



# **SOCIETE GENERALE**

## **2017 GLOBAL FINANCIAL SERVICES CONFERENCE**

**PHILIPPE HEIM, CFO**



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# DISCLAIMER

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*This presentation contains forward-looking statements relating to the targets and strategies of the Societe Generale Group.*

*These forward-looking statements are based on a series of assumptions, both general and specific, in particular 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.*

*These forward-looking statements have also been developed from scenarios based on a number of economic assumptions in the context of 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;*
- evaluate 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 document and the related presentation.*

*Therefore, although Societe Generale believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, including matters not yet known to it or its management or not currently considered material, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among others, overall trends in general economic activity and in Societe Generale's markets in particular, regulatory and prudential changes, and the success of Societe Generale's strategic, operating and financial initiatives.*

*More detailed information on the potential risks that could affect Societe Generale's financial results can be found in the Registration Document filed with the French Autorité des Marchés Financiers.*

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*The financial information presented for the quarter year ending 31st March 2017 was reviewed by the Board of Directors on 3rd May 2017 and has been prepared in accordance with IFRS as adopted in the European Union and applicable at this date, and has not been audited.*

## Q1 17: ROBUST COMMERCIAL AND FINANCIAL PERFORMANCE FROM CORE BUSINESSES

### Revenues from Core Businesses up +4.0%

Good momentum in International Retail Banking and Financial Services and Global Banking and Investor Solutions

Core Businesses NBI vs. Q1 16  
**EUR 6.5bn +4.0%**

### Costs in line

Reflecting the acceleration of French Retail Banking transformation, strong momentum in International Retail Banking and Financial Services  
Benefiting from savings plans in Global Banking and Investor Solutions

Operating expenses<sup>(1)</sup> vs. Q1 16  
**EUR 4.2bn +2.6%**

### Low Cost of Risk reflecting improved Group risk profile

Cost of risk<sup>(2)</sup> vs. Q1 16  
**24bp vs. 46bp**

### Group Net Income: EUR 747m in Q1 17 vs. EUR 924m in Q1 16

Contribution of Core Businesses up +31.4% vs. Q1 16 excluding Euribor refund  
Further allocation to provision for disputes of EUR -350m in Q1 17

### Underlying Group Net Income<sup>(3)</sup> up +50.0% vs. Q1 16

Underlying Group Net Income<sup>(3)</sup>  
vs. Q1 16  
**EUR 1,392m +50.0%**

### Post-closing settlement with LIA of the civil litigation relating to transactions dating back to 2007

Impact on Group Net Income fully covered by the additional allocation to provision for disputes of EUR 350m booked in Q1 17

**Underlying Group ROE<sup>(3)</sup> 10.5% in Q1 17 vs. 7.1% in Q1 16**

(1) Excluding EUR 218m positive impact of Euribor fine refund in Q1 16, and adjusted for IFRIC 21 implementation

(2) Annualised, in basis points. Outstandings at the beginning of period. Excluding litigation

(3) Adjusted for additional allocation to provision for disputes (EUR -350m in Q1 17), for Euribor fine refund in Q1 16 (EUR +218m) and for IFRIC 21 implementation. Excluding revaluation of own financial liabilities and DVA (refer to p. 29 of Q1 17 Group results presentation) - Unadjusted ROE of 5.2% in Q1 17 and 7.1% in Q1 16

