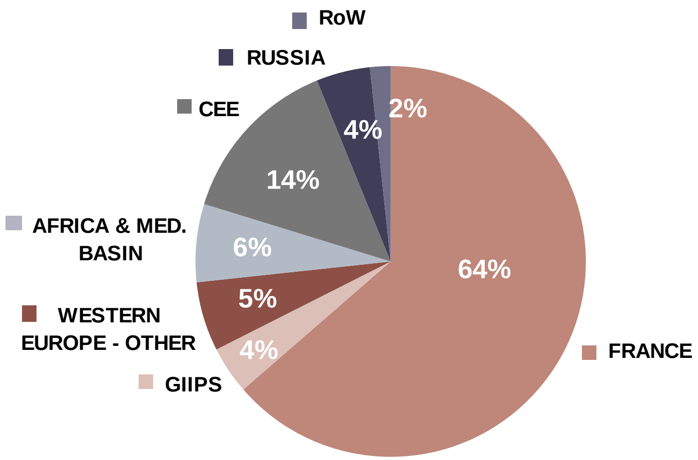
**Dolphin Energy Limited**
Project Bond
**USD 1,300,000,000**
Active Bookrunner
2012 UAE

**Gatwick**
Liquidity Facilities, Bond programme, IL and IR Hedging
**GBP 600,000,000**
MLA, IL Hedge Counterparty, IRS Hedge Counterparty, GBP Bond Joint Bookrunner
2012 UK

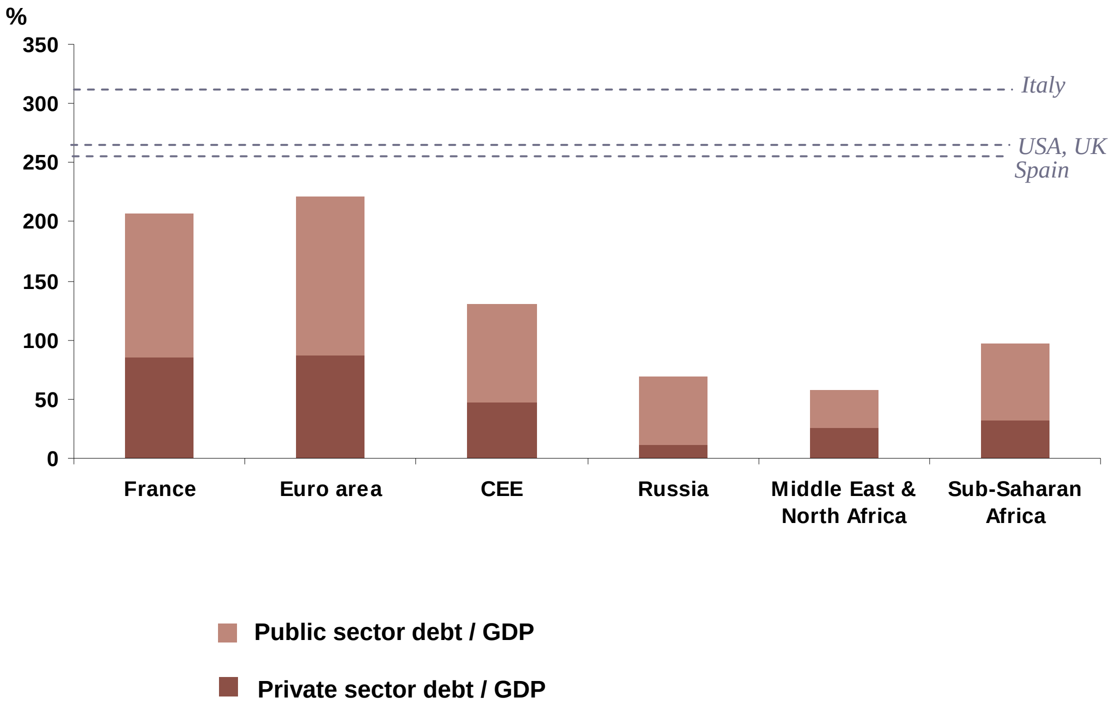
RUBY PIPELINE
144A / Reg S Notes Due April 2022
**USD 825,000,000**
Joint Bookrunner
UNITED STATES 2012

