

PRESS RELEASE

FOURTH QUARTER AND FY 2018 RESULTS

Paris, February 7th 2019

2018 ROTE⁽¹⁾ OF 9.7% AND INCREASE IN GROUP NET INCOME. ADAPTATION OF THE EXECUTION AND FINANCIAL TARGETS OF THE 2020 STRATEGIC PLAN

KEY FINANCIAL DATA

- **Revenues⁽¹⁾ up +0.6% in 2018 at EUR 25,205 million** (EUR 5,927 million or **-4.8% in Q4 18**) due to the good performance of International Retail Banking & Financial Services, resilient French Retail Banking activities and the strong momentum in Financing & Advisory.
- **2018 operating expenses⁽¹⁾**: EUR 17,595 million (+2% vs. 2017); Q4 18: EUR 4,627 million (+0.9% vs. Q4 17).
- **Still low cost of risk at 21 basis points in 2018**, reflecting the quality of the loan portfolio.
- **2018 Group book net income: EUR 3,864 million (+37.7% vs. 2017)**; Q4 18: EUR 624 million (EUR 69 million in Q4 17). **Group ROTE⁽¹⁾ of 9.7% in 2018** (5.9% in Q4 18).
- Continued **refocusing** of the business model on core regions and businesses (announced disposals representing an equivalent impact of +37 basis points on the CET1 ratio).
- Group commitment to **positive transformation** initiatives recognised through further awards in 2018.
- On the **three main litigation issues**, agreement reached with the US and French authorities.
- Fully-loaded **CET1 ratio**: 10.9% (11.2%⁽²⁾) with the effect of the option of a dividend payment in shares subject to approval by the Combined General Meeting on May 22nd, 2019).
- **2018 Earnings Per Share**: EUR 4.24 – **Proposed dividend stable at EUR 2.20**, with option of payment in shares.

ADAPTATION OF THE EXECUTION AND FINANCIAL TARGETS OF THE “TRANSFORM TO GROW” PLAN

- **Confirmation of the long-term strategic focus**: a **diversified**, more **compact** Group resolutely **focused on its customers**, delivering **profitable and responsible growth**.
- Inclusion of the new interest rate scenario in the eurozone, with an **impact of around EUR -500 million** on Group revenues in 2020.

*The footnote * in this document corresponds to data adjusted for changes in Group structure and at constant exchange rates.*

(1) Underlying data. See methodology note 5 for the transition from accounting data to underlying data.

(2) Taking into account the assumption of a 50% subscription rate for the dividend in shares.

- **Adaptation of the operational set-up in Global Markets** resulting in a reduction in risk-weighted assets of around EUR 8 billion between now and 2020.
- **Additional plan to reduce costs by around EUR 500 million in 2020** in Global Banking & Investor Solutions.
- **Acceleration in the refocusing of the regional and business portfolio** taking the disposal programme target to a positive effect of **+80-90 basis points** on the CET1 ratio by 2020 (the Group's initial target being 50-60 basis points).

The Group's **financial targets** for 2020 are as follows:

- Group ROTE⁽¹⁾ of between **9%-10%**
- RONE⁽¹⁾ for **French Retail Banking** revised to **11.5%-12.5%**
- RONE⁽¹⁾ for **International Retail Banking & Financial Services** increased to **17.0%-18.0%**
- RONE⁽¹⁾ for **Global Banking & Investor Solutions** ranging from **11.5% to 12.5%**
- CET1 ratio of **12%**
- **50%** payout ratio, with a dividend per share of at least **EUR 2.20**

Frédéric Oudéa, the Group's Chief Executive Officer, commented:

"After this first year in the execution of our 3-year plan, we have confirmed our long-term strategic ambition: delivering profitable and responsible growth thanks to a robust, diversified, more compact banking Group resolutely focused on its customers, in order to assist them in their positive transformation projects.

We successfully achieved several major milestones in our transformation during 2018. The digital transformation process continued with success and there was considerable progress in the growth initiatives in French and International Retail Banking, as well as Financing & Advisory. However, market activities experienced a more mixed performance, below our expectations.

In an economic, financial and regulatory environment that looks set to be less favourable and even more complex over the next few years than anticipated a year ago, we have decided to adapt the execution of our plan and our financial trajectory.

Our first priority is, and will remain, to increase value for shareholders while consolidating our capital trajectory. We will be even more selective in our capital allocation, prioritising the Group's areas of excellence. Moreover, in a more uncertain economic environment, we will continue to work on our operating efficiency with an additional plan to reduce costs in Global Banking & Investor Solutions and we are further prioritising cost control. All these measures and the Group's transformation will enable us to improve our operational profile and pursue the improvement in the structural profitability of our businesses."

(1) Underlying data. See methodology note 5 for the transition from accounting data to underlying data.

1. GROUP CONSOLIDATED RESULTS

<i>In EUR m</i>	Q4 18	Q4 17	Change		2018	2017	Change	
Net banking income	5,927	6,323	-6.3%	-5.8%*	25,205	23,954	+5.2%	+6.4%*
<i>Underlying net banking income(1)</i>	5,927	6,228	-4.8%	-4.4%*	25,205	25,062	+0.6%	+1.7%*
Operating expenses	(4,458)	(5,024)	-11.3%	-11.1%*	(17,931)	(17,838)	+0.5%	+1.6%*
<i>Underlying operating expenses(1)</i>	(4,627)	(4,586)	+0.9%	+1.2%*	(17,595)	(17,243)	+2.0%	+3.1%*
Gross operating income	1,469	1,299	+13.1%	+15.0%*	7,274	6,116	+18.9%	+20.8%*
<i>Underlying gross operating income(1)</i>	1,300	1,642	-20.8%	-20.1%*	7,610	7,819	-2.7%	-1.6%*
Net cost of risk	(363)	(469)	-22.6%	-22.3%*	(1,005)	(1,349)	-25.5%	-23.4%*
<i>Underlying net cost of risk (1)</i>	(363)	(269)	+34.9%	+35.8%*	(1,005)	(949)	+5.9%	+10.1%*
Operating income	1,106	830	+33.3%	+36.9%*	6,269	4,767	+31.5%	+33.2%*
<i>Underlying operating income(1)</i>	937	1,373	-31.8%	-31.2%*	6,605	6,870	-3.9%	-3.2%*
Net profits or losses from other assets	(169)	(39)	<i>n/s</i>	<i>n/s</i>	(208)	278	<i>n/s</i>	<i>n/s</i>
Income tax	(136)	(558)	-75.7%	-76.0%*	(1,561)	(1,708)	-8.6%	-8.0%*
Reported Group net income	624	69	x 9,0	x 15,5	3,864	2,806	+37.7%	+42.7%*
<i>Underlying Group net income(1)</i>	744	877	-15.2%	-13.8%*	4,468	4,491	-0.5%	+1.8%*
ROE	4.1%	-0.4%			7.1%	4.9%		
ROTE	6.5%	-0.5%			8.8%	5.7%		
Underlying ROTE (1)	5.9%	7.4%			9.7%	9.6%		

(1) Adjusted for non-economic items, exceptional items and linearisation of IFRIC 21

Societe Generale's Board of Directors, which met on February 6th, 2019 under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q4 and approved the results for full-year 2018.

The various restatements enabling the transition from underlying data to published data are presented in the methodology notes (section 10.5).

Net banking income: EUR 5,927m (-6.3% vs. Q4 17), EUR 25,205m (+5.2% vs. 2017)

Book net banking income totalled EUR 25,205 million in 2018, up 5.2% compared to 2017 (EUR 23,954 million).

In 2017, net banking income included several exceptional items, i.e. the impact of the settlement agreement with the LIA (EUR -963 million) and the adjustment of hedging costs in French Retail Banking (EUR -88 million). When restated for these items and non-economic items, underlying net banking income came to EUR 25,062 million in 2017.

Underlying net banking income grew by 0.6% in 2018.

In 2018,

- French Retail Banking's net banking income, excluding PEL/CEL provision, declined -1.8% vs. 2017, in line with the Group's expectations. French Retail Banking continued with its transformation and developed its growth drivers in an environment still characterised by low interest rates.
- International Retail Banking & Financial Services' revenues were significantly higher (+5.1%, +6.6%*), impacted by the robust commercial dynamism across all businesses and geographical regions. Accordingly, International Retail Banking revenues increased by +6.3% (+9.1%*), Insurance revenues by +6.6% (+4.9%*) and Financial Services to Corporates' revenues by +1% (+0.2%*).