## CAPTURING GROWTH FROM A DIVERSIFIED AND INTEGRATED BUSINESS MODEL

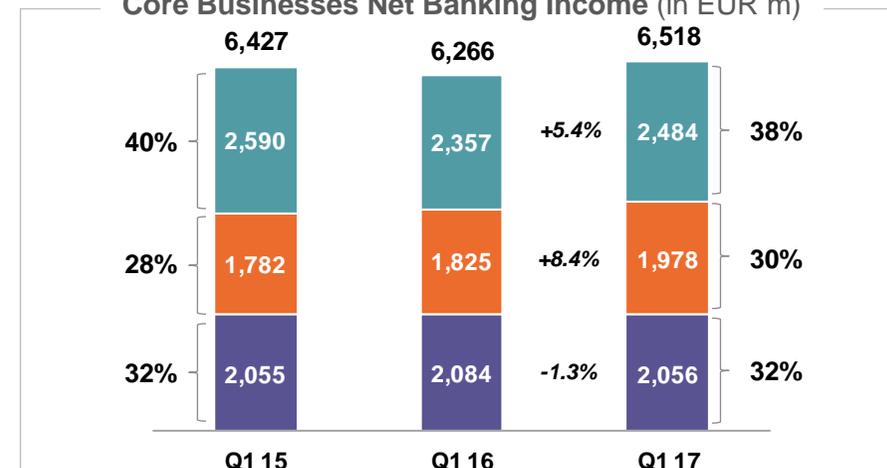
Fast growth in International Retail Banking and Financial Services and solid revenues in Global Banking and Investor Solutions more than compensate impact of low interest rates in French Retail Banking

Portfolio quality and cost control ensure growing contribution to Group Net Income from Core Businesses despite increase in regulatory charges

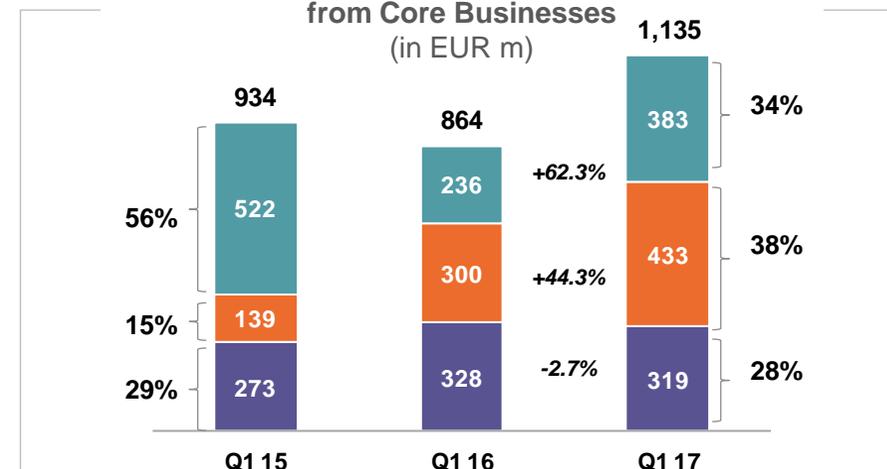
(1) Core Businesses contribution to Group Net Income. Excluding EUR 218m impact of Euribor fine refund in 2016 in Global Banking and Investor Solutions and EUR -725m from Goodwill impairment in Russia and withdrawal from Brazil in International Retail Banking and Financial Services in 2014

Note: Data as disclosed in respective years

### Core Businesses Net Banking Income (in EUR m)



### Breakdown of Contribution to Group Net Income<sup>(1)</sup> from Core Businesses (in EUR m)

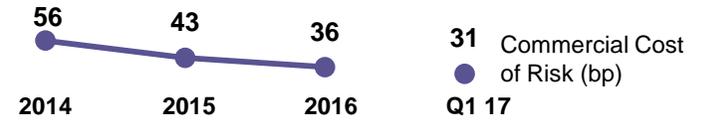


■ French Retail Banking  
■ International Retail Banking and Financial Services  
■ Global Banking and Investor Solutions

# STRUCTURAL DECREASE IN COST OF RISK

## French Retail Banking

Prudent credit origination, improvement in debt collection



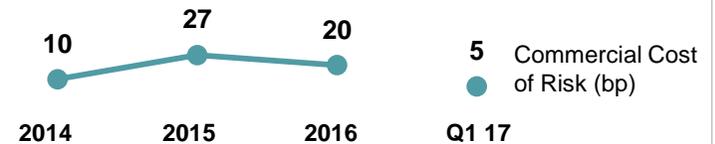
## International Retail Banking and Financial Services

