

# TWO MAJOR STRATEGIC INITIATIVES IN FRENCH RETAIL BANKING

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## Press release

Paris, 7<sup>th</sup> December 2020

The Group today announces two major strategic initiatives in French Retail Banking through the planned merger of Crédit du Nord and Societe Generale, on the one hand, and the further development of Boursorama, on the other hand.

With these initiatives, the Group aims to strengthen its differentiated positioning on the French market by relying on the complementary nature of a retail banking model combining digital technology with human expertise, and a fully digital banking model:

- The combination of the Societe Generale and Crédit du Nord banking networks will form a new entity at the service of nearly 10 million customers (corporates, professionals and individuals). The goal is to be one of the leaders in terms of core customer satisfaction with our core client base and to establish a banking model with strengthened profitability, underpinned by the highest responsibility standards.
- Moreover, the Group has decided to bring Boursorama to maturity in terms of the number of customers, with the goal of reaching 4.5 million customers in 2025 and achieving high profitability.

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**Planned merger of Crédit du Nord and Societe Generale (the VISION 2025 project): a model combining the strength of human expertise and of digital technology to bolster customer satisfaction, operational efficiency, and commercial ambition.**

The Boards of Directors of Societe Generale and Crédit du Nord have approved the launch of the project to merge the Societe Generale and Crédit du Nord brands after a successful first step in the transformation of both networks. This decision follows the study launched on 23 September 2020, which demonstrated the relevance of such a merger.

Backed by a committed workforce with shared values, this new entity will strive to **maximise customer satisfaction** in order to be one of the leaders in terms of customer satisfaction with our core client base and to build a **more effective bank** perfectly suited to the sectoral changes under way.

This merger will provide each of our customer categories (corporates, professionals, affluent and mass market) with a **stronger value proposition**, relying in particular on the respective strengths of both brands.

**This new model will offer the best combination of human expertise and digital prowess.** IT investments focused on a single system (and no longer on two systems) will result in stronger digital capabilities to allow our customers to enjoy the simplest, most efficient and fastest solutions to their banking needs. The increased use of digital technology will also enable us to offer customers the most personalised experience possible, and to deliver services that are better suited to their needs and expectations. In-branch employees will be able to focus primarily on expert assessment and advisory, to the benefit of customers, thus increasingly turning day-to-day banking into a digital, remote activity.

In order to meet customer demand for close contact and responsiveness, the new entity will rely on a **strong territorial foothold and increased decision-making capacity at local and regional level**. The Group intends to retain the same territorial footprint while reducing the number of branches, which is possible due to the high geographic proximity of the two brands' branches in many towns and cities. The network will thus transition from about 2,100 branches at the end of 2020 to about 1,500 at the end of 2025.

**The culture of innovation** at the heart of our model will provide our customers with the best products and services on the market, whether resulting from the Group’s expertise or that of external partners, boosted in particular by an open platform strategy. The Group has a strong and innovative ambition in terms of savings. Through the recent conclusion of partnerships with major players in asset management, the Group is positioned as the **first major French bank to provide a unique offering of savings and investment solutions in an open architecture system**, based mainly on a wide range of SRI products.

With this merger and the implementation of this new model, the Group aims to be **more proactive commercially** building on the respective strengths of both brands with core customers, by developing a more personalised approach in terms of products and services, and by strengthening partnerships and commercial initiatives in savings and insurance. By way of example, the wealth management market will be managed in coordination with Private Banking on account of the similar needs and expectations of these two customer bases. Throughout the period of the merger, which the bank will strive to carry out in as short a time as possible, the two networks will be especially focused on accompanying clients through regular and personalized communication.

**Lastly, Corporate Social Responsibility will be central to our model, driving our goal to become a leading bank in positive impact finance operating with a strong local presence.** The teams will make every effort to uphold our commitments in the regions, in particular with the roll-out of an offer adapted to energy transition challenges and the development of dialogue with local decision-makers, both private and public. We will also stand by our commitments as a responsible employer, notably by maintaining the quality of social dialogue with social partners and by giving more support to employees through a training plan.

From a financial perspective, the merger of Crédit du Nord Group and Societe Generale will generate **considerable cost synergies**, in particular through the use of a single IT system by H1 2023, network optimisation, and the consolidation of Group functions.

The Group’s targets for with the combined entity are as follows:

- **a net cost base reduction of more than EUR 350 million in 2024 and about EUR 450 million in 2025** compared with 2019, with project costs estimated at between EUR 700 and 800 million (of which approximately 70% in 2021)
- **return on normative equity under Basel 3 of around 11% to 11.5% in 2025**, which is equivalent to more than 10% under Basel 4.

This project will be subject to consultation with social partners and to the agreement of competent authorities.

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**Boursorama: a winning digital model to become one of the leading French banks serving individual customers with the best level of satisfaction and high profitability**

The undisputed leader of French online banks with more than 2.5 million customers, and the leading French bank in terms of customer satisfaction<sup>1</sup>, Boursorama today announces a new strategic phase.

Having won more than 2 million customers in five years, Boursorama intends to continue its investments aimed at onboarding new customers over the next few years and has now set itself the **goal of reaching more than 4 million customers in 2023 and 4.5 million in 2025**. Boursorama will thus position itself among the major retail banks in France.

After achieving its target in terms of number of customers, Boursorama intends to generate **high profitability** by relying on its highly efficient operating model.

Accordingly, following a phase of accelerated customer acquisition until 2023, which will lead to a cumulative loss of about EUR 230 million over the period, Boursorama targets net income of around EUR 100 million in 2024 and around EUR 200 million in 2025, representing a return on normative equity of more than 25% (under Basel 4).

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<sup>1</sup> Source: Opinionway (October 2020)

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*Frédéric Oudéa: “In a changing French market undergoing several developments accelerated by the COVID crisis, we are today confirming our ambition to differentiate the Group by building a unique French retail banking model based on two strong and complementary pillars.*

*On the one hand, the combination of our networks allows us to build a first-rate bank combining human expertise with digital prowess, positioned as the champion of savings and the leading bank for corporates and professionals with nearly 10 million customers. Our teams on the ground and at headquarters are proactively involved in a value-creating project for our customers and employees.*

*On the other hand, we are bringing the differentiating model of Boursorama to maturity to make it one of the leading banks in France with 4.5 million customers by 2025, a leading position in terms of satisfaction, and high profitability.*

*With this change in our businesses, we are building a model that will improve the satisfaction of all our customers, fully committed to the transformations under way in our society and our economy and addressing the Group’s profitability objectives.”*

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## **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. Committed to the positive transformations of the world’s societies and economies, Societe Generale and its teams seek to build, day after day, together with its clients, a better and sustainable future through responsible and innovative financial solutions.

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 138,000 members of staff in 62 countries and supports on a daily basis 29 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. For more information, you can follow us on Twitter @societegenerale or visit our website [www.societegenerale.com](http://www.societegenerale.com)**