- Global Banking & Investor Solutions' net banking income fell -3.6%. Financing & Advisory revenues were 7.1% (8.6%*) higher due to the healthy commercial momentum. In contrast, the revenues of Global Markets and Investor Services were 8.3% (6.6%*) lower than in 2017 in a challenging market environment.

In Q4 18, Group book net banking income declined by -6.3% to EUR 5,927 million (vs. EUR 6,323 million in Q4 17) and underlying net banking income by -4.8% (EUR 6,228 million in Q4 17). French Retail Banking revenues fell -6.8% (-5.5% vs. Q4 17 excluding changes in the PEL/CEL provision). International Retail Banking & Financial Services' net banking income was significantly higher (+5.1%, +7.3%*). Global Banking & Investor Solutions' revenues were 6.9% lower.

In accordance with IFRS 9, the variation in the revaluation of the Group's own financial liabilities is no longer recognised in profit or loss for the period. Consequently, in 2018, the Group no longer restates its earnings for non-economic items.

Operating expenses: EUR -4,458m (-11.3% vs. Q4 17), EUR -17,931m (+0.5% vs. 2017)

Underlying operating expenses amounted to EUR -17,595 million in 2018, representing a contained increase of 2% compared to 2017 (EUR -17,243 million). In Q2 18 and Q3 18, the provision for disputes was the subject of a total additional allocation of EUR -336 million. Note that 2017 underlying operating expenses included a EUR 60 million restructuring provision write-back. In Q4 17, three exceptional expenses were recognised in operating expenses: an exceptional expense related to the acceleration in the adaptation of French Retail Banking networks amounting to EUR -390 million, an expense related to the receipt of a tax rectification proposal following a tax control by the French authorities regarding various operating taxes amounting to EUR -145 million and a charge related to the consequences of the judgment of the Paris Court of Appeal of December 21st, 2017 confirming the fine regarding the dematerialisation of cheque processing amounting to EUR -60 million.

Operating expenses totalled EUR -4,458 million in Q4 18, down -11.3% vs. Q4 17. When restated for the above-mentioned exceptional items and the effect of the linearisation of IFRIC 21, there was a slight increase in underlying operating expenses to EUR -4,627 million in Q4 18 vs. EUR -4,586 million in Q4 17 (+0.9%).

The increase in operating expenses is in line with the full-year target in French Retail Banking and reflects cost control in Global Banking & Investor Solutions. Efforts to support growth in International Retail Banking & Financial Services resulted in a positive jaws effect between revenue growth and the increase in costs.

In 2018, the Group reached agreements on the litigation issues with the US authorities relating to the LIBOR and to economic sanctions and anti-money laundering, and with the US and French authorities on Libya. These agreements provided for commitments by the Group with respect to these authorities and the payment of fines, which correspond to the provisions booked for this purpose.

The balance of the provision for disputes was EUR 0.3 billion at December 31st, 2018.

Gross operating income: EUR 1,469m (+13.1% vs. Q4 17), EUR 7,274m (+18.9% vs. 2017)

Book gross operating income totalled EUR 7,274 million in 2018 (vs. EUR 6,116 million in 2017) and underlying gross operating income EUR 7,610 million (vs. EUR 7,819 million in 2017).

Book gross operating income totalled EUR 1,469 million in Q4 18 (EUR 1,299 million in Q4 17) and underlying gross operating income EUR 1,300 million (EUR 1,642 million in Q4 17).

Cost of risk⁽¹⁾: EUR -363m in Q4 18, EUR -1,005m in 2018

The net cost of risk amounted to EUR -1,005 million in 2018, 25.5% lower than in 2017 (EUR -1,349 million). The underlying net cost of risk was 5.9% higher.

The Group's underlying net cost of risk amounted to EUR -363 million in Q4 18, up +34.9% vs. Q4 17, i.e. EUR -269 million.

The Group's commercial cost of risk (expressed as a fraction of outstanding loans) amounted to 21 basis points in 2018, very slightly higher than in 2017 (19 basis points), at the bottom end of the expected range (between 20 and 25 basis points).

- In French Retail Banking, the commercial cost of risk amounted to 26 basis points (30 basis points in 2017) due to a selective origination policy.
- International Retail Banking & Financial Services' cost of risk stood at a still low level of 30 basis points (vs. 29 basis points in 2017) due to further provision write-backs in the Czech Republic and Romania.
- Global Banking & Investor Solutions' cost of risk amounted to 6 basis points, an increase compared to the historically low level of -1 basis point in 2017.

The commercial cost of risk was higher in Q4 18 at 29 basis points (vs. 22 basis points in Q4 17).

The Group expects a cost of risk of between 25 and 30 basis points in 2019.

The gross doubtful outstandings ratio stood at 3.6% at end-December 2018 (vs. 4.4% at end-December 2017). The Group's gross coverage ratio for doubtful outstandings stood at 54%⁽²⁾ at end-December 2018 (stable vs. September 30th, 2018).

Operating income: EUR 1,106m (+33.3% vs. Q4 17), EUR 6,269m (+31.5% vs. 2017)

Book operating income totalled EUR 6,269 million in 2018, 31.5% higher than in 2017. Underlying operating income came to EUR 6,605 million (vs. EUR 6,870 million in 2017).

Book operating income amounted to EUR 1,106 million in Q4 18, up +33.3% vs. Q4 17. Underlying operating income was EUR 937 million (vs. EUR 1,373 million in Q4 17).

Net profits or losses from other assets: EUR -169m in Q4 18, EUR -208m in 2018

Net profits or losses from other assets include primarily the capital loss recognised under IFRS 5 in respect of disposals currently being finalised by the Group amounting to EUR -268 million in 2018 (EUR -241 million in Q4 18), with EUR -202 million corresponding to the disposals already announced (Societe Generale Albania, Societe Generale Serbia, Mobiasbanca Societe Generale in Moldavia) and Societe Generale's stake in La Banque Postale Financement.

(1) 2018 figures established according to IFRS 9, 2017 figures established according to IAS 39, figures restated for the transfer of Global Transaction and Payment Services from French Retail Banking to Global Banking & Investor Solutions.

(2) Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings.

Net income

In EURm	Q4 18	Q4 17	2018	2017
Reported Group net income	624	69	3,864	2,806
Underlying Group net income ⁽¹⁾	744	877	4,468	4,491

In %	Q4 18	Q4 17	2018	2017
ROTE (reported)	6.5%	-0.5%	8.8%	5.7%
Underlying ROTE ⁽¹⁾	5.9%	7.4%	9.7%	9.6%

Earnings per share amounts to EUR 4.24 in 2018 (EUR 2.98 in 2017)⁽²⁾.

On this basis, the Board of Directors has decided to propose the payment of a dividend of EUR 2.20 per share to the Combined General Meeting of Shareholders, with the possibility of opting for the payment of the dividend in shares. This represents a payout ratio of 51.8%. The dividend will be detached on May 27th, 2019 and paid on June 14th, 2019.

(1) Adjusted for non-economic items (in 2017), exceptional items and effect of the linearisation of IFRIC 21.

(2) Excluding non-economic and exceptional items (gross EPS of EUR 2.92 in 2017)

2. THE GROUP'S FINANCIAL STRUCTURE

Group **shareholders' equity** totalled EUR 61.0 billion at December 31st, 2018 (EUR 59.4 billion at December 31st, 2017). Net asset value per share was EUR 64.63 and tangible net asset value per share was EUR 55.81.

The **consolidated balance sheet** totalled EUR 1,309 billion at December 31st, 2018 (EUR 1,274 billion at January 1st, 2018⁽¹⁾, EUR 1,275 billion at December 31st, 2017). The net amount of customer loan outstandings at December 31st, 2018, including lease financing, was EUR 421 billion (EUR 396 billion at January 1st, 2018, EUR 404 billion at December 31st, 2017) – excluding assets and securities sold under repurchase agreements. At the same time, customer deposits amounted to EUR 399 billion, vs. EUR 395 billion at January 1st, 2018 and December 31st, 2017 (excluding assets and securities sold under repurchase agreements).