Structural de-risking of portfolio  
Strong decrease in Russia and Romania



## Global Banking and Investor Solutions

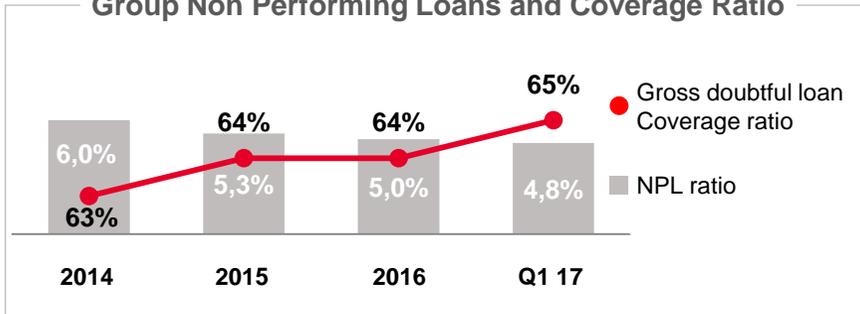
Well-managed sector risks  
Solid expertise in Structured Finance



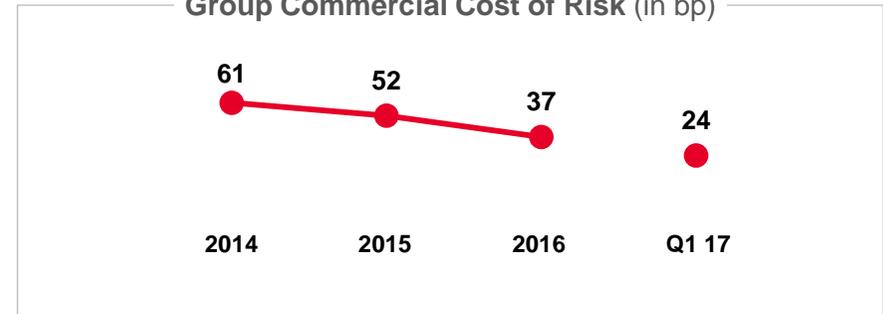
## Credit Risk

Group  
Commercial cost of risk more than halved

### Group Non Performing Loans and Coverage Ratio



### Group Commercial Cost of Risk (in bp)



Commercial Cost of Risk : Excluding provisions for disputes. Outstandings at beginning of period. Q1 17 annualised

