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**SOCIETE GENERALE**

DEEP DIVE INTO  
EUROPE AND CONSUMER FINANCE

■  
20.06.2018  
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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:*

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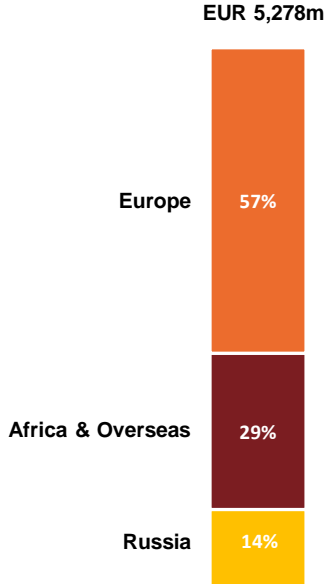
*More detailed information on the potential risks that could affect Societe Generale's financial results can be found in the Registration Document filed with the French Autorité des Marchés Financiers.*

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*Figures in this presentation are unaudited.*

# AN INTERNATIONAL NETWORK FOCUSED ON EUROPE

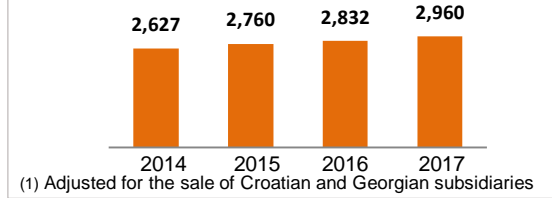
## 2017 International Retail Banking Revenues



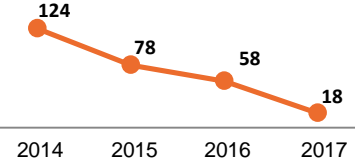
### Europe at a Glance

Revenues: EUR 3.0bn (12% of Group\*)  
 Net Income: EUR 745m (16% of Group\*)  
 20% RONE in 2017  
 2,000 branches, 26,000 staff,  
 9 million customers

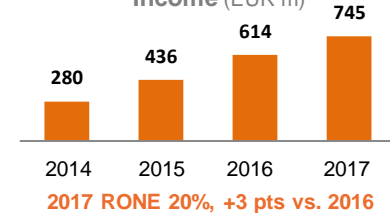
## Strong Revenue Generation<sup>(1)</sup> (EUR m)



## Significantly Lower Cost of Risk (in bp)



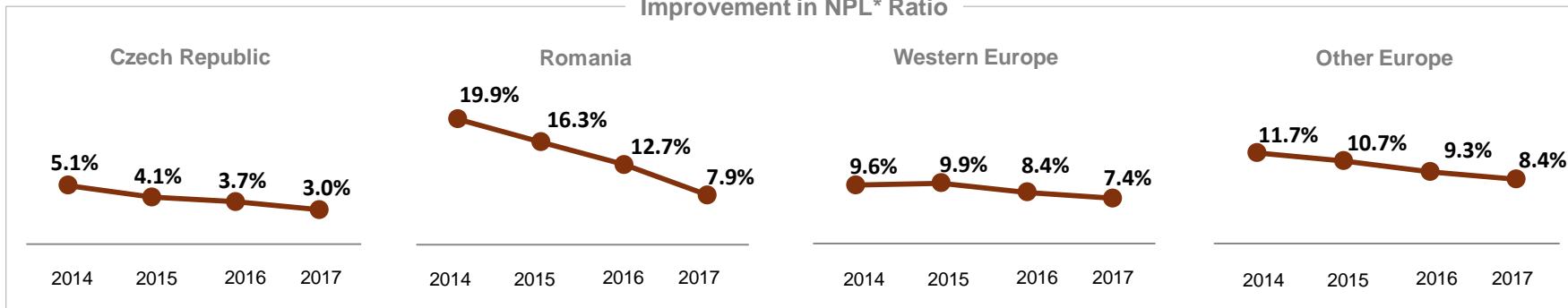
## Record Contribution to Group Net Income (EUR m)