At end-December 2018, the parent company had issued EUR 39.2 billion of medium/long-term debt, having an average maturity of 4.5 years and an average spread of 27.5 basis points (vs. the 6-month mid-swap, excluding subordinated debt). The subsidiaries had issued EUR 3.8 billion. At December 31st, 2018, the Group had issued a total of EUR 43 billion of medium/long-term debt. The LCR (Liquidity Coverage Ratio) was well above regulatory requirements at 129% at end-December 2018 vs. 131% at end-September 2018. At the same time, the NSFR (Net Stable Funding Ratio) was over 100% at end-December 2018.

The Group's **risk-weighted assets** (RWA) amounted to EUR 376.0 billion at December 31st, 2018 (vs. EUR 353.3 billion at end-December 2017) according to CRR/CRD4 rules. Risk-weighted assets in respect of credit risk represent 80.5% of the total, at EUR 302.7 billion, up +4.6% vs. December 31st, 2017.

At December 31st, 2018, the Group's fully-loaded **Common Equity Tier 1** ratio stood at 10.9%⁽²⁾, 11.2%⁽³⁾ taking into account the option of a dividend payment in shares subject to approval by the Combined General Meeting on May 22nd, 2019, and 11.5% pro forma for transactions signed (disposals and acquisitions). The Tier 1 ratio stood at 13.7% at end-December 2018 and the total capital ratio amounted to 16.7%.

With a level of 22.9% of RWA and 7.1% of leveraged exposure at end-December 2018, the Group's TLAC ratio is already above the FSB's requirements for 2019. At December 31st, 2018, the Group was also above its MREL requirements of 8% of the TLOF⁽⁴⁾ (which, in December 2016, represented a level of 24.36% of RWA), which were used as a reference for the SRB calibration.

The **leverage ratio** stood at 4.3% at December 31st, 2018 (4.3% at end-December 2017).

The Group is rated by five rating agencies: (i) DBRS - long-term rating (senior preferred debt) "A (high)", positive trends, short-term rating "R-1 (middle)"; (ii) FitchRatings - long-term rating "A", stable outlook, senior preferred debt rating "A+", short-term rating "F1"; (iii) Moody's - long-term rating (senior preferred debt) "A1", stable outlook, short-term rating "P-1"; (iv) R&I - long-term rating (senior preferred debt) "A", stable outlook; and (v) S&P Global Ratings - long-term rating (senior preferred debt) "A", positive outlook, short-term rating "A-1".

(1) Balances at January 1st, 2018 after first-time application of IFRS 9 except for subsidiaries in the insurance sector

(2) The phased-in ratio, including earnings for the current financial year amounts to 11.0% at end-December 2018 vs. 11.6% at end-December 2017.

(3) Taking into account the assumption of a 50% take-up, having an impact of +23bp on the CET1 ratio

(4) TLOF: Total Liabilities and Own Funds

3. FRENCH RETAIL BANKING

In EUR m	Q4 18	Q4 17	Change	2018	2017	Change
Net banking income	1,912	2,051	-6.8%	7,860	8,014	-1.9%
<i>Net banking income excl. PEL/CEL</i>	1,925	2,036	-5.5%	7,838	7,982	-1.8%
Operating expenses	(1,430)	(1,828)	-21.8%	(5,629)	(5,939)	-5.2%
Gross operating income	482	223	+116.1%	2,231	2,075	+7.5%
<i>Gross operating income excl. PEL/CEL</i>	495	208	+137.3%	2,209	2,043	+8.1%
Net cost of risk	(143)	(184)	-22.3%	(489)	(547)	-10.6%
Operating income	339	39	+769.2%	1,742	1,528	+14.0%
Reported Group net income	282	38	+642.1%	1,237	1,059	+16.8%
RONE	10.1%	1.3%		11.0%	9.6%	
Underlying RONE (2)	9.9%	12.2%		10.9%	13.0%	

(1) Adjusted for the effect of the linearisation of IFRIC 21, PEL/CEL provision, adjustment of hedging costs in 2017 and the adaptation of the French network and the "Echange Image Chèque" fine in Q4 17 and in 2017.

French Retail Banking enjoyed a solid commercial momentum and delivered a resilient financial performance in 2018, against the backdrop of persistently low interest rates and the transformation of the French networks.

Activity and net banking income

French Retail Banking's three brands, Societe Generale, Crédit du Nord and Boursorama, pursued their commercial expansion, particularly for their growth drivers.

With nearly 460,000 new clients in 2018, Boursorama set a new client onboarding record (+45% vs. 2017) and consolidated its position as the leading online bank in France with nearly 1.7 million clients at end-December 2018.

At the same time, the Societe Generale and Crédit du Nord networks strengthened their franchises on the Group's target customers.

Supported by a solid private banking platform, French Retail Banking continued to expand its mass affluent and wealthy client base (up +3% at end-December 2018 vs. end-December 2017) and recorded net inflow of EUR 3.3 billion in 2018. This robust performance was masked by a challenging market environment, resulting in assets under management declining -1.2% vs. Q4 17, to EUR 61 billion (including Crédit du Nord) at end-December 2018.

Bancassurance enjoyed buoyant activity, with net inflow of EUR 1,730 million. In Q4 18, outstandings amounted to EUR 92.3 billion, with the unit-linked share accounting for 24%.

In the Business customer segment, French Retail Banking continued with the rollout of its regional business centres, with five units at end-December, thereby strengthening its expertise in this segment where the number of customers increased 1% in 2018.

In the case of Professional customers, Societe Generale now has eight new "Pro Corners" (espaces pro) with 103 "corners" dedicated to professionals rolled out in branches, as at end-December 2018. The number of professional customers in French Retail Banking grew by nearly 1% vs. Q4 17.

In a low interest rate environment, the Group confirmed its selective origination strategy.

Housing loan production totalled EUR 4.6 billion in Q4 18 (+0.3% vs. Q4 17) and EUR 18.7 billion in 2018. Consumer loan production remained dynamic in Q4 18, with an increase of +17.4% vs. Q4 17 and +12.7% in 2018.

Outstanding loans to individuals totalled EUR 111 billion and rose +3.1% in Q4 18 vs. Q4 17.

Corporate investment loan production was very robust in Q4 18, up +21.1% at EUR 4.7 billion (+12.4% in 2018 at EUR 14.2 billion). Accordingly, average investment loan outstandings rose +5.0% vs. Q4 17.

Overall, the momentum accelerated in Q4 18, with average loan outstandings rising +4.0% vs. Q4 17 to EUR 189 billion. Average outstanding balance sheet deposits came to EUR 201.7 billion in Q4 18, up +3.8% vs. Q4 17, underpinned by sight deposits (+8.1%). As a result, the average loan/deposit ratio stood at 93.5% in Q4 18 (stable vs. Q4 17).

French Retail Banking posted net banking income (after neutralising the impact of PEL/CEL provisions) of EUR 1,925 million in Q4 18, down -5.5% vs. Q4 17 and -1.8% over 12 months (at EUR 7,838 million), in line with Group expectations (decline of between -1% and -2% in 2018).

The healthy fee momentum (+0.5% in Q4 18 and +1.4% in 2018), particularly for service commissions (+2.8% in Q4 18 and +2.6% in 2018) was more than masked by the fall in net interest income adversely affected by the low interest rate environment (decline of -8.2% in Q4 18 and -5.4% in 2018).

Operating expenses

French Retail Banking's underlying operating expenses totalled EUR 1,430 million, up +3.8% vs. Q4 17 (restated for exceptionals recognised in Q4 17) and +2.6% in 2018 (at EUR 5,629 million), in line with the expected increase in underlying operating expenses of less than 3% for the year. This increase reflects the acceleration of investments in the digital transformation process and the development of growth drivers.

As part of its transformation plan, the Group notably closed more than 100 branches over twelve months, thereby achieving between 2016 and 2018 nearly 60% of its 2020 target (-500 branches).

At the same time, the Group continued to digitalise the banking networks, with the ongoing dematerialisation of the offering.

The cost to income ratio stood at 71.6% in 2018.