## STRONG BALANCE SHEET

### CET1<sup>(1)</sup> at 11.6%, up +10bp vs. Q4 16

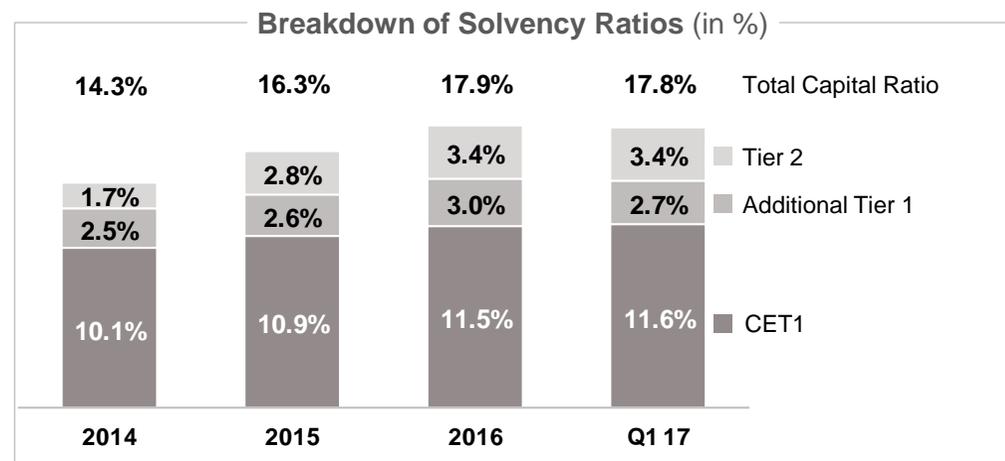
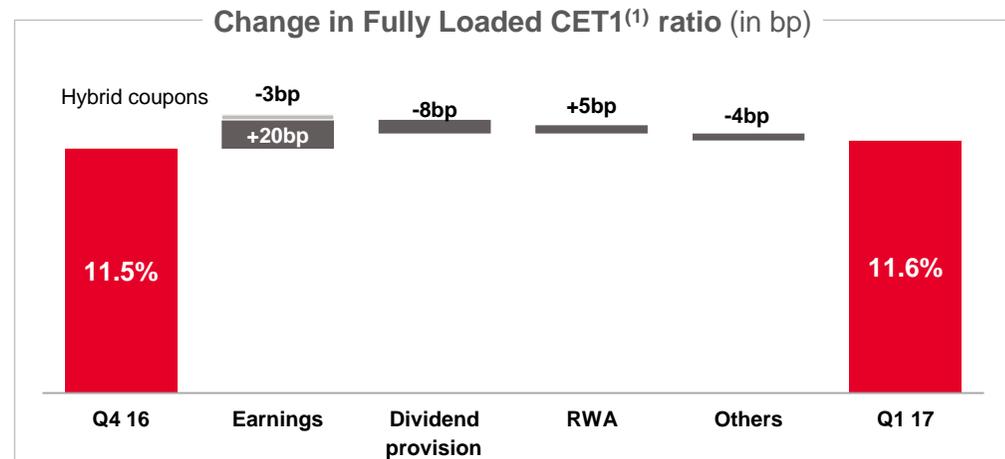
Circa 400bp buffer above SREP requirement

### TLAC ratio already exceeding 2019 FSB requirements: 21.5% of RWA and 6.1% of leverage exposure at end-Q1 17

Issued benchmark Senior Non-Preferred debts (EUR 2.6bn)

### NSFR ratio above 100% at end-Q1 17

**Balance sheet ratios comfortably above regulatory requirements**



(1) Fully loaded, based on CRR/CRD4 rules, including the Danish compromise for Insurance. See Methodology in Q1 17 Group results presentation

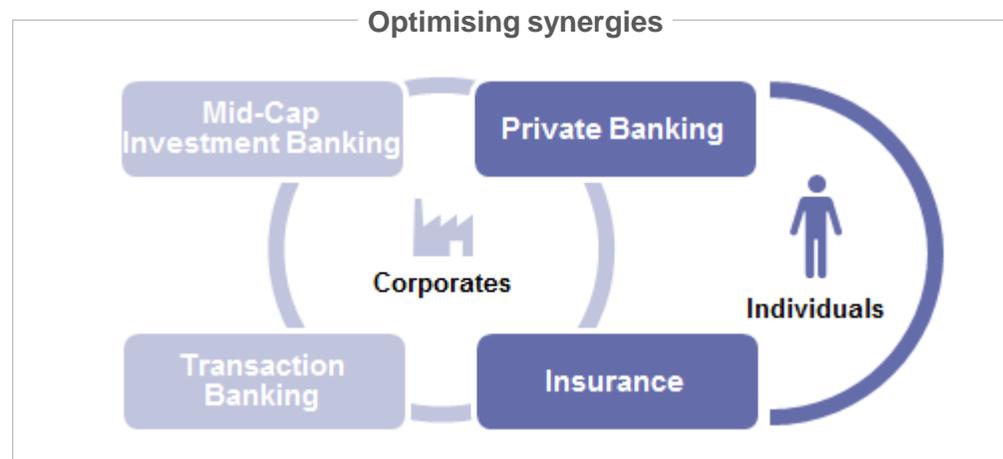
## LEVERAGE ON SYNERGETIC MODEL TO GROW FEE BUSINESS