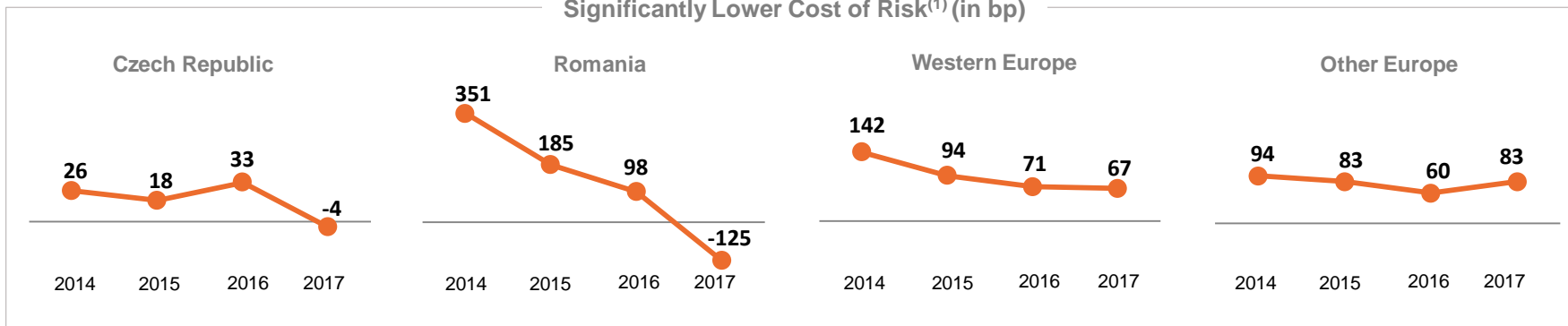
\*2017, excluding Corporate Centre  
 2016 and 2017 figures are as published in 2018

# IMPROVEMENT IN ASSET QUALITY AND LOW COST OF RISK

## Improvement in NPL\* Ratio



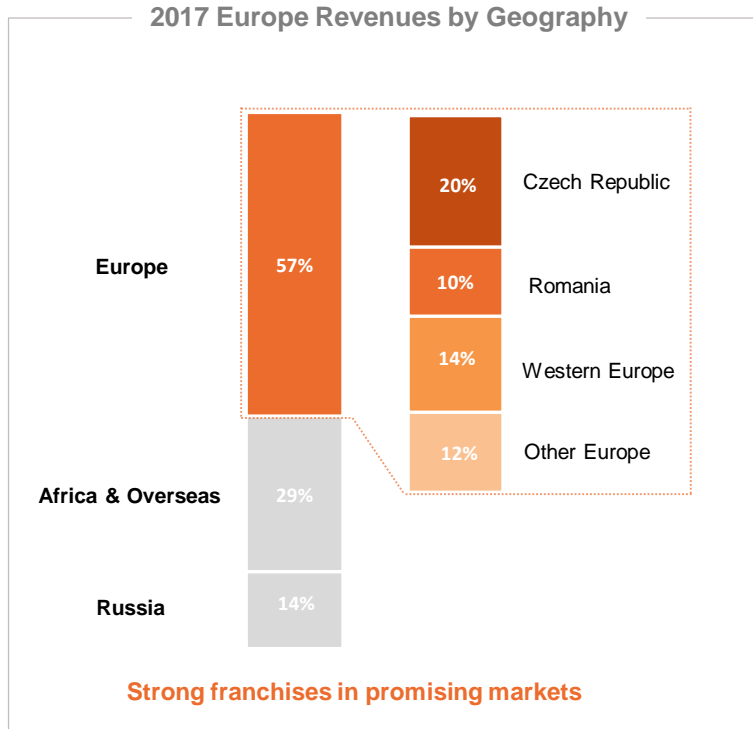
## Significantly Lower Cost of Risk<sup>(1)</sup> (in bp)



\* Doubtful loans/Gross book outstandings (defined by the sum of customer loans, deposits at banks and loans due from banks, leasing and lease assets)