Operating income

The net cost of risk declined by 22.3% in Q4 18 vs. Q4 17 (-10.6% in 2018). Operating income came to EUR 339 million in Q4 18 and EUR 1,742 million in 2018 (EUR 1,528 million in 2017).

Contribution to Group net income

French Retail Banking's contribution to Group net income amounted to EUR 282 million in Q4 18 (EUR 38 million in Q4 17). The return on normative equity after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision stood at 9.9%⁽¹⁾ (vs. 12.2%⁽¹⁾ in Q4 17). The contribution to Group net income and return on normative equity proved resilient in 2018 and came to EUR 1,237 million (EUR 1,059 million in 2017) and 10.9% respectively (13.0%⁽¹⁾ in 2017).

(1) Adjusted for non-economic items, exceptional items and the effect of the linearisation of IFRIC 21

4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

<i>In EUR m</i>	Q4 18	Q4 17	Change		2018	2017	Change	
Net banking income	2,161	2,057	+5.1%	+7.3%*	8,317	7,914	+5.1%	+6.6%*
Operating expenses	(1,145)	(1,168)	-2.0%	+0.3%*	(4,526)	(4,404)	+2.8%	+4.7%*
Gross operating income	1,016	889	+14.3%	+16.6%*	3,791	3,510	+8.0%	+8.9%*
Net cost of risk	(114)	(119)	-4.2%	-2.9%*	(404)	(400)	+1.0%	+10.3%*
Operating income	902	770	+17.1%	+19.7%*	3,387	3,110	+8.9%	+8.7%*
Net profits or losses from other assets	2	3	-33.3%	-33.3%	8	36	-77.8%	-78.4%*
Reported Group net income	563	450	+25.1%	+25.7%*	2,065	1,939	+6.5%	+9.3%*
RONE	19.7%	16.2%			18.1%	17.4%		
Underlying RONE (1)	19.0%	15.6%			18.1%	17.4%		

(1) Adjusted for the effect of the linearisation of IFRIC 21

The division's net banking income totalled EUR 8,317 million in 2018, up +5.1% vs. 2017, driven by an excellent commercial momentum in all regions and businesses. Operating expenses remained under control, amounting over the same period to EUR -4,526 million (+2.8%), resulting in a positive jaws effect despite a EUR 60 million restructuring provision write-back in 2017. Gross operating income totalled EUR 3,791 million in 2018 (+8.0%).

The net cost of risk remained at a low level of EUR 404 million in 2018. It included provision write-backs in the Czech Republic and Romania as well as the receipt of an insurance payout in Romania in 2017 and Q1 18. The virtual stability of the net cost of risk (+1%) reflects rigorous risk management. The contribution to Group net income totalled EUR 2,065 million in 2018, a record level (up +6.5% vs. 2017).

Net banking income totalled EUR 2,161 million in Q4 18 (+5.1% vs. Q4 17). Gross operating income came to EUR 1,016 million (+14.3%) and the contribution to Group net income was EUR 563 million, up +25.1% vs. Q4 17.

Underlying RONE stood at 18.1% in 2018 (17.4% in 2017) and 19.0% in Q4 18 (vs. 15.6% in Q4 17).

International Retail Banking

International Retail Banking's outstanding loans rose +5.0% (+6.4%*) in Q4 18 vs. Q4 17 to EUR 93 billion at end-December 2018, with uniform growth across the three regions. Deposit inflow also remained dynamic. Outstanding deposits totalled EUR 83.3 billion at end-December 2018, up +4.4% (+5.8%*) year-on-year.

International Retail Banking revenues were 6.3% (9.1%*) higher than in 2017 at EUR 5,608 million, while operating expenses were up +2.1% (+5.0%*) at EUR -3,238 million. Gross operating income came to EUR 2,370 million, up +12.5% (+15.2%*) vs. 2017. International Retail Banking's contribution to Group net income amounted to a record level of EUR 1,187 million in 2018 (+13.9% vs. 2017).

In Q4 18, International Retail Banking posted revenues of EUR 1,477 million, gross operating income of EUR 665 million and a contribution to Group net income of EUR 332 million, up +35.0% vs. Q4 17.

In Western Europe, outstanding loans were up +10.4% vs. Q4 17, at EUR 20.1 billion. Car financing remained particularly buoyant over the period. Revenues totalled EUR 836 million in 2018, up +9.7% vs. 2017, while operating expenses were 3.5% higher. Consequently, gross operating income was 15.6% higher in 2018. The contribution to Group net income came to EUR 242 million, up +16.3% vs. 2017.

In the Czech Republic, the Group delivered a solid commercial performance in 2018: outstanding loans rose +3.9% (+4.6%*) and outstanding deposits increased +4.2% (+5.0%*). Revenues were higher (+7.2%, +4.4%*) and amounted to EUR 1,119 million in 2018, driven by a positive volume effect, combined with a rise in rates. Over the same period, operating expenses were 4.2% (1.8%*) higher at EUR -594 million, including in particular a EUR 11.5 million restructuring provision in Q2 18. There was a net write-back in the net cost of risk of EUR 23 million compared with a net write-back of EUR 11 million in 2017. Against this backdrop, the contribution to Group net income came to EUR 266 million, up +4.7% compared to 2017 when the first quarter benefited from a capital gain on a property disposal following the sale of the historic headquarters.

In Romania, outstanding loans totalled EUR 6.8 billion at end-December 2018, up +3.9% (+4.0%*) vs. end-December 2017. Over the same period, deposits amounted to EUR 9.7 billion, up +2.2% (+2.3%*). Against a backdrop of rising interest rates, net banking income climbed +9.5% (+11.6%*) in 2018. Operating expenses were down -1.2% (+0.5%*) with, in particular, a reduction in the contribution to deposit guarantee and resolution funds and after a 2017 impacted by investments in the network's transformation. There was a net write-back in the net cost of risk of EUR 56 million in 2018 compared with a net write-back of EUR 86 million in 2017. The contribution to Group net income was EUR 149 million, up 9.6% vs. 2017.

In other European countries, outstanding loans were up +6.0% (+6.5%*) and outstanding deposits were up +6.6% (+6.5%*) in 2018. Revenues increased +5.9% (+10.5%*) in 2018, while operating expenses were 11.1% (17.1%*) higher than in 2017 given the EUR 60 million restructuring provision write-back in 2017. The net cost of risk remained under control, resulting in a significant decline of -57.1% (-43.1%*) compared to 2017. The contribution to Group net income totalled EUR 181 million (vs. EUR 147 million in 2017).

In Russia, there was further confirmation of commercial expansion in the individual customer segment. Outstanding loans were up +6.2%* at constant exchange rates (-3.8% at current exchange rates) in 2018. Outstanding deposits increased +8.5%* at constant exchange rates (-0.5% at current exchange rates) benefiting from the surplus liquidity in the market. Net banking income for SG Russia⁽¹⁾ came to EUR 815 million in 2018, up +9.1%* (-3.2% at current exchange rates). Operating expenses were up +5.5%* (-5.4% at current exchange rates). The net cost of risk increased by EUR 19 million at constant exchange rates and remained at a generally low level. SG Russia made a positive contribution to Group net income of EUR 144 million vs. EUR 147 million in 2017.

In Africa and the other regions where the Group operates, commercial activity was generally healthy in both Sub-Saharan Africa and the Mediterranean Basin. Outstanding loans rose +5.6% (+5.8%*) in 2018 to EUR 21.2 billion. Outstanding deposits were also higher (+7.3%, +7.4%*) at EUR 20.9 billion. Net banking income totalled EUR 1,641 million in 2018, an increase of +7.1% (+10.3%*) compared to 2017. Over the same period, operating expenses rose +2.4% (+4.6%*). The contribution to Group net income came to EUR 237 million in 2018, up +27.4% vs. 2017.

Insurance

The life insurance savings business saw outstandings increase +1.1%* in 2018 in a challenging market environment. The share of unit-linked products in outstandings was stable at end-December 2018 compared to 2017, at 26%.

There was further growth in Personal Protection insurance (premiums up +7.2%* vs. Q4 17). Likewise, Property/Casualty insurance continued to enjoy strong growth (premiums up +11.7%* vs. Q4 17). International activity was particularly dynamic.