# LIMITED EXPOSURE TO HIGHLY LEVERED ECONOMIES

## Societe Generale retail activities On Balance Sheet Exposure at Default*




## Public & Private Debt / GDP**

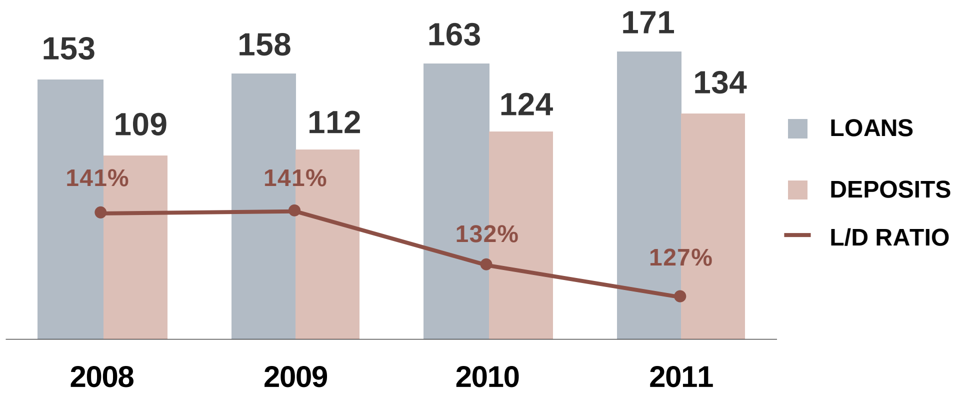



* 2011 EAD of French Networks, International Retail Banking, Specialised Financial Services
**Latest available IMF or Eurostat data (Sept-Dec 2011)

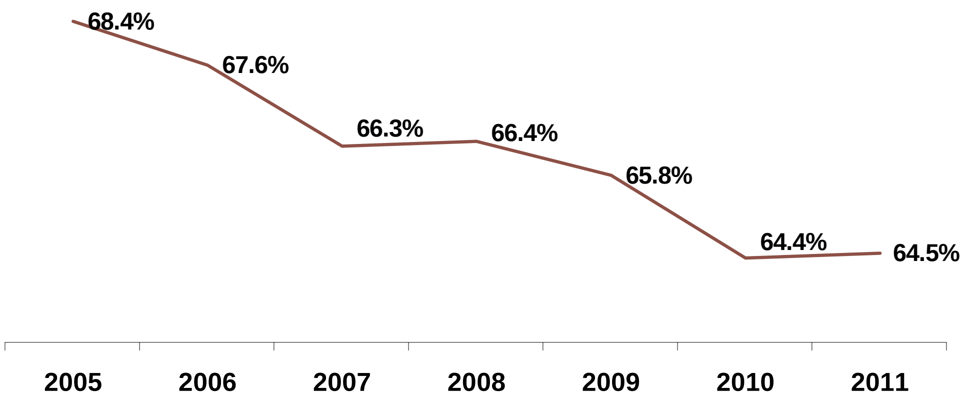
## MAINTAIN STRONG PROFITABILITY WHILST TRANSFORMING THE OPERATING MODEL

- Priority to customer satisfaction
- Focus on deposit collection
  - **Significant decrease of loan-to-deposit ratio over recent years**
  - **Successful campaign with French SMEs in Q4 11: EUR 3bn deposits collected**
  - **Development of transaction banking and cash management**
- Industrialisation & pooling of information systems
  - **Unification of information systems management between SG and CDN networks in H1 11**
  - **Roll-out of a multi-market portal for the SG network sales force in 2011**
  - **Migration of SMC on CDN's IT system in April 2012**

