

# ANNUAL FINANCIALS CEO CONFERENCE

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Frédéric Oudéa, CEO

**THE FUTURE  
IS YOU**  **SOCIETE  
GENERALE**

# DISCLAIMER

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This presentation 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 Universal 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.

The financial information presented for the quarter and first half ending 30 June 2020 was reviewed by the Board of Directors on 31 July 2020 and has been prepared in accordance with IFRS as adopted in the European Union and applicable at this date. The condensed interim financial statements at 30 June 2020 have been subject to a limited review by Statutory Auditors.

# CONFIRMING RECOVERY



**ECONOMIC RECOVERY  
SLIGHTLY BETTER THAN  
EXPECTED IN SOME  
GEOGRAPHIES**

**MOST COUNTRIES  
NO LONGER  
IN LOCKDOWN**

**UNCERTAINTIES  
REMAIN FOR A  
POTENTIAL  
SECOND WAVE**

## PEAK IMPACT IN H1 2020

Retail and financial services  
**REVENUES** penalised by lockdown  
period

Markets **REVENUES** hit by the effects  
of market dislocation and dividend  
cancellations

As a mitigant, strong decrease in  
**COSTS**

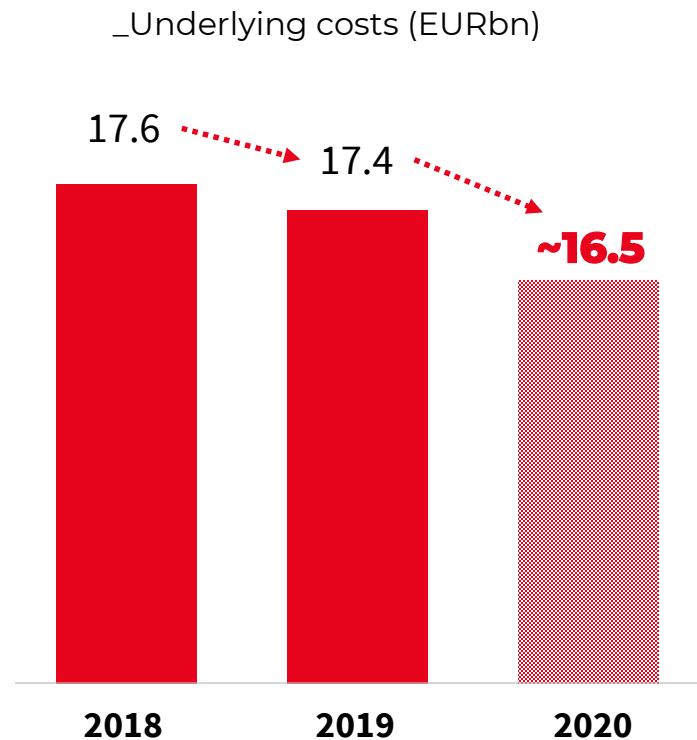
Increase in **COST OF RISK**, reflecting  
forward looking approach and rating  
migrations

**TREND SO FAR FOR Q3**

**CONFIRMING THE  
GRADUAL RECOVERY**

**OBSERVED SINCE MID-MAY**

# CONFIRMING COST DECREASE



## DEMONSTRATED CAPACITY TO DECREASE COSTS, DESPITE COVID COSTS AND INCREASE IN REGULATORY COSTS

2019: **-1.1%** vs. 2018

H1 20: **-5.8%** vs. H1 19

Q2 20: **-9.6%** vs. Q2 19

## #1 PRIORITY : DECREASE GROUP COST IN 2020 AND BEYOND

# CONFIRMING 2020 COST OF RISK AT THE LOW END OF THE 70-100bp RANGE

## STRONG CORPORATE EXPOSURE

**58%** of corporate exposure on credit risk on **INVESTMENT GRADE** counterparties

**DIVERSIFIED EXPOSURE:** no corporate sector representing more than 4% of total Group EAD exc. Finance & insurance

Direct Group LBO exposure **< EUR 5bn**

## SOUND RETAIL PORTFOLIO

Selected geographies, residential mortgages **> 50%**, mostly in France (with ~80% of outstandings secured by Crédit Logement)

