

# **SOCIETE GENERALE GROUP RESULTS**

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1st quarter 2019 | 03.05.2019

**THE FUTURE  
IS YOU**  **SOCIETE  
GENERALE**

# 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.

Investors are advised to take into account factors of uncertainty and risk likely to impact the operations of the Group when considering the information contained in such forward-looking statements. Other than as required by applicable law, Societe Generale does not undertake any obligation to update or revise any forward-looking information or statements. Unless otherwise specified, the sources for the business rankings and market positions are internal.

The financial information presented for the quarter ending 31 March 2019 was reviewed by the Board of Directors on 2 May 2019 and has been prepared in accordance with IFRS as adopted in the European Union and applicable at this date, and has not been audited.

**1**

# **INTRODUCTION**



# Q1 19 KEY HIGHLIGHTS



## REVENUES<sup>(1)</sup>

EUR 6.2 bn, -1.6%  
(Core businesses revenues +0.3%)

## OPERATING EXPENSES<sup>(1)</sup>

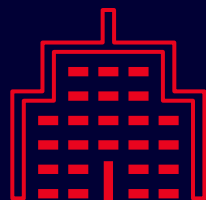
EUR 4.3 bn, +2.9%  
(+1.3% excluding IFRIC 21  
linearisation)

## GROUP NET INCOME<sup>(1)</sup>

EUR 1.0 bn

## ROTE<sup>(1)</sup>

8.4%



## ADAPTING STRATEGY IN GLOBAL BANKING AND INVESTOR SOLUTIONS

Refocusing market  
activities

Executing a new cost  
cutting plan



## STRONG RISK PROFILE

Low cost of risk (21bp)

Decrease in NPL ratio  
(3.5%)

Almost 60% of funding  
program already  
achieved



## ON TRACK TO DELIVER OUR CAPITAL TRAJECTORY

CET1 up +55bp at 11.7%<sup>(2)</sup>

Further progress in refocusing  
program : + 25bp announced  
including SKB on top of +20bp  
closed in Q1 19

First impact of Global Markets  
RWA reduction (+7bp)

(1) Underlying data. See supplement.

(2) Proforma of scrip dividend for +24bp, subject to General Meeting of Shareholders' approval and assuming 50% take-up