**Business customers: offer a global approach to establish the Group as main banker**

SG Entrepreneurs for SME

“Espace Pro” for Professionals

Accompanying Corporates abroad



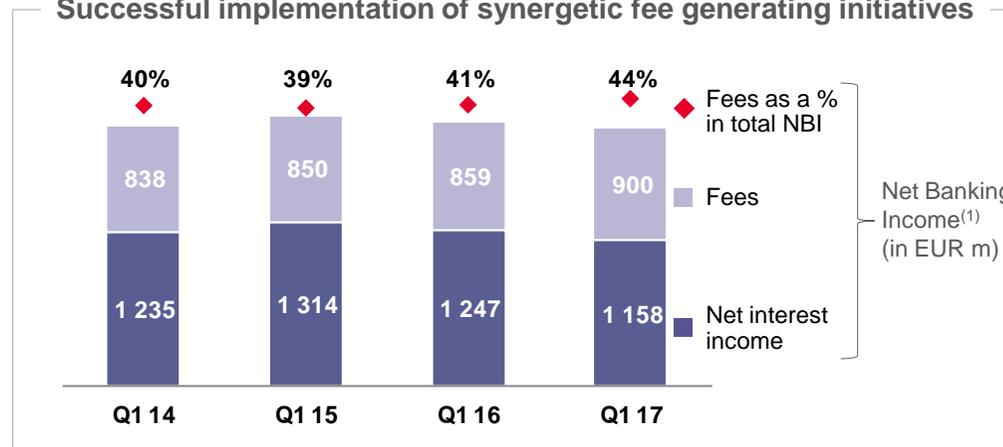
**Individual customers: offer a full range of services for key moments in life**

Private banking: offer proximity thanks to local platforms

Life insurance: increase unit-linked assets

Non-life insurance: protect the family and accompany customer life-cycle

Successful implementation of synergetic fee generating initiatives



(1) Excluding PEL/CEL

Note: Data as disclosed in respective years

## ACCELERATE THE TRANSFORMATION



### Increased autonomy on day-to-day banking transactions

~700 self service areas implemented for Societe Generale and Credit du Nord by end-2017

Account aggregator proposed by the 3 brands

Boursorama first bank to offer money transfer from accounts held in other banks

All 3 brands offer service facilitating bank accounts transfer



### Expertise at-hand on value-added products and services

Business Customers:  
SG Entrepreneurs, “Espace Pro” for Professionals  
Transaction payment services

Individual Customers:  
Bancassurance, Private Banking, dedicated offers for seniors

EUR 1.7bn to be invested between 2016 and 2020



### Securing operations and processing

Launch of the first dynamic crypto card in the world securing credit card payments

Use of scoring techniques in all channels

Development of artificial intelligence in fraud prevention and detection



### Digitalisation and front-to-back process automation

Paper savings from digitalisation

Specialisation of 2 back-offices by mid-2017

→ ~30% of efficiency gains secured by mid-2017<sup>(1)</sup>

One back-office to be closed by end-2017/early 2018 (6 by 2020)

Accelerating branch closures: >100 in 2017 (>400 by 2020)