(1) Commercial cost of risk in basis points: Excluding provisions for disputes. Outstandings at beginning of period. Annualised

# DEEP DIVE INTO CZECH REPUBLIC, ROMANIA AND CONSUMER FINANCE



## A Leading Universal Bank in Czech Republic

#3 Banking Group  
(18% loan market share)



Market Cap: EUR 6.8bn equivalent  
60% owned by Societe Generale



## Retail Leadership in Romania

#3 Banking Group  
(17% individual customer loan market share)



Market Cap: EUR 2.0bn equivalent  
60% owned by Societe Generale



## An Innovative Consumer Finance Partner

Top 3 non-captive bank for Car Finance in  
France, Germany and Italy

Specialist consumer finance entities in  
French and Russian retail networks\*

+14% loan growth in 2017 vs. 2016

\*Booked in French Retail and in Rosbank Group

# CZECH REPUBLIC: A SOUND, DYNAMIC ECONOMY

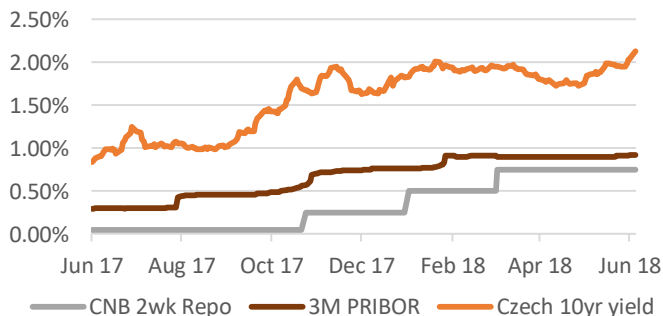
## Greater Prosperity Bringing New Challenges

- Sound economy, solid growth and strong sovereign

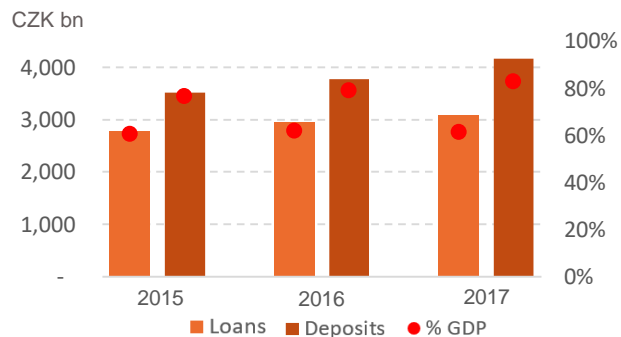
S&P	Moody's	Fitch
AA-	A1	A+

- Record low unemployment of ca. 3%, leading to nominal wage growth (+7% in 2017)
- Loans +7% CAGR 2012-2017, but margins approaching lower levels seen in Western Europe

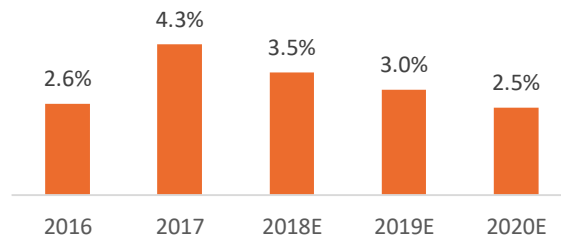
## Rising Interest Rates



## A Healthy Banking Sector with Strong Potential



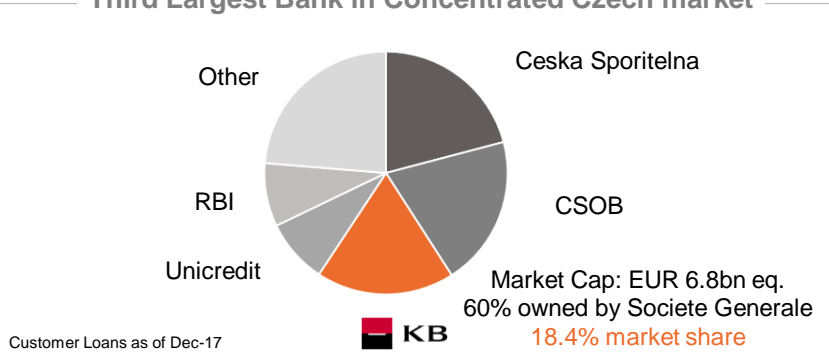
## Steady GDP Growth



Sources: International Monetary Fund, Czech National Bank, Czech Statistical Office and Bloomberg