# **2 Q1 19** **GROUP PERFORMANCE**



# Q1 19 GROUP PERFORMANCE



## FRENCH RETAIL BANKING

### Revenues

**-3.2%, excl. PEL/CEL**

vs. Q1 18

Net interest margin increasing vs. Q4 18

Stable service fees despite French banking industry measures

2019 revenues<sup>(2)</sup> expected between 0% and -1% vs. 2018

### RONE<sup>(1)</sup>

**10.4%**

## INTERNATIONAL RETAIL BANKING

### Revenues

**+8.3%\***

vs. Q1 18

Solid commercial momentum across geographical regions

Positive jaws effect

### RONE<sup>(1)</sup>

**15.7%**

## INSURANCE AND FINANCIAL SERVICES

### Revenues

**+3.8%\***

vs. Q1 18

Sustained organic growth

Further improved profitability

### RONE<sup>(1)</sup>

**20.5%**

## GLOBAL BANKING AND INVESTOR SOLUTIONS

### Revenues

**+1.1% (-1.8%\*)**

vs. Q1 18

Strong performance of Financing and Advisory

Resilient Global Markets in a still challenging environment

### RONE<sup>(1)</sup>

**8.0%**

## CORPORATE CENTRE

**EUR -113 m**

Gross operating income

Impact of IFRS 5 on refocusing program: EUR -53 m

**EUR -207 m**

Group net income

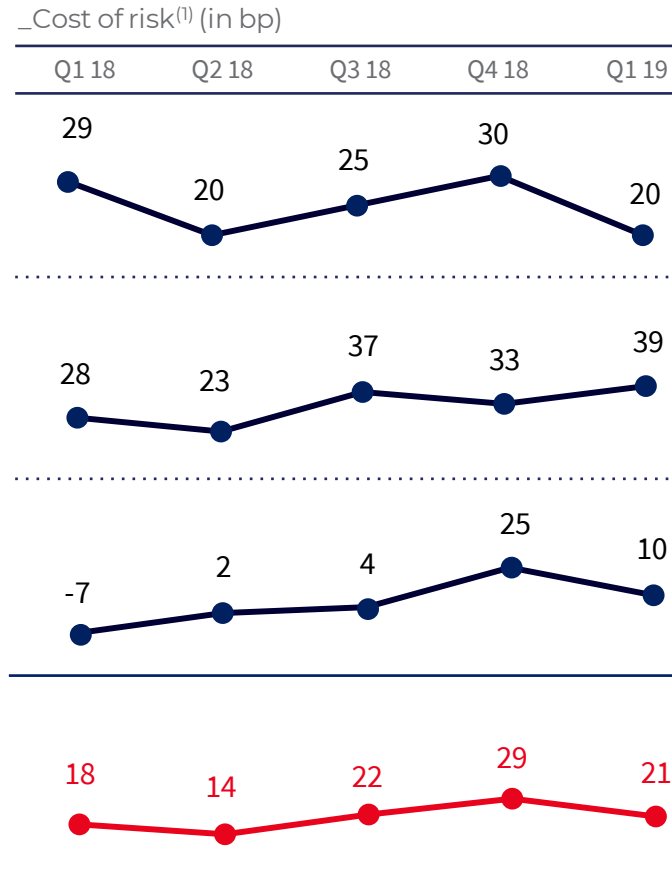
**Group net income<sup>(1)</sup> at EUR 1,010 m (reported at EUR 631 m), ROTE<sup>(1)</sup>: 8.4% in Q1 19**

(1) Underlying data: adjusted for exceptional items, IFRIC 21 linearisation and PEL/CEL provision for French Retail Banking. See supplement.

(2) Excluding PEL/CEL provision

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

# STRONG RISK PROFILE



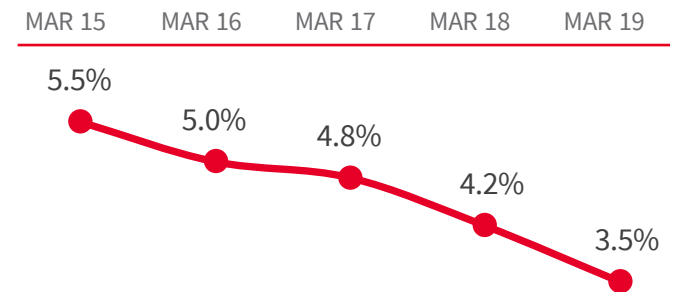
FRENCH RETAIL BANKING

INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

GLOBAL BANKING AND INVESTOR SOLUTIONS

GROUP

## NON-PERFORMING LOANS RATIO



**GROSS COVERAGE RATE:** 55% at end-March 19

(1) Outstandings at beginning of period. Annualised.