(1) SG Russia encompasses the entities Rosbank, Delta Credit Bank, Rusfinance Bank, Societe Generale Insurance, ALD Automotive and their consolidated subsidiaries

The Insurance business posted a good financial performance in 2018, with net banking income increasing +6.6% to EUR 887 million (+4.9%*) and the cost to income ratio remaining at a low level (37.5%). The contribution to Group net income was 7.3% higher at EUR 368 million in 2018. It amounted to EUR 95 million in Q4 18, up +3.3% vs. Q4 17.

Financial Services to Corporates

Financial Services to Corporates maintained a good commercial momentum in 2018.

Operational Vehicle Leasing and Fleet Management experienced a substantial increase in its vehicle fleet (+10.1% vs. 2017) to 1.663 million vehicles at end-December 2018, driven by the strategy of ramping up distribution channels.

Equipment Finance's outstanding loans were up +4.5% (+4.7%*) in 2018 vs. 2017 at EUR 17.9 billion (excluding factoring).

Financial Services to Corporates' net banking income rose +1.0% in 2018 to EUR 1,822 million (+0.2%*), with ALD's revenues impacted by a reduction in the average residual value of used vehicles sold. Operating expenses increased +3.2% (+2.9%*) compared to 2017 and amounted to EUR -955 million. The net cost of risk amounted to EUR 69 million, an increase of EUR 18 million compared to 2017. The contribution to Group net income was EUR 510 million in 2018, down -7.9% compared to 2017, reflecting primarily the consolidation of ALD for around 80% since its stock market flotation.

In Q4 18, Financial Services to Corporates' revenues totalled EUR 460 million (-2.7%, +0.8%* vs. Q4 17) and operating expenses came to EUR -254 million (+1.6%, +6.3%* vs. Q4 17). The contribution to Group net income amounted to EUR 136 million in Q4 18 vs. EUR 112 million in Q4 17.

5. GLOBAL BANKING & INVESTOR SOLUTIONS

<i>In EUR m</i>	Q4 18	Q4 17	Change		2018	2017	Change	
Net banking income	2,041	2,193	-6.9%	-7.6%*	8,846	9,173	-3.6%	-2.1%*
Operating expenses	(1,779)	(1,743)	+2.1%	+1.3%*	(7,241)	(7,121)	+1.7%	+3.2%*
Gross operating income	262	450	-41.8%	-42.0%*	1,605	2,052	-21.8%	-20.3%*
Net cost of risk	(98)	35	n/s	n/s	(93)	(2)	x 46,5	n/s
Operating income	164	485	-66.2%	-66.3%*	1,512	2,050	-26.2%	-25.0%*
Reported Group net income	179	374	-52.1%	-52.3%*	1,197	1,593	-24.9%	-23.6%*
RONE	4.5%	10.3%			7.8%	10.6%		
Underlying RONE (1)	2.7%	8.5%			7.8%	10.6%		

(1) Adjusted for the effect of the linearisation of IFRIC 21

Global Banking & Investor Solutions posted net banking income of EUR 8,846 million in 2018, down -3.6% compared to 2017, in an unfavourable market environment and despite the healthy momentum in Financing & Advisory.

The division's net banking income totalled EUR 2,041 million in Q4 18, down -6.9% vs. Q4 17.

Global Markets & Investor Services

Global Markets & Investor Services' revenues were down -8.3% in 2018, in an unfavourable market environment, impacted by political tensions in Europe and the trade war between the United States and China. However, performances remained resilient in the United States and Asia.

Net banking income came to EUR 1,093 million in Q4 18, down -18.7% vs. Q4 17, with markets having been hit this quarter primarily by widening credit spreads and reduced liquidity in the equity market.

At EUR 1,975 million, the revenues of **Fixed Income, Currencies & Commodities** were down -16.8% in 2018 compared to 2017. They were down -28.8% in Q4 18 vs. Q4 17 and amounted to EUR 366 million. Despite resilient commercial activity, Rate activities were hit by an unfavourable environment. Credit was impacted by widening spreads in line with previous quarters. At the same time, commodities enjoyed a good quarter, with buoyant commercial activity in the energy and carbon market.

Equities and Prime Services posted net banking income of EUR 2,498 million in 2018, down -4.4% vs. 2017, impacted by a declining equity market. In Q4 18, net banking income amounted to EUR 550 million, down -15.5% vs. Q4 17, hit by lower commercial activity. Management of structured product portfolios was affected by sharp market movements. Prime Services continued to turn in a good performance while cash equities remained resilient, with an increase in trading volumes. However, this performance failed to offset the fall in derivative revenues.

The Equity Derivatives franchise was once again voted "Structured Products House of the Year" by Risk Awards.

Securities Services' assets under custody amounted to EUR 4,011 billion at end-December 2018, up +2.8% vs. end-December 2017. Over the same period, assets under administration were down -6.5% at EUR 609 billion. Revenues rose +6.2% in 2018 compared to 2017, to EUR 734 million. This sharp rise reflects the continued healthy commercial momentum.

Revenues were slightly lower (-0.6%) in Q4 18 than in Q4 17.

Financing & Advisory

Financing & Advisory's revenues totalled EUR 2,673 million in 2018, 7.1% higher than in 2017. 2018 was a record year, driven by the successful implementation of the businesses' different initiatives.

Net banking income came to EUR 716 million in Q4 18, up +19.1% vs. Q4 17. Asset Financing (especially aircraft, shipping and real estate) continued to benefit from a good level of origination activity and commissions. The natural resources division enjoyed a healthy momentum in energy project financing. The Asset Backed Products platform saw further expansion.

Global Transaction Banking's earnings were significantly higher in Q4 18, with good commercial activity in Cash Management and Correspondent Banking despite the low interest rate environment.

Asset and Wealth Management

The net banking income of the **Asset and Wealth Management** business line totalled EUR 966 million in 2018, down -3.4% compared to 2017, with revenues remaining resilient in a low interest rate environment. Net banking income amounted to EUR 232 million in Q4 18, down -6.5% vs. Q4 17.

Private Banking's assets under management totalled EUR 113 billion at end-December 2018, 4% lower than in December 2017, impacted by the decline in the markets. 2018 net banking income was 4.2% lower than in 2017 at EUR 756 million, impacted by the decline in international activities in 2018. Revenues fell -4.7% in Q4 18 vs. Q4 17.

Lyxor's assets under management came to EUR 118 billion at end-December 2018, 5.4% higher than in December 2017. Revenues totalled EUR 191 million in 2018, the same level as 2017 revenues. Good inflow offset margin pressure in ETF activity. Lyxor's market share stood at 9.7% in 2018. Revenues amounted to EUR 47 million in Q4 18, down -6.0% vs. Q4 17, with a sluggish market.

Operating expenses

Global Banking & Investor Solutions' operating expenses were up +1.7% compared to 2017 and amounted to EUR 7,241 million, reflecting cost control and investment in the growth of Financing activities and Global Transaction Banking.

Operating expenses were up +2.1% in Q4 18 vs. Q4 17.

Operating income

Gross operating income came to EUR 1,605 million in 2018, down -21.8% compared to 2017, and EUR 262 million in Q4 18, down -41.8% vs. Q4 17.

The net cost of risk amounted to EUR -93 million in 2018 (compared to a very low net cost of risk in 2017 of EUR -2 million due to provision write-backs).

Global Banking & Investor Solutions' operating income totalled EUR 1,512 million in 2018, 26.2% lower than in 2017, and EUR 164 million in Q4 18, down -66.2%.

Net income

The pillar's contribution to Group net income came to EUR 1,197 million in 2018, a decrease of -24.9%, and EUR 179 million in Q4 18.

The pillar's RONE stood at 7.8% in 2018.

6. CORPORATE CENTRE

In EUR m	Q4 18	Q4 17	2018	2017
Net banking income	(187)	22	182	(1,147)
<i>Net banking income (1)</i>	<i>(187)</i>	<i>(71)</i>	<i>182</i>	<i>(1,094)</i>
Operating expenses	(104)	(285)	(535)	(374)
Gross operating income	(291)	(263)	(353)	(1,521)
<i>Gross operating income (1)</i>	<i>(291)</i>	<i>(263)</i>	<i>(353)</i>	<i>(1,468)</i>
Net cost of risk	(8)	(201)	(19)	(400)
Net profits or losses from other assets	(243)	(42)	(274)	237
Reported Group net income	(400)	(793)	(635)	(1,785)
<i>Group Net Income (1)</i>	<i>(400)</i>	<i>(857)</i>	<i>(635)</i>	<i>(1,746)</i>

(1) Adjusted for revaluation of own financial liabilities in Q4 17 and 2017

The Corporate Centre includes:

- the property management of the Group's head office,
- the Group's equity portfolio,
- the Treasury function for the Group,
- certain costs related to cross-functional projects and certain costs incurred by the Group and not re-invoiced to the businesses.