**Loans and deposits**
**(in EUR bn)**




**Cost/income ratio***



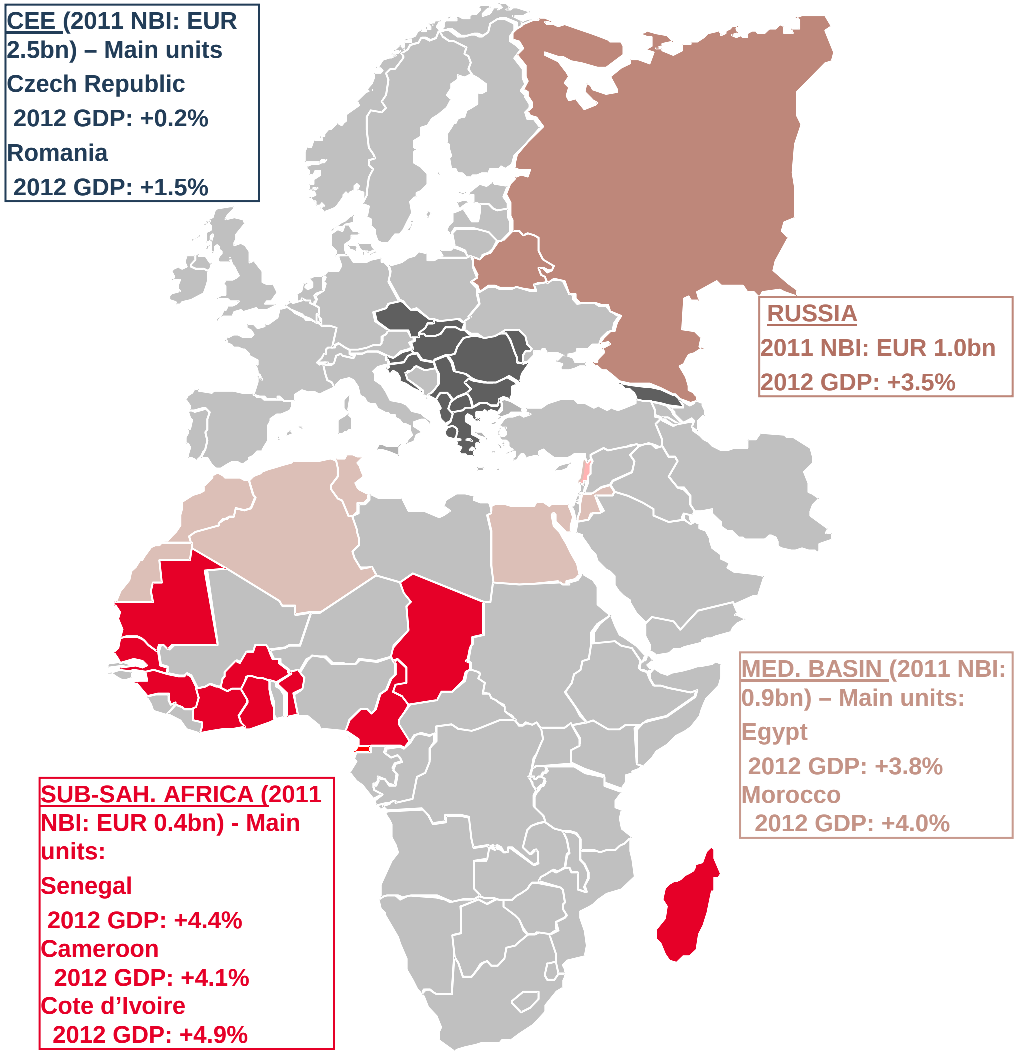

↳ Resilient and profitable franchises

* Excluding PEL/CEL provisions

## CONSOLIDATE OUR STRATEGY TO CAPTURE POSITIVE GROWTH DYNAMICS

- Central & Eastern Europe
  - **2012 priority: lowering the cost base, increasing deposits, and maintaining strict risk management**
- Russia
  - **Streamlining SG in Russia following the merger of legal entities**
  - **Developing Capital markets and investment banking JV with SG CIB**
- Mediterranean Basin
  - **Opportunistic development of the branch network**
  - **Close monitoring of operations in line with political & economic changes**
- Africa
  - **Extension of the branch network**
  - **Improvement of operational efficiency**
  - **Innovation**