## CET1<sup>(1)</sup> AT 11.7%

Around 180bp over MDA threshold

## TLAC<sup>(3)</sup> RATIO: 25.2% OF RWA

Already meeting requirements

## AHEAD OF FUTURE MREL REQUIREMENTS

## LEVERAGE RATIO AT 4.2%<sup>(4)</sup>

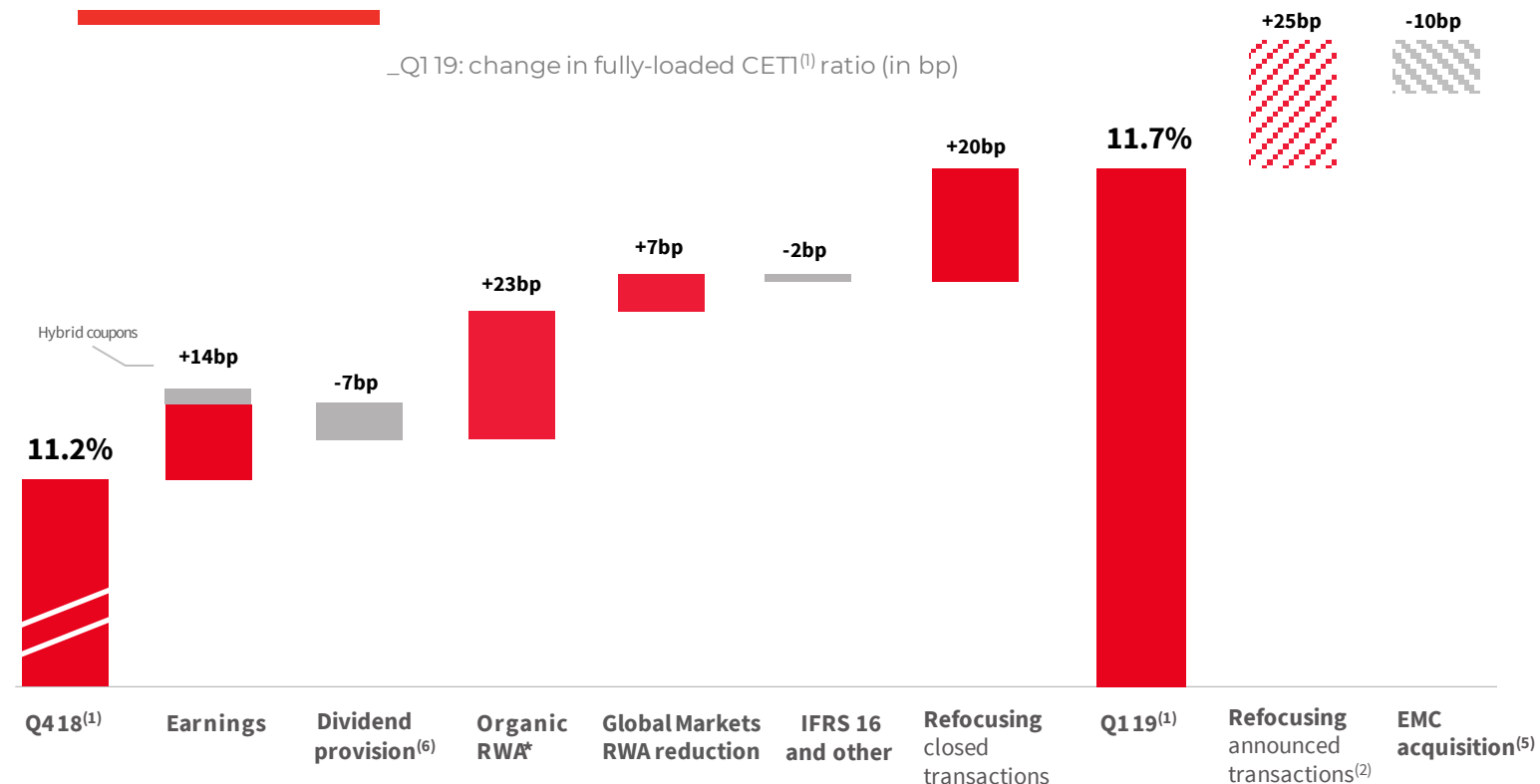
## LIQUID ASSET BUFFER

EUR 177 bn at end-March 19

## LCR AND NSFR above 100%

## ALMOST 60% OF FUNDING PROGRAM ALREADY ACHIEVED

# STRONG INCREASE IN CET1 COMFORTING OUR CAPABILITY TO REACH 12% TARGET



(1) Fully-loaded, based on CRR/CRD4 rules, including the Danish compromise for Insurance. Pro forma of scrip dividend for +24bp, subject to General Meeting of Shareholders' approval and assuming 50% take-up (excluding scrip effect, CET1 at 10.9% as at 31 December 2019 and 11.5% as at 31 March 2019). See Methodology.

(2) Estimated impact at signing date, excluding IFRS 5 impact

(3) Including 2.5% of Senior Preferred debt. Requirements without countercyclical buffer. Pro forma of scrip dividend.

(4) Pro forma of scrip dividend, unchanged without scrip effect and leverage ratio at 4.3% after taking into account the decision on 13 July 2018 of the General Court of the European Union on the exclusion of the outstandings of certain savings accounts centralised at the Caisse des Dépôts which requires the agreement of the ECB

