

# CEE and Russia in the spotlight

## Société Générale interest rate and forex team focuses on the Russian corporate world

*Société Générale has built an impressive network in central and eastern Europe. It is now present in 18 countries – Albania, Belarus, Bulgaria, Croatia, the Czech Republic, Georgia, Greece, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, Ukraine, Turkey and Russia – where it serves more than 11 million customers*

In 2011, Société Générale has plans to intensify its coverage and services offering in emerging countries and particularly in Russia. The Group wants to ensure that its Russian and international corporate clients will benefit from its continual innovation; the value-added synergies between its activities across central and eastern European (CEE); and the state-of-the-art processes that it has been actively developing in these locations.

In each country, Société Générale Group implements a universal bank approach with a view to offering a complete range of tailored banking products and services to fully meet customers' expectations and needs, whether for individual or corporate clients, public sector entities or financial institutions.

During the last decade, Société Générale has developed a strong and diversified range of operations in local markets and currencies to better serve client needs. Offering global expertise through skilled regional networks has certainly been the best medium for the bank to help clients build their businesses.

This long-term strategy ensures the bank's resilience in times of economic crisis and enables it to further strengthen its position in a challenging environment. This also enables the bank to offer world-class service to both local and international clients acting in those markets.

In 2010, *Euromoney* named Société Générale *Best Bank in Central & Eastern Europe* in recognition of its achievements. Throughout the region, customers have demonstrated their trust and confidence in the Group's leadership in the local banking sector and the economy.

But its ambitions for the region are even greater. Central and eastern Europe, the Middle East and Africa (CEEMEA) – and especially CEE and Russia – is a key growth driver for the bank and an integral part of its business strategy for *Ambition 2015*. The differentiating factors that will support the Group's development in the region are its strong local presence, sound risk management practices, innovation culture and outstanding pricing capabilities.

### Reaching its ambitions in the region

Firstly, Société Générale intends to further enhance its client footprint by doing more business with its existing client base and selectively expanding its client portfolio. It is, therefore, strengthening senior coverage in core countries and key sectors, including energy, metals and mining.

In addition, it is continuously improving its product offering. The investment banking push is key for the region and investments will be made to fill in the gaps, particularly in the roll-out of a reinforced and dedicated CEEMA equity chain with a focus on Russia, Poland, Romania and the Czech Republic. In addition, the strengthening of the bank's USD platform will benefit its business in the region.

Société Générale's interest rates and foreign exchange derivatives (IFD) corporate sales department has set up a team dedicated to its corporate clients and network in CEE. This team's main role is to advise on and promote risk management solutions to corporate clients across all countries of the region, in partnership with Société Générale local banks. The knowledge and expertise of the Group's locally based staff makes a significant difference in helping clients solve their specific forex and interest rate hedging needs in countries where legal, tax and settlement requirements can be very specific.

For example, a Russian client recently issued its first large domestic RUB bond. The bank provided an in-depth analysis of the client's risk exposure. The IFD market risk advisory team advised the client on the most suitable product, execution and market timing, and provided regular market and pricing updates. As the client was an exporter with revenues in USD, the team suggested a forex forward product that addressed its tax, legal and accounting concerns. As a result, the client was hedged against USD depreciation versus RUB and was able to meet its payment obligations under its RUB bond.

Due to local currency control regulations, onshore RUB transactions can only be executed by Russian residents. However,

by working with one of the bank's Russian subsidiaries, the team was able to smoothly process the execution and give the client the benefit of the Group's pricing capabilities and a leading position in the trading of emerging-market currencies.

Within the CEE region, the bank is putting a particular focus on Russia. In February 2010, Société Générale announced the reorganisation of its businesses in the country. In 2011, Société Générale will realise the core of its consolidation programme with Rusfinance and DeltaCredit becoming 100% subsidiaries of Rosbank, and Banque Société Générale Vostok merging with Rosbank. It is not only about an evolution of the Group's legal structure in Russia, but also about integrating teams and business lines, sharing support functions and pooling resources. This will be the first step towards creating a 'Société Générale Russia' unit, visible to and aiming to be *the* reference bank in the market, instead of just being the sum of its – although very talented – components. Eventually, this merger will make the Group one of the largest among international banks operating in Russia.

The domestic network provides the Group with a strong local balance sheet and brand, but more importantly with privileged relationships and access to an extensive corporate client base, including most of the top 100 names. The bank is able to leverage on its established Russian presence to better understand trends and evolutions in the markets and pass this knowledge on to its clients. Société Générale is not only the first foreign bank in Russia in terms of investment, it was also ranked as the number one Russia book runner in the *International Financing Review* loan league tables at the end of September 2010.

The current aim is to match this position on capital markets' operations through a strong local platform servicing clients' needs in fixed income, equities and commodities – risk management and hedging products.

Regulation is rapidly evolving and local derivatives markets will accelerate its development, enabling corporate and other clients to better manage their financial risks. At the same time, the bank is strengthening its offshore and onshore trading and booking capabilities to serve clients locally in this field.

#### **Société Générale's focus on forex business in Russia**

Société Générale has been active in the RUB markets since trading in Russian currency was liberalised in 2006 and has contributed to significant development of hedging products available in the local marketplace.

At the moment, the bank is able to trade forex spot, forwards, money market, interest rate swaps, forward-rate agreements, cross-currency swaps, and forex and interest rate options. The bank is one of the largest RUB market-makers in the world.

Société Générale has been investing heavily in forex technology and is now reaping rewards for its fixed-income and currencies platform. Having a global platform and a local presence in Russia is a differentiating factor for the bank. It offers extensive long-term liquidity and hedging solutions in forex swap, forex option and interest rate markets.

It delivers sharp pricing to its corporate clients and is able to handle large trades thanks to its leading forex liquidity provider position.

The Group's forex research also has a specific focus on CEE currencies thanks to economists, based throughout countries in

the region, who provide local insight. With its strong presence in Russia, the bank understands the unique legal tax and settlement requirements in the region and is able to factor those in for the benefit of its clients.

Last, but not least, the IFD market risk advisory team is dedicated to offering tailored hedging solutions and advice to corporate clients on forex and interest rate exposures linked to their strategic decisions.

#### **Russia is moving to a new dimension**

As outlined in the *Europlace* forum held in Moscow in December 2010, Russia intends to promote RUB as a regional currency and Moscow as an international financial centre to rival London, Frankfurt and Paris. Russia will host the Rugby World Cup Sevens in 2013, the Winter Olympic Games in 2014 and the FIFA Soccer World Cup in 2018. It confirms the international recognition of Russia as a major world player, even beyond economic development.

These events will require ambitious investments and infrastructure. The projects will also attract industry specialists and will be a good opportunity for Société Générale to promote its project finance and risk management capabilities as traditional areas of expertise.



Jean-Sylvain Forneri



Marc Zaffran



**Jean-Sylvain Forneri**  
 Managing Director – Co-Head of Interest Rate &  
 Forex Derivatives for CEEMEA Corporates  
 T: +33 1 42 13 67 05  
 E: jean-sylvain.forneri@sgcib.com

**Marc Zaffran**  
 Managing Director – Co-Head of Interest Rate &  
 Forex Derivatives for CEEMEA Corporates  
 T: +44 (0)20 7676 7710  
 E: marc.zaffran@sgcib.com

www.sgcib.com