The revaluation of the Group's own financial liabilities is no longer recognised in profit or loss for the period due to the implementation of IFRS 9 as from January 1st, 2018. Consequently, earnings are no longer restated for this non-economic item.

The Corporate Centre's net banking income totalled EUR 182 million in 2018 vs. EUR -1,094⁽¹⁾ million in 2017 and EUR -187 million in Q4 18 vs. EUR -71⁽¹⁾ million in Q4 17.

Operating expenses totalled EUR -535 million in 2018 vs. EUR -374 million in 2017. They included an allocation to the provision for disputes of EUR -336 million in 2018. Operating expenses amounted to EUR -104 million in Q4 18 vs. EUR -285 million in Q4 17. In Q4 18, operating expenses included a EUR 1.2 billion charge for the settlement of the US Sanctions Case, fully covered by a write-back of the provision for disputes.

At December 31st, 2018, the provision for disputes amounted to EUR 0.3 billion.

Gross operating income amounted to EUR -291 million in Q4 18 vs. EUR -356⁽¹⁾ million in Q4 17. In 2018, gross operating income totalled EUR -353 million vs. EUR -1,468⁽¹⁾ million in 2017. Gross operating income came to EUR -288 million in 2018 excluding the impact of exceptional items and after restatement of the Euroclear capital gain.

The net cost of risk amounted to EUR -19 million in 2018 vs. EUR -400 million in 2017, which included a net additional allocation of EUR -400 million to the provision for disputes. The net cost of risk was EUR -8 million in Q4 18 vs. EUR -201 million in Q4 17.

Net profits or losses from other assets include primarily the capital loss recognised under IFRS 5 in respect of disposals currently being finalised by the Group amounting to EUR -268 million in 2018 (EUR -241 million in Q4 18), with EUR -202 million corresponding to disposals already announced (Societe Generale Albania, Societe Generale Serbia, Mobiasbanca Societe Generale in Moldavia) and Societe Generale's stake in La Banque Postale Financement.

The Corporate Centre's contribution to Group net income was EUR -635 million in 2018 vs. EUR -1,746⁽¹⁾ million in 2017 and EUR -400 million in Q4 18 (EUR -857⁽¹⁾ million in Q4 17).

(1) Excluding non-economic items

7. CONCLUSION

Adaptation in the execution of the 2020 strategic and financial plan “Transform to Grow”

In 2018, Societe Generale achieved several major milestones in the implementation of the “Transform to Grow” strategic plan with:

- The success of the majority of growth initiatives,
- The disciplined execution of the EUR 1.1 billion cost savings plan, with EUR 0.4 billion already achieved over the period 2017/2018, for efficiency investments of EUR 0.7 billion over the same period,
- The rigorous management of the cost of risk at 21 basis points in 2018, towards the bottom end of the expected range of 20-25 basis points,
- The removal of financial uncertainty related to the settlement of litigation issues,
- The refocusing of the Group, with eight disposals already announced resulting in an overall positive impact of around +37 basis points⁽²⁾ on the CET 1 ratio (representing a contribution to net income of around EUR 125 million in 2018).

Given a geopolitical environment marked by substantial uncertainty, a still low interest rate environment in the eurozone, the relative performance of its businesses and improved visibility on regulatory constraints, the Group has **adapted the execution and financial targets of its “Transform to Grow” plan**. In particular, the Group expects the revision of interest rate assumptions used in its estimates to have an **impact of around EUR 500 million** on the Group’s revenues in 2020.

The adaptations are aimed at a **more selective capital allocation**, prioritising **fast-growing and highly profitable businesses**, combined with an **increased ambition to reduce costs**, especially in Global Banking & Investor Solutions. They will help **consolidate the CET1 target of 12% in 2020**.

Within **Global Banking & Investor Solutions**, the Group has adjusted the operational set-up in Global Markets, which will be more focused on leadership and profitable franchises, in which it has competitive advantages. This refocusing will result in a reduction in risk-weighted assets of around EUR 8 billion between now and 2020. The Group will implement an **additional plan to reduce costs by around EUR 500 million** in Global Banking & Investor Solutions and is now aiming for a decline of -6.5%⁽³⁾ in the division’s operating expenses in 2020, rather than stability. The Group is aiming for a **RONE⁽¹⁾** in 2020 for Global Banking & Investor Solutions ranging from **11.5% to 12.5%**.

International Retail Banking & Financial Services is expected to benefit from a still favourable environment and confirm its status as a profitable growth driver. The target **RONE⁽¹⁾** for these activities in 2020 is increased to **17.0%-18.0%**⁽⁴⁾.

French Retail Banking has demonstrated substantial resilience, with activities in line with the execution of the transformation plan. Given the new interest rate assumptions and the effects on revenues of the measures recently adopted by the French banking sector (around EUR 70 million in 2019), the outlook for French Retail Banking revenues is expected to improve in 2019. The target **RONE⁽¹⁾** is revised to **11.5%-12.5%** for 2020.

(1) Underlying data. See methodology note 5 for the transition from accounting data to underlying data.

(2) O/w 11bp on transactions already carried out.

(3) Versus 2016 restated for EURIBOR/RMBS exceptional items and including Global Transaction Banking.

(4) This trajectory includes the impact of the implementation of the new bank tax in Romania (estimate of around EUR 50 million).

Finally, the Group is **accelerating the refocusing of the regional and business portfolio**, taking the disposal programme target to a positive effect of **+80-90 basis points** on the CET1 ratio by 2020 (the Group's initial target being 50-60 basis points).

The Group has **confirmed the CET1 ratio target of 12% in 2020** and consolidated the capital trajectory through the implementation of additional measures:

- Rigorous control of the allocation of risk-weighted assets by prioritising the most profitable activities (estimated impact on the CET1 ratio limited to around 50 basis points of organic growth when adjusted for changes in Group structure and at constant exchange rates in risk-weighted assets in 2019/2020)
- Reduction in risk-weighted assets allocated to Global Markets (estimated impact on the CET1 ratio of 25 basis points)
- Dynamic optimisation of the stock of risk-weighted assets (estimated impact on the CET1 ratio of 10-20 basis points in 2020)
- Stepping up of the disposal programme taking the overall impact on the CET1 ratio to 80-90 basis points in 2020 (vs. an initial target of 50-60 basis points).

To date, the Group believes that the first-time application of IFRS 16 would have a negative impact on the CET1 ratio of -5 basis points in 2019. Likewise, the consequences of the ECB's model review (including the "Targeted Review of Internal Models") would have an impact of between -30 and -50 basis points in 2019/2020.

In conclusion, the Group's financial targets for 2020 are as follows:

- Group ROTE⁽¹⁾ of between **9%-10%**
- RONE⁽¹⁾ for **French Retail Banking** revised to **11.5%-12.5%**
- RONE⁽¹⁾ for **International Retail Banking & Financial Services** increased to **17.0%-18.0%**
- RONE⁽¹⁾ for **Global Banking & Investor Solutions** ranging from **11.5% to 12.5%**
- CET1 ratio of **12%**
- **50%** payout ratio, with a dividend per share of at least **EUR 2.20**

(1) Underlying data. See methodology note 5 for the transition from accounting data to underlying data.

8. 2018/2019 FINANCIAL CALENDAR

2018/2019 Financial communication calendar

May 3 rd , 2019	First quarter 2019 results
August 1 st , 2019	Second quarter and first half 2019 results
November 6 th , 2019	Third quarter 2019 results

The Alternative Performance Measures, notably the notions of net banking income for the pillars, operating expenses, IFRIC 21 adjustment, (commercial) cost of risk in basis points, ROE, ROTE, RONE, net assets, tangible net assets, and the amounts serving as a basis for the different restatements carried out (in particular the transition from published data to underlying data) are presented in the methodology notes, as are the principles for the presentation of prudential ratios.