(5) Commerzbank Capital Markets activities

(6) Corresponding to a 50% pay-out ratio

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



## REVENUES<sup>(1)</sup>

EUR 6.2 bn, -1.6% vs. Q1 18

## OPERATING EXPENSES<sup>(1)</sup>

EUR 4.3 bn, +2.9% vs. Q1 18

## GROUP NET INCOME<sup>(1)</sup>

EUR 1.0 bn, -16.1% vs. Q1 18

## ROTE<sup>(1)</sup>

8.4% in Q1 19

# GROUP RESULTS

<i>In EUR m</i>	Q1 19	Q1 18	Change	
<b>Net banking income</b>	<b>6,191</b>	<b>6,294</b>	<b>-1.6%</b>	<b>-1.9%*</b>
<i>Underlying net banking income(1)</i>	<i>6,191</i>	<i>6,294</i>	<i>-1.6%</i>	<i>-1.9%*</i>
<b>Operating expenses</b>	<b>(4,789)</b>	<b>(4,729)</b>	<b>+1.3%</b>	<b>+1.3%*</b>
<i>Underlying operating expenses(1)</i>	<i>(4,345)</i>	<i>(4,223)</i>	<i>+2.9%</i>	<i>+2.9%*</i>
<b>Gross operating income</b>	<b>1,402</b>	<b>1,565</b>	<b>-10.4%</b>	<b>-11.4%*</b>
<i>Underlying gross operating income(1)</i>	<i>1,846</i>	<i>2,071</i>	<i>-10.8%</i>	<i>-11.6%*</i>
<b>Net cost of risk</b>	<b>(264)</b>	<b>(208)</b>	<b>+26.9%</b>	<b>+29.5%*</b>
<i>Underlying net cost of risk (1)</i>	<i>(264)</i>	<i>(208)</i>	<i>+26.9%</i>	<i>+29.5%*</i>
<b>Operating income</b>	<b>1,138</b>	<b>1,357</b>	<b>-16.1%</b>	<b>-17.4%*</b>
<i>Underlying operating income(1)</i>	<i>1,582</i>	<i>1,863</i>	<i>-15.0%</i>	<i>-16.0%*</i>
<b>Net profits or losses from other assets</b>	<b>(51)</b>	<b>1</b>	<b>n/s</b>	<b>n/s</b>
Income tax	(310)	(370)	-16.2%	-16.2%*
<b>Reported Group net income</b>	<b>631</b>	<b>850</b>	<b>-25.8%</b>	<b>-27.5%*</b>
<i>Underlying Group net income(1)</i>	<i>1,010</i>	<i>1,205</i>	<i>-16.1%</i>	<i>-17.4%*</i>
ROE	4.2%	6.3%		
ROTE	5.5%	7.4%		
<b>Underlying ROTE (1)</b>	<b>8.4%</b>	<b>10.9%</b>		

(1) Underlying data: adjusted for exceptional items and IFRIC 21 linearisation. See Methodology and Supplement p.27

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

# **3 BUSINESS PERFORMANCE**



# DEVELOPING BUSINESS INITIATIVES IN FRENCH RETAIL BANKING

## DEVELOPING INDIVIDUAL CORE CLIENT BASE

**+3%**

# of wealthy and mass affluent clients

**~1.8m**

Boursorama clients as of 31 March 2019 (+30%)



**INDIVIDUAL  
CLIENTS LOANS  
OUTSTANDINGS  
+3.0%**

## DEPLOYING CORPORATES & PROFESSIONALS SET UP

**15** Corners Pro and **1** XL Pro branch opened this quarter

**4** Business centres opened this quarter

**MEDIUM-TERM  
CORPORATE  
LOANS  
OUTSTANDINGS  
+6.3%**

## Private Banking

EUR 64.9 bn (+4.9%) AuM

EUR 1.2 bn Net inflows in Q1 19

## Life insurance

EUR 93.7 bn outstandings

EUR 515 m Net inflows in Q1 19

## P&C

Premium +4% vs. Q1 18

## Corporates

42 structured finance transactions completed in Q1 19

# FRENCH RETAIL BANKING RESULTS

## REVENUES

Q1 19 revenues<sup>(1)</sup> stable vs. Q4 18 (-3.2% vs. Q1 18)

**Net interest income**<sup>(1)</sup> increasing vs. Q4 18 (-3.3% vs. Q1 18)

**Fees** decreasing vs. Q1 18, with financial fees impacted by unsupportive market environment  
Stable service fees vs. Q1 18 despite impacts from French banking industry commitment measures

2019 revenues<sup>(1)</sup> expected between 0% and -1% vs. 2018

## COSTS UNDER CONTROL

Operating expenses up +0.4% vs. Q1 18

## LOW COST OF RISK

Cost of risk at 20bp (vs. 30bp in Q4 18)

## RESILIENT PROFITABILITY

<i>In EUR m</i>	Q1 19	Q1 18	Change
Net banking income	1,916	2,008	-4.6%
<i>Net banking income excl. PEL/CEL</i>	1,928	1,992	-3.2%
Operating expenses	(1,486)	(1,480)	+0.4%
<b>Gross operating income</b>	<b>430</b>	<b>528</b>	<b>-18.6%</b>
<i>Gross operating income excl. PEL/CEL</i>	442	512	-13.7%
Net cost of risk	(94)	(134)	-29.9%
<b>Operating income</b>	<b>336</b>	<b>394</b>	<b>-14.7%</b>
<b>Reported Group net income</b>	<b>234</b>	<b>270</b>	<b>-13.3%</b>
RONE	8.3%	9.5%	
<b>Underlying RONE (2)</b>	<b>10.4%</b>	<b>10.8%</b>	

