SOCIETE GENERALE HAS SUCCESSFULLY PASSED THE COMPREHENSIVE ASSESSMENT OF EUROPEAN BANK BALANCE SHEETS: CONFIRMATION OF THE GROUP’S FINANCIAL SOLIDITY

- **Asset quality review**: confirmation of the quality of asset portfolios and risk management models
  - Very limited normative adjustment with regard to the size of the balance sheet of -22 basis points on the Common Equity Tier 1 ratio\(^{(1)}\) at end-2013, with no impact on the Group’s ratios

- **Stress tests**: financial solidity including under an adverse scenario, capital ratios well above the requirements set for this exercise
  - Central scenario: Common Equity Tier 1 ratio\(^{(1)}\) of 10.6%
  - Adverse scenario: Common Equity Tier 1 ratio\(^{(1)}\) of 8.1%

The European Central Bank (ECB) and European Banking Authority (EBA) have today published the results of the Asset Quality Review and Stress Tests which the largest European banks have had to undergo. Prior to the ECB’s single supervisory mechanism in the eurozone, these two stages of the comprehensive assessment of bank balance sheets have resulted in the large-scale mobilisation of employees: for nearly a year, more than 800 Societe Generale employees were involved; a hundred or so inspectors mandated by the supervisory authorities analysed 9 million credit lines and 500 million data.

Based on very demanding methodologies, these exercises confirm the solidity of Societe Generale’s balance sheet as well as the resilience of its diversified universal banking model.

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\(^{(1)}\) The prudential ratios mentioned here are phased-in ratios, i.e. they take account of transitional provisions authorised according to CRR/CRD4 rules, and constitute the regulatory base applicable until 2019
Results of the asset quality review: quality of asset portfolios and risk management models

The ECB and French Prudential Supervision and Resolution Authority (ACPR) first carried out an in-depth review of the bank’s accounting methodologies. The regulators subsequently selected and reviewed nearly half the Group’s exposures using a methodology specific to the ECB, determined for the purposes of the exercise, covering principally the provisioning of credit risks and the valuation of market risks.

The controls and simulations carried out would have resulted, at 31 December 2013, in a very limited theoretical normative adjustment of -22 basis points on the Common Equity Tier 1 ratio\(^{(1)}\), with -20 basis points in respect of credit risk and -2 basis points in respect of market risk. In prudential terms, these results do not modify the Group’s ratios, both in respect of 2013 and for following years. From an accounting viewpoint, this review will have no significant impact on the Group’s financial statements (less than EUR 30 million before tax on profits and less than EUR 35 million in other capital items). These results underline the quality of the Group’s asset portfolios and testify to the rigour of its methodologies and risk management.

Results of the stress tests: financial solidity including under an adverse scenario, ratios well above the requirements set for this exercise

The stress tests were constructed using very severe assumptions both from the macroeconomic viewpoint and the financial market environment, and a very strict methodology over a three-year horizon. The results of these scenarios applied to Societe Generale highlight the solidity of the Group’s capital ratios in the face of extreme situations. According to the assumptions adopted in the central scenario, Societe Generale’s Common Equity Tier 1 ratio\(^{(1)}\) would be 10.6%, compared with the 8.0% target set by the ECB. In the adverse scenario, the Common Equity Tier 1 ratio\(^{(1)}\) would stand at 8.1%, well above the minimum of 5.5% defined by the ECB for the exercise.

Commenting on the results, Frédéric Oudéa, the Chairman and CEO, stated: “These results provide further confirmation of the resilience of Societe Generale’s business model. They also demonstrate the financial solidity and quality of the risk management of the Group, which embarked on a far-reaching transformation of its balance sheet for several years. This is an unprecedented exercise in transparency, which lays the foundations for the new single supervisory mechanism in Europe and will help increase confidence in the sector. I would like to thank all the teams that have been involved within the bank to ensure the success of this in-depth review”.

Societe Generale will provide more detailed comments on the results of the comprehensive assessment of bank balance sheets on 6th November 2014 when it publishes its third quarter results.

All the results of the comprehensive assessment of banks’ balance sheets are available on the European Central Bank and European Banking Authority websites.
Societe Generale

Societe Generale is one of the largest European financial services groups. Based on a diversified universal banking model, the Group combines financial solidity with a strategy of sustainable growth, and aims to be the reference for relationship banking, recognised on its markets, close to clients, chosen for the quality and commitment of its teams.

Societe Generale has been playing a vital role in the economy for 150 years. With more than 148,000 employees, based in 76 countries, we accompany 32 million clients throughout the world on a daily basis. Societe Generale’s teams offer advice and services to individual, corporate and institutional customers in three core businesses:

- **Retail banking in France** with the Societe Generale branch network, Credit du Nord and Boursorama, offering a comprehensive range of multichannel financial services on the leading edge of digital innovation;
- **International retail banking, financial services and insurance** with a presence in emerging economies and leading specialised businesses;
- **Corporate and investment banking, private banking, asset management and securities services**, with recognised expertise, top international rankings and integrated solutions.

Societe Generale is included in the main socially responsible investment indices: FTSE4Good (Global and Europe), Euronext Vigeo (Global, Europe, Eurozone and France), ESI Excellence (Europe) from Ethibel and 4 of the STOXX ESG Leaders indices.

For more information, you can follow us on twitter @societegenerale or visit our website [www.societegenerale.com](http://www.societegenerale.com).

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**Societe Generale: 150 years**

In 2014, Societe Generale Group celebrates its 150th anniversary with a focus on entrepreneurial spirit, innovation and team spirit. Founded by a group of industrialists and financiers, the bank’s very name illustrated their ambition: “Société Générale pour favoriser le développement du commerce et de l’industrie en France” (“Societe Generale to support the development of trade and industry in France”), as written into the Imperial decree signed by Napoléon III on 4 May 1864.

Societe Generale has always served economic development, contributing to the financing of infrastructures that symbolised the modern world and of leading French groups. Societe Generale was among the first French banks to open branches in London and in Russia in the 1870s, before expanding into the Maghreb, New York and Africa and to set up operations in Central European countries.

Societe Generale has always been at the cutting edge of financial innovation, and takes strength from its origins to assert its banking vision for the future, reinvent its businesses to serve its clients and become the reference bank of the 21st century.