(1) Societe Generale network

## IDEALLY POSITIONED TO CAPTURE GROWTH

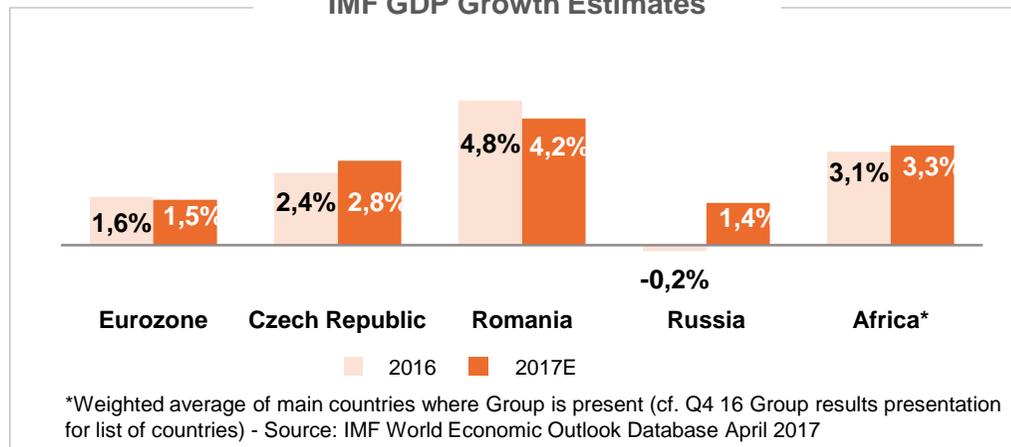
### Supportive macroeconomic conditions

Healthy growth in Central and Eastern Europe

Russian economy returning to growth in 2017

Diversified presence in Africa, including several of the best performing economies in the region

#### IMF GDP Growth Estimates



### Sustainable volume growth

Strong appetite for Consumer Finance, notably car loans in Western Europe

Active retail segment in Central and Eastern Europe

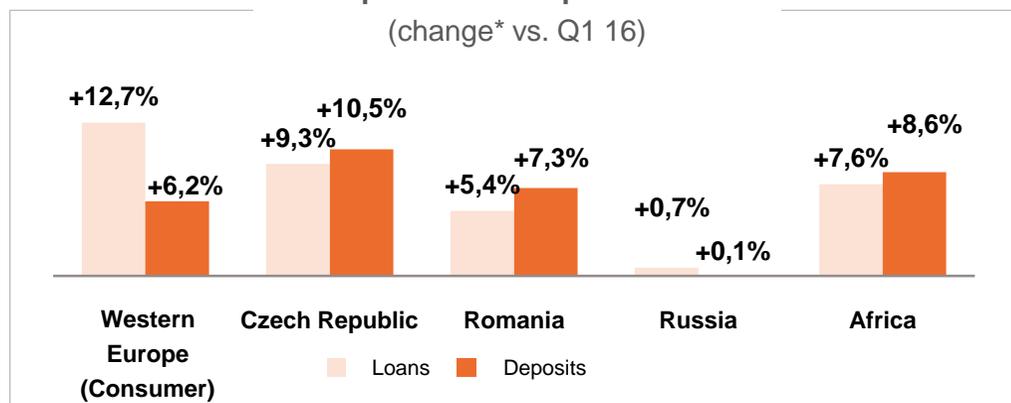
Volumes beginning to recover in Russia, thanks to rebound in retail production

Corporate business main driver in Africa

Clear potential for volume growth to continue given low banking penetration

#### Group Loan and Deposit Growth

(change\* vs. Q1 16)



\* When adjusted for changes in Group structure and at constant exchange rates

## STRONG RETURNS, WITH FURTHER UPSIDE POTENTIAL IN INTERNATIONAL RETAIL

### Potential for higher returns in International Retail Banking

- High returns maintained in Czech Republic
- Further progress in Romania
- Acceleration of the recovery in Russia
- Solid profitability in Africa