# KOMERCNI BANKA: ONE OF THE LEADING BANKS IN CZECH REPUBLIC

## Third Largest Bank in Concentrated Czech market



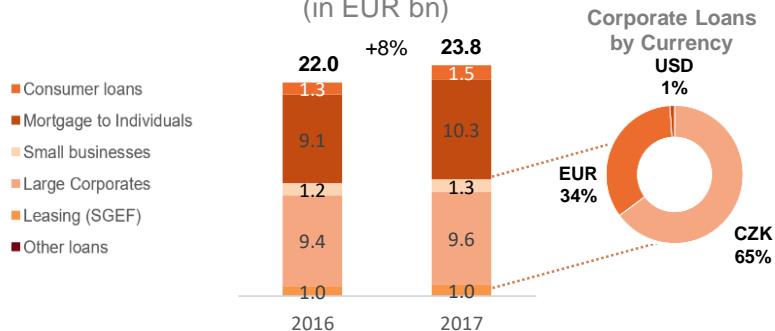
## High Level of Satisfaction and Comprehensive Product Offering for Corporates



**Joint Ventures with SOCIETE GENERALE**  
Corporate & Investment Banking

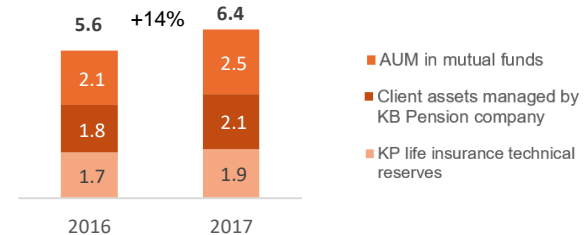
Markets (e.g. FX and interest rate hedging), structured finance, investment banking, global transaction banking

## Focus on Large Corporate and Mortgage Lending<sup>(1)</sup> (in EUR bn)



(1) based on local figures

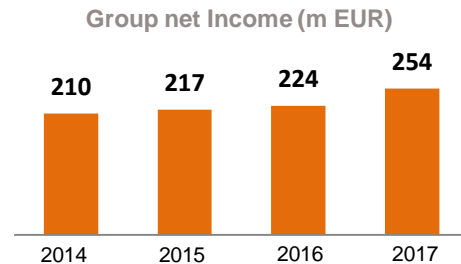
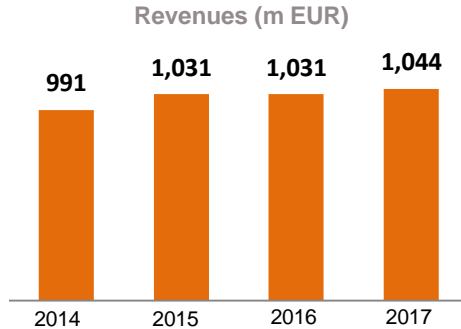
## Momentum in Assets under Management<sup>(1)</sup> (in EUR bn)



Synergies with Insurance, Private Banking and Securities Services, as well as the Group's asset management partners

# CZECH REPUBLIC: MAINTAINING HIGH PROFITABILITY

## Excellent Financial Track Record



**2017 RONE 26%, +2 pts vs. 2016**

## Optimising the Model to Maintain Profitability

- 1 Focus on long-term relationships with corporates and affluent retail**
  - Tailor-made services and a richer product offer than peers
  - Working harder to measure and improve customer satisfaction
- 2 Transforming the sales approach and process automation**
  - Targeting >35% of sales through digital channels by 2020
  - Improving operational metrics and fully digitalising main processes
- 3 Adapting working methods and the physical branch network**
  - 30% of headquarters staff in agile@scale project teams by 2020
  - 10-15% fewer branches by 2020, with focus on specialised advice