➥ Long term growth lever for the Group




**Source: World Bank, OECD, consensus GDP growth forecasts**

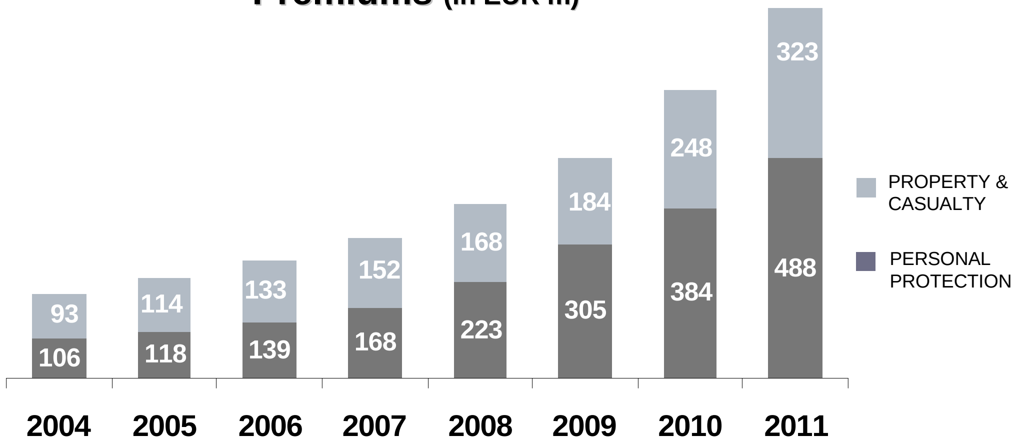
**Presence also in the French territories (2011 NBI: EUR 0.2bn)**

## IMPROVE THE CONTRIBUTION TO RESULTS UNDER RESOURCE CONSTRAINTS

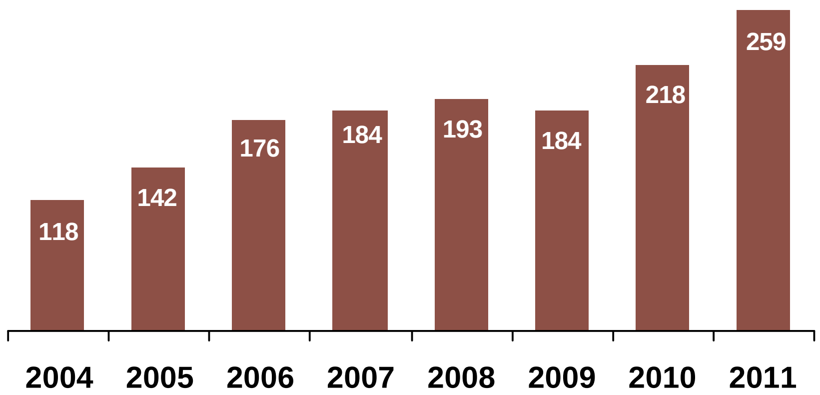
- Continued growth of insurance activities
  - **Strong synergies with the rest of the Group**
  - **Dynamic Property & Casualty, Personal Protection activities**
  - **Growing international business**
  - N°2 life insurer in Czech Republic, n° 3 in Morocco
  - Russia: activity doubled over the last 2 years, launch of car insurance in 2012

- SFS: continuation of profit enhancement strategy with diversification of funding resources
  - **Securitisation programmes, deposit collection, bonds issuance**

**Property & Casualty and Personal Protection Premiums** (in EUR m)




**Insurance – contribution to Group net income** (in EUR m)



## DELIVERING ON THE GROUP'S TRANSFORMATION IN 2012

- Developing Group franchises while optimising scarce resources
  - **Giving priority to customer satisfaction in our French Networks and maintaining strong profitability**
  - **Consolidating our growth strategy in International Retail Banking**
  - **Executing the transition of our Corporate and Investment Banking businesses towards a resource-light, distribution-oriented model**
  - **Improving the contribution to Group results of our businesses in synergy, under resource constraints**
- Decreasing further our funding needs and strengthening our capital ratios
  - **Reducing long term needs in our CIB division through asset sales**
  - **Realising business disposals over the next two years as planned**
- Sharpening our focus on costs
  - **Realising planned cost adjustments in International Retail and CIB**
  - **Establishing a declining trend in cost/income ratio through intragroup synergies and pooling of IT systems**
- Meeting our Basel 3 capital targets for 2013

## THE INVESTOR RELATIONS TEAM


HANS VAN BEECK, STÉPHANE DEMON, MURIEL KHAWAM, CLAIRE LANGEVIN, LUDOVIC WEITZ

✆ **+33 (0) 1 42 14 47 72**

**investor.relations@socgen.com**

**www.investor.socgen.com**


BUILDING TOGETHER

TEAM SPIRIT SOCIETE GENERALE