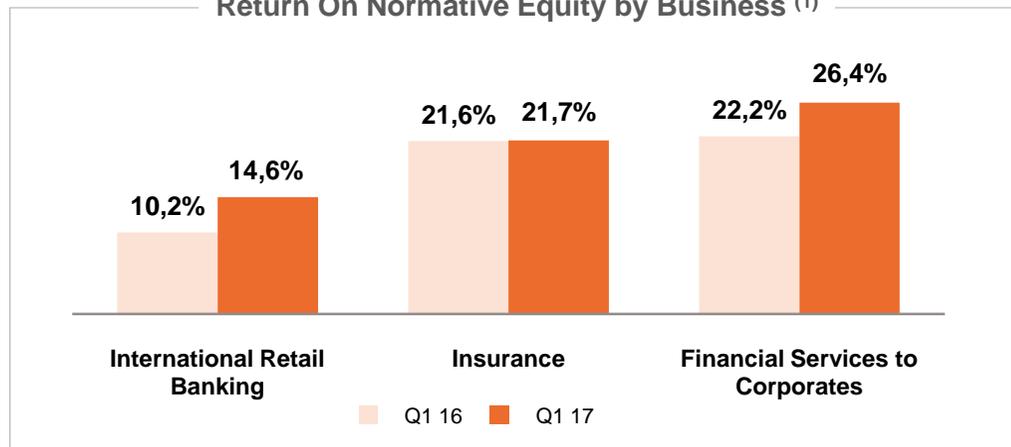
### Strong returns in Insurance

- Advantages of the bancassurance model
- Strengthened by Antarius acquisition closed in Q2 17

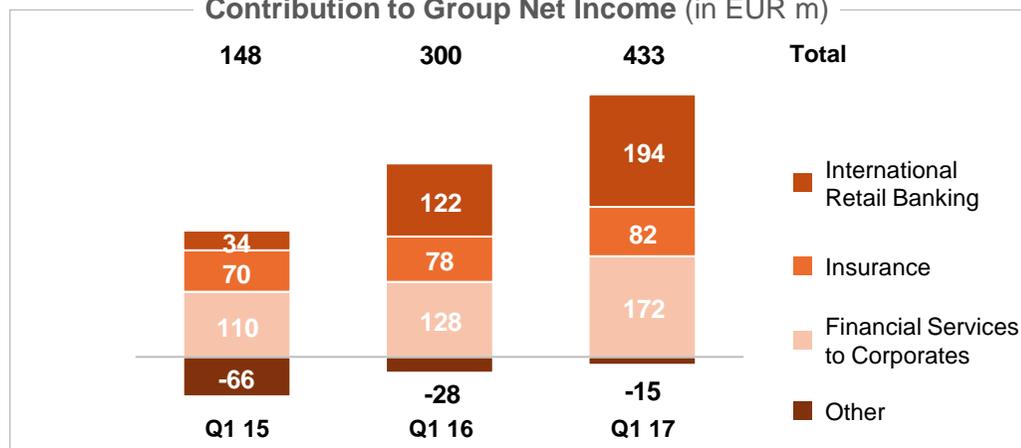
### Leadership in Financial Services to Corporates

- Leading positions in Europe and globally in car leasing and Equipment Finance

Return On Normative Equity by Business <sup>(1)</sup>



Contribution to Group Net Income (in EUR m)



(1) Adjusted for IFRIC 21 implementation

## SUSTAINABLE REVENUES WHILE INCREASING MARKET SHARES ON KEY FRANCHISES

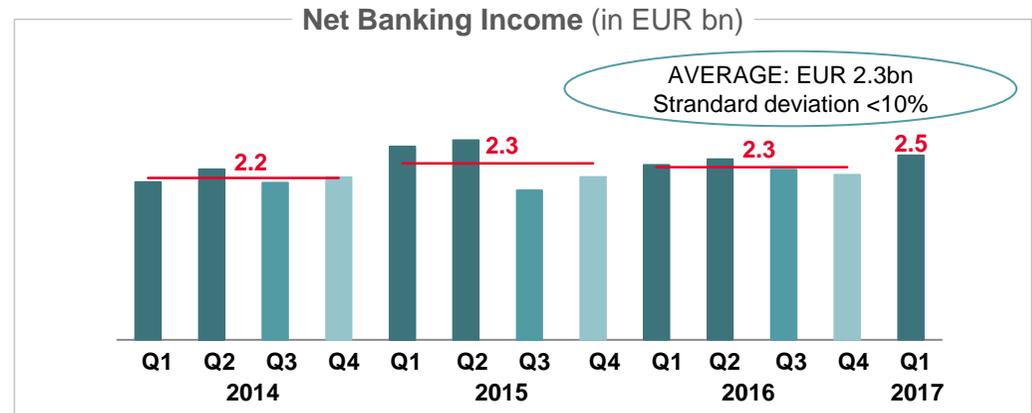
### Less volatile and resilient NBI over the last 3 years