## Financial Trajectory

- Revenues supported by higher loan volumes and AuM
- A sustainable solid RONE thanks to operating efficiency gains

2016 and 2017 figures are as published in 2018

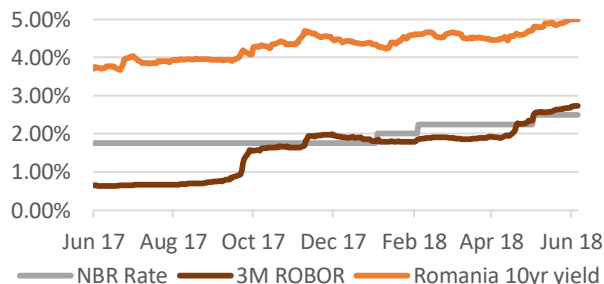


# ROMANIA: A FAST-GROWING ECONOMY WITH A CLEANED-UP BANKING SECTOR

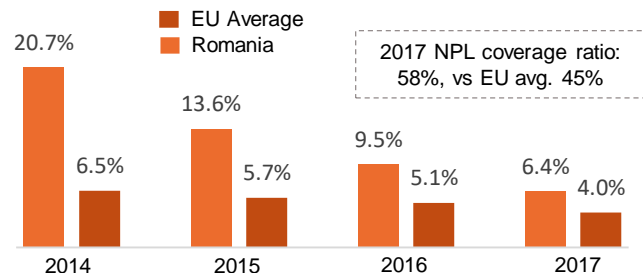
## Strong GDP Growth and Good Prospects for Banking

- Economic growth to slow from 7% in 2017 as benefit of VAT cuts and wage increases wanes
- 2018-2020 GDP growth expected at 4% on average
- Bank credit to the private sector represents only ~30% of GDP
- Annual loan growth of +4-6% expected in coming years

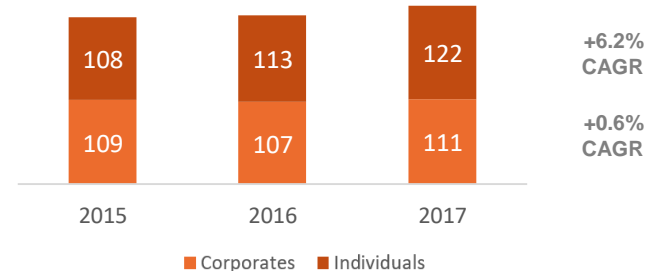
## Rising Interest Rates



## Banking Sector NPL Ratio Approaching EU Average



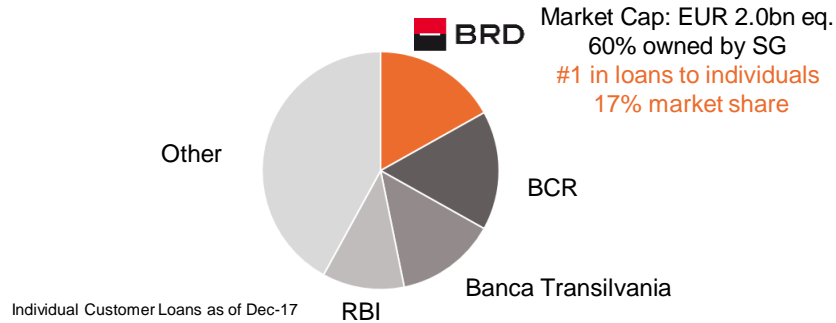
## Strong Retail Market Loan Growth (In RON bn)



Sources: IMF, EBA Risk Dashboard – Q4 2017, National Bank of Romania and Bloomberg