**Q1 19 RONE<sup>(2)</sup>: 10.4%**

(1) Excluding PEL/CEL provision

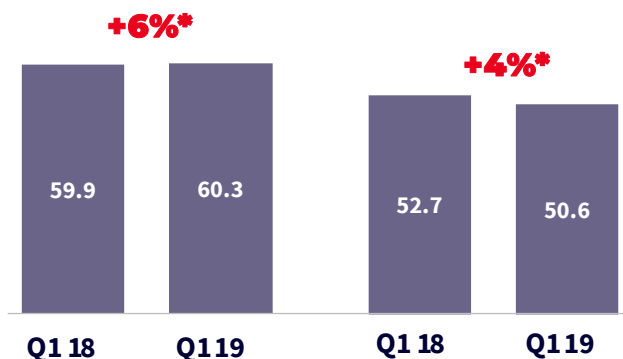
(2) Underlying data : adjusted for IFRIC 21 linearisation, PEL/CEL provision. See supplement.

# STRONG COMMERCIAL MOMENTUM ACROSS REGIONS IN INTERNATIONAL RETAIL BANKING

## EUROPE

\_Loan Outstandings (EUR bn)

\_Deposit Outstandings (EUR bn)



Q1 19 Revenues up **+7.9%\*** vs. Q1 18

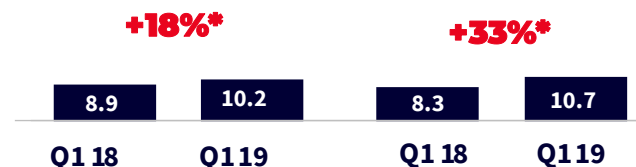
Solid Revenues growth in Czech Republic (+6%\*) and Romania (+9%\*) combining volume and spread effect

Strong revenue growth in Western Europe (+10%\*) mainly driven by car loans

## RUSSIA<sup>(1)</sup>

\_Loan Outstandings (EUR bn)

\_Deposit Outstandings (EUR bn)



Q1 19 Revenues up **+12.5%\*** vs. Q1 18

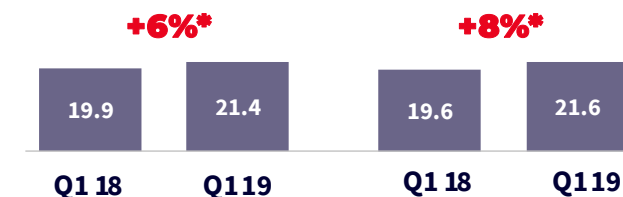
High level of loan production in retail segment (+25%) in a dynamic market

Growing retail client base with acceleration of penetration into premium segment

## AFRICA AND OTHER

\_Loan Outstandings (EUR bn)

\_Deposit Outstandings (EUR bn)



Q1 19 Revenues up **+6.7%\*** vs. Q1 18

Solid commercial momentum on retail segment

Strong deposit collection across all regions with a stable L/D ratio close to 100%

**Q1 19 GROUP NET INCOME EUR 246 m (+10%\*), RONE 15.7%<sup>(2)</sup> (+20bp)**

\* When adjusted for changes in Group structure and at constant exchange rates / (1) SG Russia scope / (2) adjusted for IFRIC 21 linearisation

# FURTHER STRENGTHENING THE GROWTH PLATFORM IN A SOLID ENVIRONMENT

## LEVERAGE ON **FAVOURABLE MARKET DYNAMICS**

Positive **tailwind** in **Central Europe and Russia** | Strong momentum in **Consumer Finance** | Strong long term outlook in **Africa**

### STRENGTHEN **COMMERCIAL PLATFORMS**


 **State-of-the-art digital improving client experience** in retail banking (10min for mortgage approval in Russia)

 **Best-in-class integrated POS tools & market place** for car dealer & e-commerce (via Vivacar and OTTO platforms)

 **Differentiated & integrated offer** for Corporates (partnership agreement in development with ABSA in Africa)

### FURTHER IMPROVE **OPERATIONAL EFFICIENCY**

 Refocus **central organization of IBFS** (ca. **40% downsizing** of central functions)

 Switch to **agile and integrated organisation** (agile@scale at KB, merger between Rosbank and Deltacredit in Russia)