## SOLID CONSUMER FINANCE EXPOSURE<sup>(2)</sup>

**EUR 46bn** consumer finance loan outstandings as of June-20

of which **EUR 23bn** Specialised consumer finance loan outstandings : resilient portfolio and sound risk profile (CoR: 116bp in H1 20)

## H1 20 cost of risk (81bp) including 33bp of S1/S2 provisioning

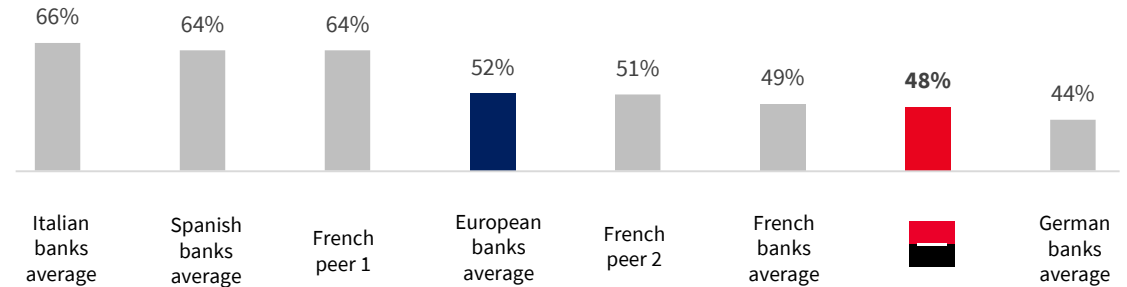
**3.2%** NPL ratio, **54%** Coverage ratio (30.06.20)

(1) EBA : « Following the above analysis, and considering long-term trends in asset quality, the following NACE sectors are assumed to be most affected: manufacturing; electricity, gas, steam and air conditioning supply; construction; wholesale and retail trade; transport and storage; accommodation and food service activities; administrative and support service activities; arts, entertainment and recreation »

(2) Based on management data

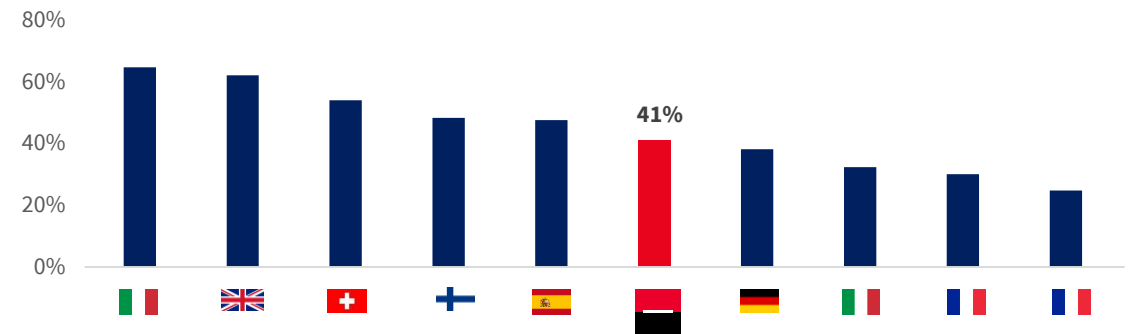
(3) Based on reported information – group of listed banks used in the Universal Registration Document, when disclosed. S1/S2 provisioning on total H1 cost of risk. When not disclosed, if available, Covid impairment / financial assets impairment

## LIMITED EXPOSURE TO MOST AFFECTED SECTORS<sup>(1)</sup>



**Exposure to most affected sectors – Spring 2020 EU-wide transparency exercise (EBA)**  
December 2019 - Loans and advances to non-financial corporations other than held for trading – gross carrying amount