# BRD: BUILDING ON A STRONG LOCAL BRAND AND RETAIL CUSTOMER BASE

## Leading Position in the Retail Market



## Large, Mass Market Oriented Customer Base and Potential to Further Develop Affluent Segment

### Revenues from Individual Customers



2.2 m clients, +93,000 vs. 2014

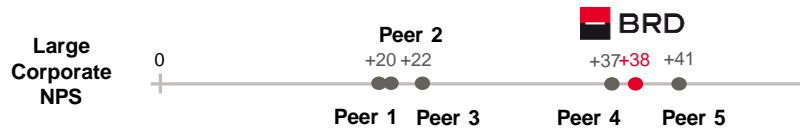


Mass market clients

Affluent clients

- Strong historical relationships with large corporates facilitating access to payroll
- Potential to develop higher value added services for affluent segment

## One of the Strongest Local Bank Brands



GLOBAL FINANCE

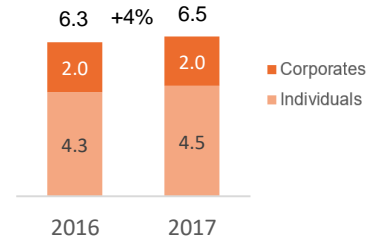
Best Local Bank / Safest Bank in Romania



Best Bank for Young People

## Traditional Product Offering Complemented by Specialist Affiliates

### Loans Outstandings (EUR bn)

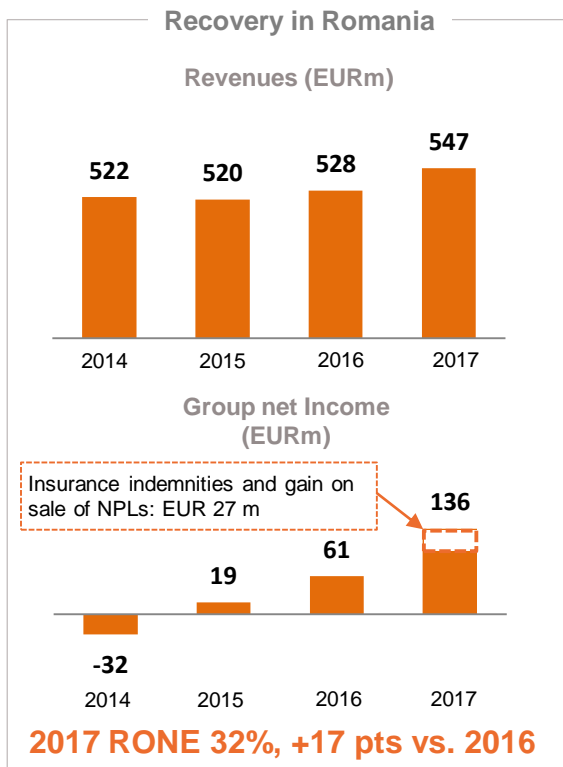


BRD Life Insurance  
#6 (6.5% market share)

BRD Sogelease  
#3 in local leasing market

BRD AM  
#4 (12.6% market share)

# ROMANIA: TRANSFORMING THE OPERATING MODEL



2016 and 2017 figures are as published in 2018

## Transformation of the Model

- 1 Focus on upselling to corporate and affluent clients**
  - Further developing Group synergies in wholesale banking
  - Greater retail customer segmentation, focus on savings and insurance
- 2 Enhancing processes, information systems and digital capabilities**
  - Reducing 'time to cash' in SME loans through digitalisation
  - Doubling of clients active on internet and mobile banking to 50%
- 3 Optimising the branch footprint and developing remote platforms**
  - 640 branches in 2020 vs. 960 in 2012 (-33%)
  - New branch format (cashless, kiosks in shopping centres, cafés)

## Financial Trajectory

- Targeting healthy volume growth, at least in line with the market
- Enhanced operational efficiency from process automation and branch reduction
- Growth in gross operating income and solid returns