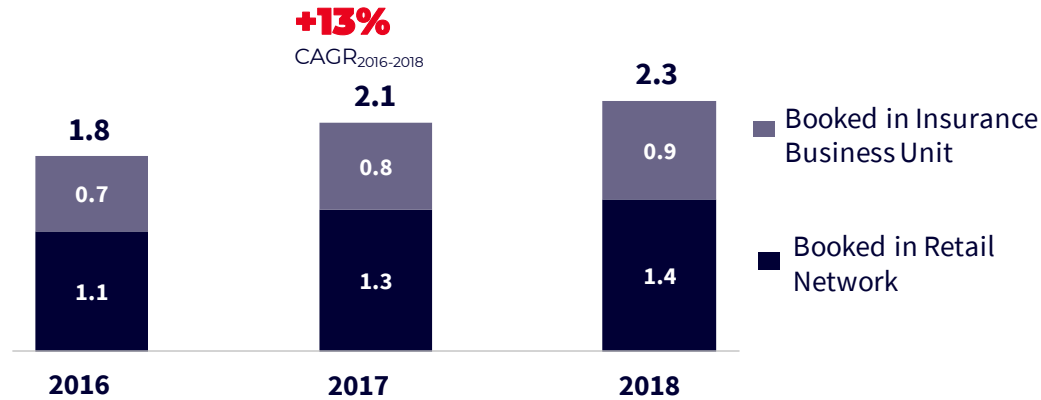
 Creation of **regional hubs and support local IT** in Africa and Russia

 Further improve **strict risk** management

# SOLID PROFITABILITY IN INSURANCE AND FINANCIAL SERVICES

## SUSTAINED GROWTH THROUGH BANCASSURANCE MODEL

\_Total insurance revenues within the Group (EUR bn)



Q1 19 Revenues up **+2.4%\***

Dynamic protection (premiums +10%\*) with strong momentum abroad

Solid growth in life insurance outstandings +4%\*

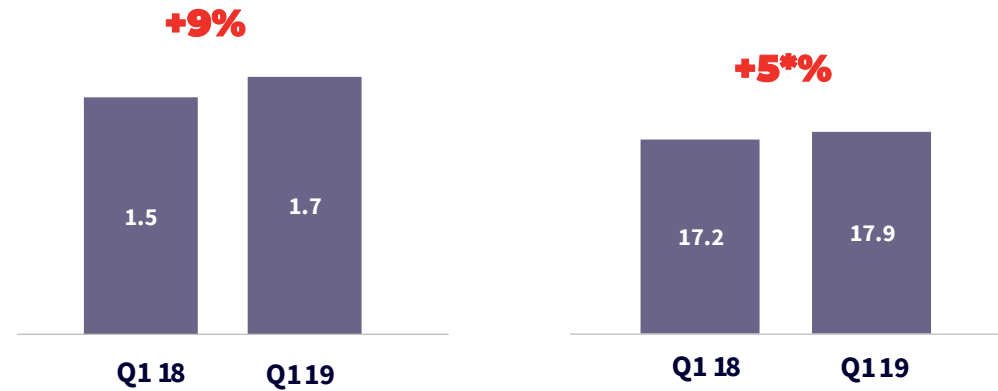
Strategic agreement with Roadzen to build Europe's leading digital and contextual insurance player



## PROFITABLE GROWTH IN FINANCIAL SERVICES

\_ALD Total fleet ('000 000)

\_SGEF Loan and Lease Outstandings<sup>(3)</sup> (EUR bn)



Q1 19 Revenues up **+4.6%\***

**ALD** : sustained high operational efficiency with a cost / income ratio<sup>(2)</sup> of 49.6% and resilient car sale results (at EUR 258<sup>(2)</sup> per unit)

**SGEF**: solid revenues growth (+12%\*) with steady increase of the margin for new business volume

**Q1 19 GROUP NET INCOME EUR 218M (+9%\*), RONE 20.5%<sup>(1)</sup> (+110bp)**

\* When adjusted for changes in Group structure and at constant exchange rates / (1) Adjusted for IFRIC 21 linearisation / (2) rolling last 4 quarters and based on ALD standalone financials, excluding car sales results / (3) Excluding factoring

# INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES RESULTS

## GOOD REVENUE MOMENTUM

EUR 2,076 m (+6.8%\* vs. Q1 18)