This document 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.

9. APPENDIX 1: FINANCIAL DATA

GROUP NET INCOME AFTER TAX BY CORE BUSINESS

In EUR m	Q4 18	Q4 17	Change	2018	2017	Change
French Retail Banking	282	38	x7,4	1 237	1 059	+16,8%
International Retail Banking and Financial Services	563	450	+25,1%	2 065	1 939	+6,5%
Global Banking and Investor Solutions	179	374	-52,1%	1 197	1 593	-24,9%
Core Businesses	1024	862	+18,8%	4 499	4 591	-2,0%
Corporate Centre	(400)	(793)	+49,6%	(635)	(1 785)	+64,4%
Group	624	69	x9	3 864	2806	+37,7%

CONSOLIDATED BALANCE SHEET

(ASSETS - In millions of euros)	31.12.2018	01.01.2018
Central banks	96,585	114,404
Financial assets at fair value through profit or loss	365,550	369,112
Hedging derivatives	11,899	12,718
Financial assets measured at fair value through other comprehensive income	50,026	50,468
Securities at amortised cost	12,026	11,592
Due from banks at amortised cost	60,588	53,656
Customer loans at amortised cost	447,229	417,391
Revaluation differences on portfolios hedged against interest rate risk	338	663
Investment of insurance activities	146,768	147,611
Tax assets	5,819	6,292
Other assets	67,446	60,449
Non-current assets held for sale	13,502	13
Investments accounted for using the equity method	249	659
Tangible and intangible assets	26,751	24,200
Goodwill	4,652	4,988
Total	1,309,428	1,274,216
(LIABILITIES - In millions of euros)	31.12.2018	01.01.2018
Central banks	5,721	5,604
Financial liabilities at fair value through profit or loss	363,083	368,550
Hedging derivatives	5,993	6,146
Debt securities issued	116,339	103,235
Due to banks	94,706	88,621
Customer deposits	416,818	410,633
Revaluation differences on portfolios hedged against interest rate risk	5,257	6,020
Tax liabilities	1,157	1,608
Other liabilities	76,629	69,139
Non-current liabilities held for sale	10,454	
Liabilities related to insurance activities contracts	129,543	131,717
Provisions	4,605	6,345
Subordinated debts	13,314	13,647
Total liabilities	1,243,619	1,211,265
SHAREHOLDERS' EQUITY		
Shareholders' equity, Group share		
Issued common stocks, equity instruments and capital reserves	29,856	29,427
Retained earnings	28,342	27,698
Net income	3,864	2,806
Sub-total	62,062	59,931
Unrealised or deferred capital gains and losses	(1,036)	(1,503)
Sub-total equity, Group share	61,026	58,428
Non-controlling interests	4,783	4,523
Total equity	65,809	62,951
Total	1,309,428	1,274,216

NB. Customer loans include lease financing.

10. APPENDIX 2: METHODOLOGY

1 - The Group's consolidated results as at December 31st, 2018 were approved by the Board of Directors on February 6th, 2019.

The financial information presented in respect of the fourth quarter and 2018 has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date. The audit procedures carried out by the Statutory Auditors on the consolidated financial statements are in progress.

2 - Net banking income

The pillars' net banking income is defined on page 44 of Societe Generale's 2018 Registration Document. The terms "Revenues" or "Net Banking Income" are used interchangeably. They provide a normalised measure of each pillar's net banking income taking into account the normative capital mobilised for its activity.

3 - Operating expenses

Operating expenses correspond to the "Operating Expenses" as presented in notes 5 and 8.2 to the Group's consolidated financial statements as at December 31st, 2017 (pages 390 et seq. and page 410 of Societe Generale's 2018 Registration Document). The term "costs" is also used to refer to Operating Expenses.

The Cost/Income Ratio is defined on page 44 of Societe Generale's 2018 Registration Document.

4 - IFRIC 21 adjustment

The IFRIC 21 adjustment corrects the result of the charges recognised in the accounts in their entirety when they are due (generating event) so as to recognise only the portion relating to the current quarter, i.e. a quarter of the total. It consists in smoothing the charge recognised accordingly over the financial year in order to provide a more economic idea of the costs actually attributable to the activity over the period analysed.

5 - Restatements and other significant items for the period - Transition from accounting data to underlying data

Non-economic items correspond to the revaluation of the Group's own financial liabilities and the debt value adjustment on derivative instruments (DVA). These two factors constitute the restated non-economic items in the analyses of the Group's results. They lead to the recognition of self-generated earnings reflecting the market's evaluation of the counterparty risk related to the Group. They are also restated in respect of the Group's earnings for prudential ratio calculations. In accordance with IFRS 9, the variation in the revaluation of the Group's own financial liabilities is no longer recognised in earnings for the period but in shareholders' equity. Consequently, the Group will no longer present published information restated for non-economic items.

Moreover, the Group restates the revenues and earnings of the French Retail Banking pillar **for PEL/CEL provision allocations or write-backs**. This adjustment makes it easier to identify the revenues and earnings relating to the pillar's activity, by excluding the volatile component related to commitments specific to regulated savings.

Details of these items, as well as the other items that are the subject of a one-off or recurring restatement (exceptional items), are provided below, given that, in the table below, the items marked with one asterisk (*) are the non-economic items and the items marked with two asterisks (**) are the exceptional items.

The reconciliation enabling the transfer from accounting data to underlying data is set out below:

In EUR m	Q4 18	Q4 17	Change	2018	2017	Change
Net Banking Income	5,927	6,323	-6.3%	25,205	23,954	+5.2%
<i>(-)Reevaluation of own financial liabilities*</i>		93			(53)	
<i>(-)DVA*</i>		2			(4)	
<i>(-)Adjustment of hedging costs**</i>		0			(88)	
<i>(-)LIA settlement**</i>					(963)	
Underlying Net Banking Income	5,927	6,228	-4.8%	25,205	25,062	+0.6%
Operating expenses	(4,458)	(5,024)	-11.3%	(17,931)	(17,838)	+0.5%
<i>(+)IFRIC 21 linearisation</i>	(169)	(157)				
<i>(-)Adaptation of French retail network**</i>		(390)			(390)	
<i>(-)French tax audit/EIC**</i>		(205)			(205)	
<i>(-)Provision for disputes**</i>	0			(336)		
Underlying Operating expenses	(4,627)	(4,586)	+0.9%	(17,595)	(17,243)	+2.0%
Net cost of risk	(363)	(469)	-22.6%	(1,005)	(1,349)	-25.5%
<i>(-)Provision for disputes**</i>		(200)			(800)	
<i>(-)LIA settlement**</i>					400	
Underlying Net Cost of Risk	(363)	(269)	+34.9%	(1,005)	(949)	+5.9%
Net profit or losses from other assets	(169)	(39)	n/s	(208)	278	n/s
<i>(-)IFRS 5 effect on Group refocusing plan</i>	(241)			(268)		
<i>(-)Change in consolidation method of Antarius**</i>					203	
<i>(-)JG Fortune disposal**</i>		0			73	
Underlying Net profits or losses from other assets	72	(39)	n/s	60	2	n/s
Group net income	624	69	x9	3,864	2,806	+37.7%
<i>Effect in Group net income of above restatements***</i>	(120)	(808)		(604)	(1,685)	
Underlying Group net income	744	877	-15.2%	4,468	4,491	-0.5%

(*) Non-economic items

(**) Exceptional items

(***) Including the effect of changes in tax laws in France and the United States in 2017

6 – Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk or commercial cost of risk is defined on pages 46 and 564 of Societe Generale’s 2018 Registration Document. This indicator makes it possible to assess the level of risk of each of the pillars as a percentage of balance sheet loan commitments, including operating leases.