# A FAST- GROWING CONSUMER FINANCE MARKET

## Consumer Finance Market Benefiting from Economic Recovery

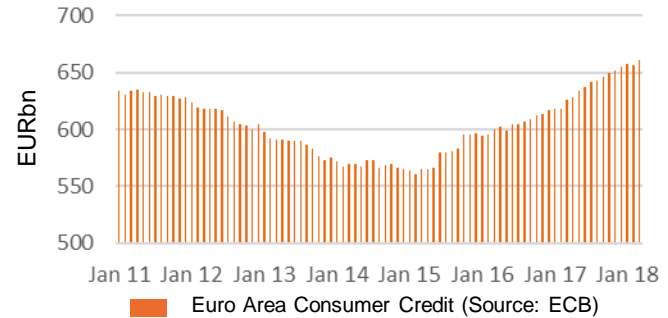
- Consumer finance is strongly correlated to the real economy and has benefited from the gradual recovery
- After a drop during the 2010-2012 period consumer confidence index has improved steadily
- The market has been driven by car finance (new and used), supported by more car registrations

## Higher European Consumer Confidence

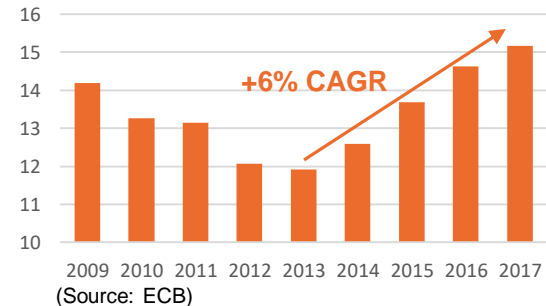


(1) Source: European Commission (% difference vs. long term average)

## Growth in Euro Area Consumer Credit Market

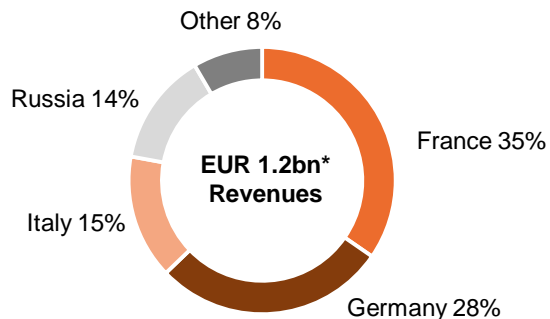


## Rebound in EU-28 New Car Markets (New Car Registrations, millions)

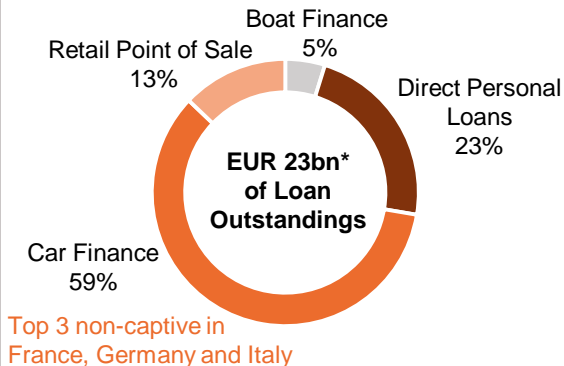


# SOCIETE GENERALE: A SPECIALIST CONSUMER FINANCE PARTNER

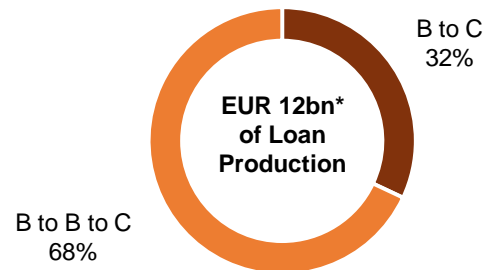
## A Niche-Model in Western Europe and Alongside Retail Networks



## A Leading Independent Player in Car Finance



## A Successful Partnership Model



## Quality of Service Recognised by Our Partners

### Exclusive partnerships with selected car distributors



Major finance cooperation in France, Germany, Italy and Eastern Europe with independent distributors and manufacturers