## SUSTAINED HIGH OPERATING EFFICIENCY

Positive jaws effect of ca. 170bp\*

## COST OF RISK PROGRESSIVE NORMALISATION

39bp

## IMPROVED GROUP NET INCOME AND PROFITABILITY

despite perimeter effects and significant write-backs in Q1 18

<i>In EUR m</i>	Q1 19	Q1 18	Change	
Net banking income	2,076	1,989	+4.4%	+6.8%*
Operating expenses	(1,204)	(1,179)	+2.1%	+5.1%*
<b>Gross operating income</b>	<b>872</b>	<b>810</b>	<b>+7.7%</b>	<b>+9.3%*</b>
Net cost of risk	(128)	(91)	+40.7%	+46.6%*
<b>Operating income</b>	<b>744</b>	<b>719</b>	<b>+3.5%</b>	<b>+4.7%*</b>
Net profits or losses from other assets	1	4	-75.0%	-74.7%
<b>Reported Group net income</b>	<b>464</b>	<b>429</b>	<b>+8.2%</b>	<b>+9.7%*</b>
RONE	16.0%	15.1%		
<b>Underlying RONE (1)</b>	<b>17.6%</b>	<b>17.0%</b>		

## Q1 19 RONE<sup>(1)</sup>: 17.6%

(1) Adjusted for IFRIC 21 linearisation

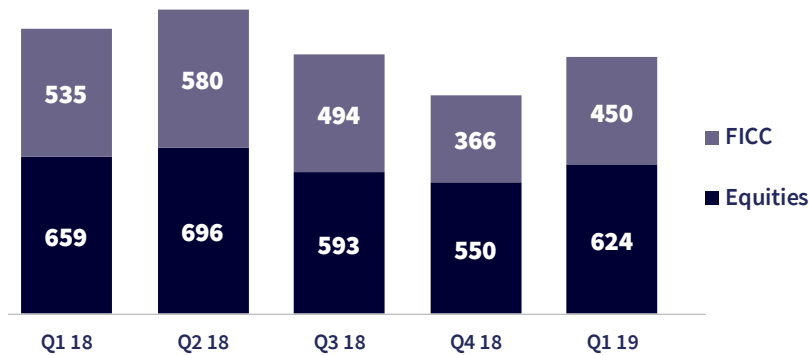
\* When adjusted for changes in Group structure and at constant exchange rates



# GOOD MOMENTUM IN FINANCING & ADVISORY, MUTED START TO THE YEAR IN GLOBAL MARKETS

## GLOBAL MARKETS & INVESTOR SERVICES REVENUES: -7% VS. Q1 18

\_Global Markets Revenues (EUR m)



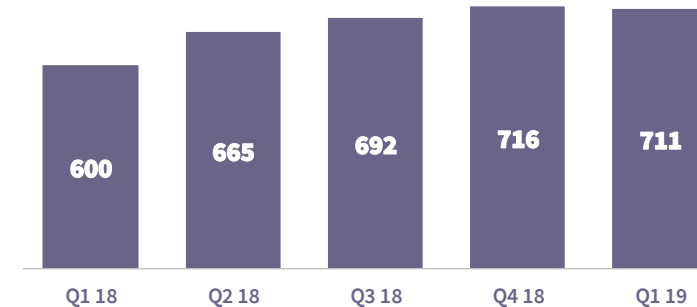
FICC revenues -16% vs. Q1 18: lower Rate activity, better performance in Credit and Emerging

Equities revenues -5% vs. Q1 18: low client activity, more stable market conditions

Securities Services revenues +12% vs. Q1 18, including positive impact of SIX stake revaluation (EUR +34 m)

## FINANCING & ADVISORY REVENUES: +19% VS. Q1 18

\_Revenues (EUR m)



Strong growth in Financing with a high level of originated deals  
Good momentum in Global Transaction Banking

## ASSET & WEALTH MANAGEMENT REVENUES: +5% VS. Q1 18

Muted start to the year due to market environment  
Private Banking revenues +11% vs. Q1 18, including positive impact of SIX stake revaluation (EUR +32 m), Lyxor revenues -15% vs. Q1 18

# GLOBAL BANKING AND INVESTOR SOLUTIONS RESULTS

## REVENUES UP 1.1% (-1.8%\*)

Strong revenue growth in Financing & Advisory  
Low client activity in Global Markets

## OPERATING EXPENSES FLAT (-1.6%\*)

## COST OF RISK

Normalisation after provision reversals in Q1 18

<i>In EUR m</i>	Q1 19	Q1 18	Change	
Net banking income	2,239	2,215	+1.1%	-1.8%*
Operating expenses	(2,026)	(2,024)	+0.1%	-1.6%*
<b>Gross operating income</b>	<b>213</b>	<b>191</b>	<b>+11.5%</b>	<b>-3.8%*</b>
Net cost of risk	(42)	27	n/s	n/s
<b>Operating income</b>	<b>171</b>	<b>218</b>	<b>-21.6%</b>	<b>-31.3%*</b>
<b>Reported Group net income</b>	<b>140</b>	<b>166</b>	<b>-15.7%</b>	<b>-26.1%*</b>
RONE	3.4%	4.5%		
<b>Underlying RONE(1)</b>	<b>8.0%</b>	<b>10.2%</b>		

