

Press Releases



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DBRS: SG's 3Q14 Net Income Up; Revenues Up, Provisions Significantly Down

November 10, 2014

- Group Net Income of EUR 0.8 billion in 3Q14, up 10.5% YoY, excluding revaluation for own financial liabilities and DVA.
- Provisions 41% down; Group's cost of risk continues to improve, and is contained in Russia.
- CRD IV Fully Loaded CET1 at 10.4%; no impact from the AQR results.
- DBRS rates Société Générale's Senior Long-Term Debt & Deposits at AA (low) with a Negative trend.

This improvement resulted mostly from a decrease in the cost of risk, but also revenues that are up year-over-year (YoY), on a more or less flat cost base. SG generated gross operating income, or income before provisions and taxes (IBPT), of EUR 1.9 billion in 3Q14, up from EUR 1.8 billion in 3Q13. This was mainly driven by lower provisions, down to EUR 642 million from EUR 1,093 million in 3Q13, which absorbed 34% of IBPT in 3Q14, below the 43% in 2013.

While overall revenues are up, the French Retail Banking (FRB) is being negatively affected by the low interest rate environment, and an unfavorable regulatory climate (cap on fees), resulting in lower revenues and net income group share. In this first pillar, which is a core component of the Group's franchise, SG's strategy is notably focused on improving efficiency. While operating costs in France are down by 0.9% YoY, net group income for FRB overall was down 2.7% YoY to EUR 305 million, in spite of much lower provisions (down 19.2% YoY).

Revenues in International Banking and Financial Services (IBFS) grew by 2.4% when adjusted for the changes in Group structure and at constant exchange rates, generally reflecting good commercial momentum and improved economic environments. For IBFS, a still difficult situation in Romania was offset by good momentum in the Czech Republic, the Balkans, and Africa, Asia, Mediterranean basin and Overseas business lines. In Russia, the deteriorating trend stabilized; SG reported a positive performance even with moderately higher provisions. Important complementary business lines to SG's international retail operations and valuable sources of revenues, Insurance and Financial Services to corporates reported continued positive momentum.

In Global Banking & Investor Services (GBIS), revenues were up 1.9% YoY in 3Q14. This was achieved in spite of Global Markets revenues being down 12.5%, in part reflecting low volatility and volume in flow products in Equities. FICC was up 1.4% excluding CVA/DVA, supported by demand in structured products, in Asia in particular. In Financing and Advisory, revenues were up 15% thanks to good performance in ECM, DCM, and acquisition financing. These results illustrate the strength and diversity of SG's capital markets businesses. Among other business lines, revenues in Securities Services & Brokerage

suffered from Newedge's restructuring.

In this quarter, the extensive ECB stress-test based on year-end 2013 data indicated that SG has the ability to withstand a severe stress scenario. In 3Q14, the cost of risk was down to 58 basis points (bps) from 69 bps in 3Q13. Excluding legacy assets, the gross non-performing loans (NPL) ratio trend is down as well, at 5.7% at 3Q14 with a relatively stable coverage ratio of 60%. In Russia, about 5% of Group's revenues, the NPL ratio is 9.6% compared to 12.2% as of June 2014, with a coverage ratio of 81%. The Group's outstanding legacy assets totaled EUR 5.4 billion with a coverage maintained at 84%.

SG's 3Q14 Common Tier 1 ratio was up 20 bps to 10.4% under fully loaded Basel III; this was mostly due to retained earnings that more than compensated for dividend provisions. SG's leverage ratio, fully loaded based on CRR rules as adopted in October 2014 by the European Commission, is estimated at 3.8%. The Group's MLT funding programme is fully completed; and SG's Liquidity Coverage Ratio is above 100% under CRR/CRD4 rules.

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Notes:

All figures are in Euros (EUR) unless otherwise noted.

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4. [DBRS: U.S. Capital Markets 3Q14 Earnings Round-Up](#)
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