### Preferred independent partners of car distributors in 2017



BDK 1<sup>st</sup> in Germany by Banken Monitor (1st year)



CGI 1<sup>st</sup> in France by Auto Infos (3rd year in a row)

\*Specialised consumer finance entities: Franfinance and CGI in France, BDK and Hanseatic Bank in Germany, Fidelity in Italy, Rusfinance in Russia, Essox in Czech Republic and Slovakia, BRD Finance in Romania, Eqdom in Morocco

# CROSS-SELLING, INNOVATION AND SHARED EXPERTISE

## Digital Differentiation



Financing at dealer's web sites (online Calculator Pre-approval)



Dematerialised processes and fully online customer journeys to reduce time to cash and improve operational efficiency



Online sales directly through car dealership platforms and proprietary used car platform

collectAI

In cooperation with the German FinTech company collectAI, Hanseatic Bank uses a self-learning algorithm to define the best channel, message and time when contacting customers with unsettled payments

Hanseatic Bank

Payment factory and point-of-sale consumer finance in partnership with e-commerce retailer Otto Group

## Shared Expertise in Scoring and Recovery



Shared credit scoring expertise between consumer finance entities and retail banks



Shared retail loan collection platform in France and Czech Republic between specialised consumer finance entities and retail network

## Synergies with Banking Networks, Insurance and ALD



Car loans sold by consumer finance entities through retail network



Cross-selling of consumer credit insurance and car insurance

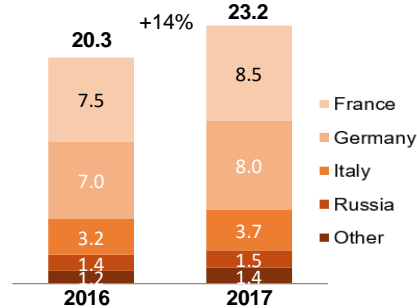


A full range of car finance and mobility solutions (floor plan, auto loans, operating leases and full service leasing)

# MAINTAIN PROFITABLE GROWTH MOMENTUM IN CONSUMER FINANCE

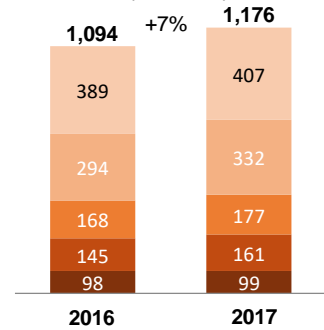
## Accelerating Volume Growth

(EUR bn)



## Solid Momentum in Revenues

(EUR m)



## Focus on Selected Profitable Segments

- 1 **Consolidate independent car finance leadership in France, Germany and Italy**
  - Fully exploiting partnerships with Top 100 dealers
  - Differentiating from competition by accelerating digital transformation
- 2 **Further develop partnerships with manufacturers, importers and Otto Group**
  - Joint approach with ALD in Private Leasing
  - Further engage in e-commerce through partnership with Otto in Germany
- 3 **Develop synergies in France**
  - A complete product offering (loans, operating leases, financing leases)
  - One partner for wholesale, retail, insurance, fleet management and mobility

## Financial Trajectory

- Revenue growth, supported by above market loan growth, with no change to risk appetite
- Efficiency gains from volume growth and investment in digital technology

2016 and 2017 figures are as published in 2018

# EUROPE: MAINTAIN HIGH PROFITABILITY

## Transform to Grow: 2020 Strategic Priorities

- 1 To be among the top banks in selected CEE markets
- 2 To maintain profitable growth in consumer finance
- 3 To further exploit the potential for synergies with the Group
- 4 To streamline networks and invest in digital innovation and operating efficiency

## Transform to Grow: 2020 Strategic and Financial Plan

- Sustainable strong volume growth in dynamic markets
- Positive jaws
- Normalisation of cost of risk
- High profitability





## SOCIETE GENERALE INVESTOR RELATIONS

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