## Q1 19 RONE<sup>(1)</sup>: 8.0%

(1) Adjusted for IFRIC 21 linearisation

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

# REFOCUS ON CORE EXPERTISE IN GLOBAL MARKETS

OUR **STRATEGY** IN GLOBAL MARKETS IS BASED ON **THREE FRANCHISES**

**STRENGTHEN LEADERSHIP IN CROSS-ASSET INVESTMENT SOLUTIONS**

**INCREASE EXECUTION CAPABILITIES IN FINANCING**

**OPTIMISE FLOW PRODUCTS LEVERAGING ON GROUP CORPORATE FRANCHISE**

**CONCENTRATE RESOURCES ON MOST PROFITABLE ACTIVITIES & RESTRUCTURE FLOW**

Closure of OTC commodities

Closure of Descartes proprietary trading

Increase client selectivity in Prime Services

Downsize Fixed Income and Currencies

**EUR 8 BN RWA REDUCTION 2020 TARGET\***

**80%**

**FLOW PRODUCTS**

**EUR 2.3 BN ACHIEVED IN Q1 19**

\* At constant regulatory environment

# REDUCE COSTS ACROSS GLOBAL BANKING AND INVESTOR SOLUTIONS

## GLOBAL MARKETS AND INVESTOR SERVICES

Business closures and staff reduction in global markets, primarily in FICC

In Securities Services, exit from wealth management services and clearing in the UK

## FINANCING & ADVISORY

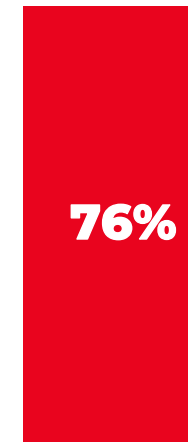
Streamlining the organisation through merger of Global Finance, Coverage and Investment Banking

## ASSET & WEALTH MANAGEMENT

Reorganising private banking headquarters

Rationalising private banking business supervision and control functions

## SAVINGS EUR 500M



76%

**GLOBAL MARKETS &  
INVESTOR SERVICES**

14%

**FINANCING &  
ADVISORY**

10%

**ASSET & WEALTH  
MANAGEMENT**

## GLOBAL REORGANISATION OF IT AND OPERATIONS

# TOWARDS A MORE EFFICIENT AND CAPITAL LIGHT BUSINESS MODEL

	2019	2020
<b>EUR 10bn RWA optimisation</b> o/w. EUR 8bn in Global Markets	<b>75%</b>	<b>25%</b>
<b>EUR 500m of cost savings</b>	<b>20/30%</b>	<b>70/80%</b>
<b>EUR -250 to -300 m restructuring costs</b>	<b>100%</b>	<b>0%</b>
<b>EUR 300 m revenues</b>	<b>Contribution of closed and downsized businesses to 2018 revenues</b>	

**2020 GBIS RONE TARGET 11.5%-12.5%**

# CORPORATE CENTRE

## GROSS OPERATING INCOME

EUR -113 m in Q1 19

## NET PROFITS OR LOSSES FROM OTHER ASSETS

Effect of IFRS 5 on ongoing disposals for EUR -53 m in Q1 19 including EUR -67 m on recently announced disposal of SKB (Slovenia) and residual impact of transactions closed in Q1 19 (Expressbank in Bulgaria, SG Private Banking Belgium and SG Albania)

<i>In EUR m</i>	Q1 19	Q1 18
Net banking income	(40)	82
Operating expenses	(73)	(46)
<b>Gross operating income</b>	<b>(113)</b>	<b>36</b>
Net cost of risk	0	(10)
Net profits or losses from other assets	(53)	(4)
<b>Reported Group net income</b>	<b>(207)</b>	<b>(15)</b>

**SAVE THE DATE - 7 MAY 2019**

# **DEEP DIVE**

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**FRENCH RETAIL BANKING**



**GLOBAL BANKING AND  
INVESTOR SOLUTIONS**

**THE FUTURE  
IS YOU**



**SOCIETE  
GENERALE**