## S1/S2<sup>(3)</sup> PROVISIONING AS % OF TOTAL H1 20 COST OF RISK

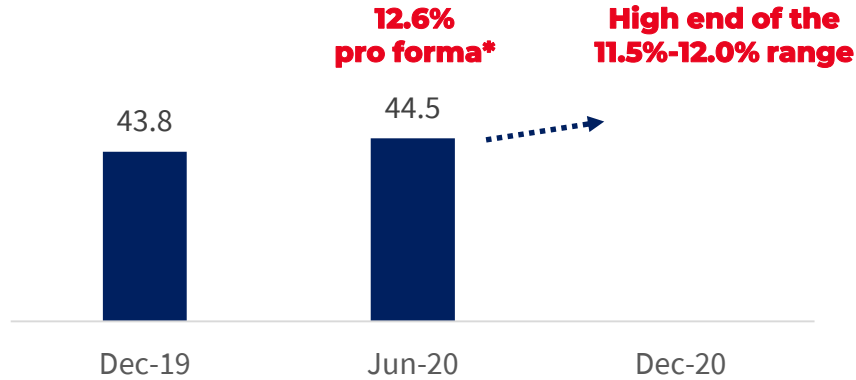


# CONFIRMING 2020 CET1 RATIO AT THE HIGH END OF THE 11.5%-12.0% RANGE

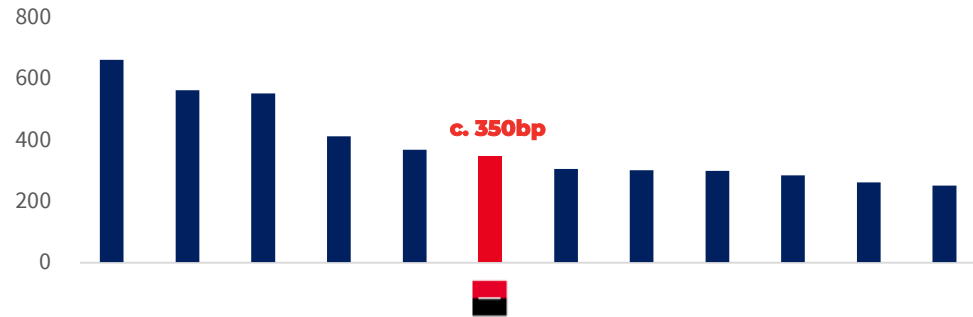
## COMFORTABLE BUFFER OVER MDA

### CET 1 Ratio

### CET 1 capital (EURbn)



### Comfortable buffer over MDA Comparison to European peers Q2 20<sup>(1)</sup>



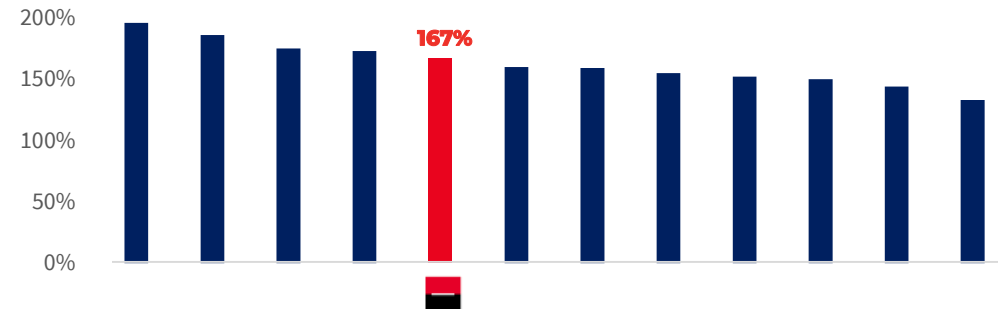
## STRONG LIQUIDITY PROFILE

### 2020 funding program almost done

High liquid assets buffer of **EUR 227bn** as of 30.06.20

### LCR<sup>(2)</sup>

### Comparison to European peers Q2 20



Based on reported information – group of listed banks used in the Universal Registration Document

(1) Maximum Distributable Amount for European banks, or minimum regulatory requirement for the other banks on a phased in ratio. MDA considering a P2R add-on for European banks under article 104a of CRD5. Figures as of 30.06.20 depending of the available published information

(2) End of period figures or figures based on period average or yearly average, depending of the available published information.