Successful transformation to client centric business model

Strong franchises with recognised expertise: equity derivatives, export finance, DCM, natural resources

Growth in Prime Services with Newedge integration

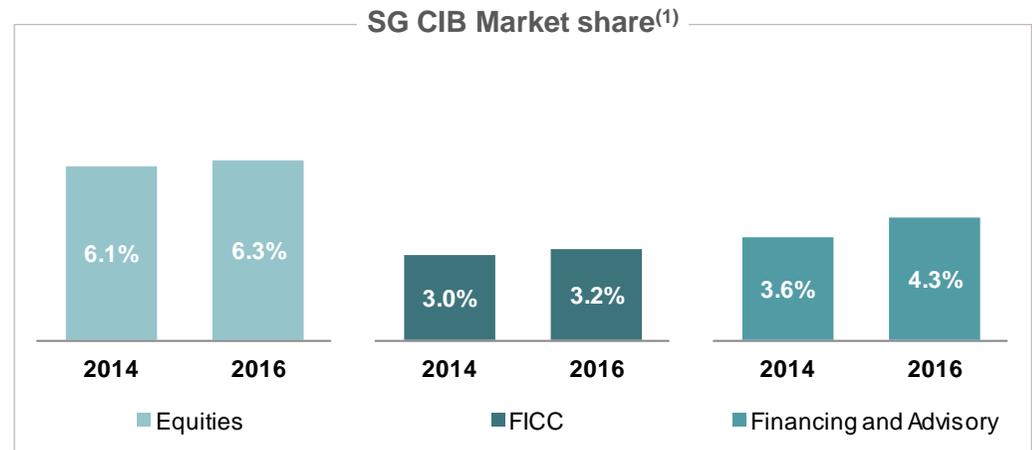
Increased contribution from Financing and Advisory supported by higher capital allocation



### Increased market share

Global Markets: unique cross-asset presence with worldwide leadership in structured equity and growing fixed income

Financing and Advisory: geared towards specific areas of expertise



(1) Source: Internal analysis based on 2014-2016 NBI. Pool of top 15 banks (BoA, Citi, GS, JPM, MS, Barclays, BNPP, CS, DB, HSBC, Natixis, Nomura, Santander, Societe Generale, UBS)  
At constant exchange rate

Note: Data as disclosed in respective years

## 2017: CONTINUED SUCCESSFUL ADAPTATION

### Be at the forefront of innovation and digitalisation



Innovative hybrid solution for insurance companies

Global view and precise control over post-trade information

**SGSS GALLERY**

Credit Option Trade Builder  
Rates Option Trade Builder

Pre trade services' access for clients via Group API<sup>(3)</sup>

Multi-device digital e-banking platform for Private Banking clients



Shared interface with corporate clients and sales to test FX hedging strategies



### Continue to foster operational efficiency

**EUR 407m of realised savings**  
2015-2017 cost savings plan 75% achieved

#### Front-to-back processing enhancements

Electronification: **market leader** on ELS and vol Swaps

Client satisfaction: **#3** on OTC derivatives post trade processing<sup>(2)</sup>

**1<sup>st</sup>** bank with ISO 9001 certification on warrants

### Maintain focus on risks and scarce resources

**Cost of risk**  
**5bp in Q1 17**  
To be kept below “through the cycle” level of 25bp

**Global Markets Risk Weighted Assets**  
**16% of Group RWA in Q1 17**  
**vs 17% in Q4 16**

(1) Source: Mac Lagan

(2) API: Application Programming Interfaces

## 2017: GETTING READY FOR THE NEW STRATEGIC PHASE

**Q1 17: Good performance in all businesses**

**Continued structural transformations**

**New simplified organisation with even higher focus on customer satisfaction, agility and compliance**

**Groupwide roll-out of the Culture and Conduct Programme**

**Strategic plan to be announced at Investor Day on 28<sup>th</sup> November 2017**



## SOCIETE GENERALE INVESTOR RELATIONS

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