	(In EUR m)	Q4 18	Q4 17	2018	2017
French Retail Banking	Net Cost Of Risk	144	177	489	546
	Gross loan Outstandings	189,034	184,649	186,782	182,058
	Cost of Risk in bp	30	38	26	30
International Retail Banking and Financial Services	Net Cost Of Risk	114	109	404	366
	Gross loan Outstandings	137,172	128,015	134,306	125,948
	Cost of Risk in bp	33	34	30	29
Global Banking and Investor Solutions	Net Cost Of Risk	97	(30)	93	5
	Gross loan Outstandings	157,974	144,967	152,923	155,130
	Cost of Risk in bp	25	(8)	6	0
Corporate Centre	Net Cost Of Risk	8	1	19	0
	Gross loan Outstandings	8,591	7,657	7,597	7,833
	Cost of Risk in bp	37	4	25	0
Societe Generale Group	Net Cost Of Risk	363	256	1,005	918
	Gross loan Outstandings	492,771	465,288	481,608	470,968
	Cost of Risk in bp	29	22	21	19

The gross coverage ratio for doubtful outstandings is calculated as the ratio of provisions recognised in respect of the credit risk to gross outstandings identified as in default within the meaning of the regulations, without taking account of any guarantees provided. This coverage ratio measures the maximum residual risk associated with outstandings in default (“doubtful”).

7 – ROE, ROTE, RONE

The notions of ROE (Return on Equity) and ROTE (Return on Tangible Equity), as well as their calculation methodology, are specified on page 47 of Societe Generale’s 2018 Registration Document. This measure makes it possible to assess Societe Generale’s return on equity and return on tangible equity.

RONE (Return on Normative Equity) determines the return on average normative equity allocated to the Group’s businesses, according to the principles presented on page 47 of Societe Generale’s Registration Document.

Group net income used for the ratio numerator is book Group net income adjusted for “interest, net of tax payable to holders of deeply subordinated notes and undated subordinated notes, interest paid to holders of deeply subordinated notes and undated subordinated notes, issue premium amortisations” and “unrealised gains/losses booked under shareholders’ equity, excluding conversion reserves” (see methodology note No. 9). For ROTE, income is also restated for goodwill impairment.

Details of the corrections made to book equity in order to calculate ROE and ROTE for the period are given in the table below:

End of period	Q4 18	Q4 17	2018	2017
Shareholders' equity Group share	61,026	59,373	61,026	59,373
Deeply subordinated notes	(9,330)	(8,520)	(9,330)	(8,520)
Undated subordinated notes	(278)	(269)	(278)	(269)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	(14)	(165)	(14)	(165)
OCI excluding conversion reserves	(312)	(1,031)	(312)	(1,031)
Dividend provision	(1,764)	(1,762)	(1,764)	(1,762)
ROE equity end-of-period	49,328	47,626	49,328	47,626
Average ROE equity	49,016	47,981	48,138	48,087
Average Goodwill	(4,946)	(4,999)	(5,019)	(4,924)
Average Intangible Assets	(2,177)	(1,904)	(2,065)	(1,831)
Average ROTE equity	41,893	41,078	41,054	41,332
Group net Income (a)	624	69	3,864	2,806
Underlying Group net income (b)	744	877	4,468	4,491
Interest, net of tax on deeply subordinated notes and undated subordinated notes (c)	(124)	(117)	(462)	(466)
Cancellation of goodwill impairment (d)	176	0	198	0
Corrected Group net Income (e) = (a)+(c)+(d)	676	(48)	3,600	2,340
Corrected Underlying Group net Income (f)=(b)+(c)	620	760	4,006	4,025
Average ROTE equity (g)	41,893	41,078	41,054	41,332
ROTE [quarter: (4*e/g), 12M: (e/g)]	6.5%	-0.5%	8.8%	5.7%
Average ROTE equity (underlying) (h)	41,951	41,240	41,345	41,803
Underlying ROTE [quarter: (4*f/h), 12M: (f/h)]	5.9%	7.4%	9.7%	9.6%

RONE calculation: Average capital allocated to Core Businesses (in EURm)

In EUR m	Q4 18	Q4 17	Change	2018	2017	Change
French Retail Banking	11,158	11,475	-2.8%	11,201	11,027	+1.6%
International Retail Banking and Financial Services	11,417	11,111	+2.8%	11,390	11,137	+2.3%
Global Banking and Investor Solutions	16,058	14,525	+10.6%	15,424	14,996	+2.9%
Core Businesses	38,633	37,111	+4.1%	38,015	37,160	+2.3%
Corporate Centre	10,383	10,870	-4.5%	10,123	10,927	-7.4%
Group	49,016	47,981	+2.2%	48,138	48,087	+0.1%

8 – Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 49 of the Group's 2018 Registration Document. The items used to calculate them are presented below.

End of period	2018	2017	2016
Shareholders' equity Group share	61,026	59,373	61,953
Deeply subordinated notes	(9,330)	(8,520)	(10,663)
Undated subordinated notes	(278)	(269)	(297)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	(14)	(165)	(171)
Bookvalue of own shares in trading portfolio	423	223	75
Net Asset Value	51,827	50,642	50,897
Goodwill	(4,860)	(5,154)	(4,709)
Intangible Asset	(2,224)	(1,940)	(1,717)
Net Tangible Asset Value	44,743	43,548	44,471
Number of shares used to calculate NAPS**	801,942	801,067	799,462
Nest Asset Value per Share	64.6	63.2	63.7
Net Tangible Asset Value per Share	55.8	54.4	55.6

** The number of shares considered is the number of ordinary shares outstanding as at December 31st, 2018, excluding treasury shares and buybacks, but including the trading shares held by the Group. In accordance with IAS 33, historical data per share prior to the date of detachment of a preferential subscription right are restated by the adjustment coefficient for the transaction.

9 – Calculation of Earnings Per Share (EPS)

The EPS published by Societe Generale is calculated according to the rules defined by the IAS 33 standard (see page 48 of Societe Generale’s 2018 Registration Document). The corrections made to Group net income in order to calculate EPS correspond to the restatements carried out for the calculation of ROE. As specified on page 48 of Societe Generale’s 2018 Registration Document, the Group also publishes EPS adjusted for the impact of non-economic and exceptional items presented in methodology note No. 5 (underlying EPS).

The number of shares used for the calculation is as follows:

Average number of shares (thousands)	2018	2017	2016
Existing shares	807,918	807,754	807,293
Deductions			
Shares allocated to cover stock option plans and free shares awarded to staff	5,335	4,961	4,294
Other own shares and treasury shares	842	2,198	4,232
Number of shares used to calculate EPS**	801,741	800,596	798,768
Group net Income	3,864	2,806	3,874
Interest, net of tax on deeply subordinated notes and undated subordinated notes	(462)	(466)	(472)
Capital gain net of tax on partial buybacks			
Adjusted Group net income	3,402	2,340	3,402
EPS (in EUR)	4.24	2.92	4.26
Underlying EPS* (in EUR)	5.00	5.03	4.60

* Excluding non-economic and exceptional items and including linearisation of the IFRIC 21 effect.

** The number of shares considered is the number of ordinary shares outstanding as at December 31st, 2018, excluding treasury shares and buybacks, but including the trading shares held by the Group.

10 – The Societe Generale Group’s Common Equity Tier 1 capital

This is calculated in accordance with applicable CRR/CRD4 rules. The fully-loaded solvency ratios are presented pro forma for current earnings, net of dividends, for the current financial year, unless specified otherwise. When there is reference to phased-in ratios, these do not include the earnings for the current financial year, unless specified otherwise. The leverage ratio is calculated according to applicable CRR/CRD4 rules including the provisions of the delegated act of October 2014.

NB (1) The sum of values contained in the tables and analyses may differ slightly from the total reported due to rounding rules.

(2) All the information on the results for the period (notably: press release, downloadable data, presentation slides and supplement) is available on Societe Generale's website www.societegenerale.com in the "Investor" section.

Societe Generale

Societe Generale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth, aiming to be the trusted partner for its clients, committed to the positive transformations of society and the economy.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 147,000 members of staff in 67 countries and supports on a daily basis 31 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

- **French Retail Banking**, which encompasses the Societe Generale, Crédit du Nord and Boursorama brands. Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- **International Retail Banking, Insurance and Financial Services to Corporates**, with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;
- **Global Banking and Investor Solutions**, which offers recognised expertise, key international locations and integrated solutions.

Societe Generale is included in the principal socially responsible investment indices: DJSI (World and Europe), FTSE4Good (Global and Europe), Euronext Vigeo (World, Europe and Eurozone), four of the STOXX ESG Leaders indices, and the MSCI Low Carbon Leaders Index.

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