\*Post refocusing (announced transactions) and IFRS 9 phasing

# MOVING FORWARD WITH OUR BUSINESS MODELS

**INTERNATIONAL  
RETAIL BANKING**

**INSURANCE AND  
FINANCIAL  
SERVICES**

**GLOBAL BANKING  
AND INVESTOR  
SOLUTIONS**

**FRENCH RETAIL  
BANKING**

**REFOCUS** of the set up **COMPLETED**  
**CONFIRMED GROWTH** engine of the Group

**CONTINUED INVESTMENT** on **HIGHLY PROFITABLE**  
and **RESILIENT** franchises

**SUPPORTING CLIENTS** with value added offer  
**WELL ON TRACK ON THE REDESIGN** of equity and  
credit structured products

**CONTINUED DEVELOPMENT** of Boursorama

**SUCCESSFUL 1<sup>st</sup> PHASE** of **TRANSFORMATION**  
Working on the **SECOND PHASE** of networks'  
transformation

**MAINTAINING  
ESG LEADERSHIP**

Working with clients  
to co-construct new  
business solutions

Aligning credit  
portfolios with the  
Paris Agreement

Best-in-class policy  
to accelerate exit  
from coal sector

# STRENGTHENING OUR POSITION IN FRENCH RETAIL BANKING

**ACCELERATE THE NETWORKS, WITH THE STUDY OF THE COMBINATION OF CREDIT DU NORD AND SOCIETE GENERALE**



## UNIVERSAL BANK

**~7.3m clients**

Focus on wealthy clients  
Strong on nationwide SMEs and large corporates

**ADAPTED NETWORK, STRONG DIGITAL POSITION**



## REGIONAL BANKS

**~2.4m clients**

Highly regarded professional franchise  
High penetration on local SMEs and Entrepreneurs

**PROXIMITY AND LOCAL FOOTPRINT**

**A NEW RETAIL BANK COMBINING:**  
~10 million clients  
~EUR 160bn of AuM for wealthy and mass affluent clients

**2019 FINANCIALS<sup>(1)</sup>:**  
Revenues ex. PEL/CEL  
EUR 7.7bn  
Operating expenses  
EUR 5.4bn



**KEEP DEVELOPING BOURSORAMA**



**FULLY DIGITAL**

**~2.4m clients**

**#1** online bank in France  
Digital & autonomous clients

Targeting **>3m** clients **by 2021**

## A FULL-SERVICE BANKING MODEL

A simple but comprehensive offer  
Active & equipped clients

## EFFICIENT OPERATING MODEL

(1) Sum of both networks, underlying data



# STUDYING THE CREATION OF A NEW RETAIL BANK, COMBINING CREDIT DU NORD AND SOCIETE GENERALE

**DEVELOPMENT: FURTHER IMPROVE CLIENT  
SATISFACTION, FULLY BENEFIT FROM SCALE  
EFFECT**

**INCREASED CAPACITY TO INVEST IN CLIENT EXPERIENCE**

**BETTER LEVERAGE REGIONAL FOOTPRINT WITH  
PROXIMITY AND LOCAL GOVERNANCE**

**THE BEST OF BOTH EXPERTISE: TAILOR MADE AND  
INNOVATIVE OFFER FOR CLIENTS**



Individual and wealthy clients: a **new ambition in savings**, benefiting from **open architecture**



Corporates & Professionals: leveraging on the complementary expertise of the two banks

**EFFICIENCY: A MORE PROFITABLE MODEL,  
WITH MORE SYNERGIES**

**OMNICHANNEL APPROACH**

**FURTHER ACCELERATION OF THE DIGITAL STRATEGY**  
thanks to mutualised investments

**UNIFIED IT SYSTEM, BASED ON THE MIGRATION OF THE  
CURRENT SYSTEM**

**INCREASED SYNERGIES, OPTIMISATION OF NETWORKS**

**CONCLUSIONS OF THE STUDY TO BE COMMUNICATED BY YEAR-END**

# NEW MANAGEMENT TEAM

## ACCELERATE THE TRANSFORMATION OF THE BUSINESSES AND PREPARE THE NEW STRATEGIC PLAN



\*Societe Generale and Crédit du Nord networks and the related Innovation, Technology and IT Service Unit

## MOVING FORWARD



## CLIENT CENTRICITY



## ESG



## EFFICIENCY

# **SUPPLEMENT**



# APPLYING IFRS 9

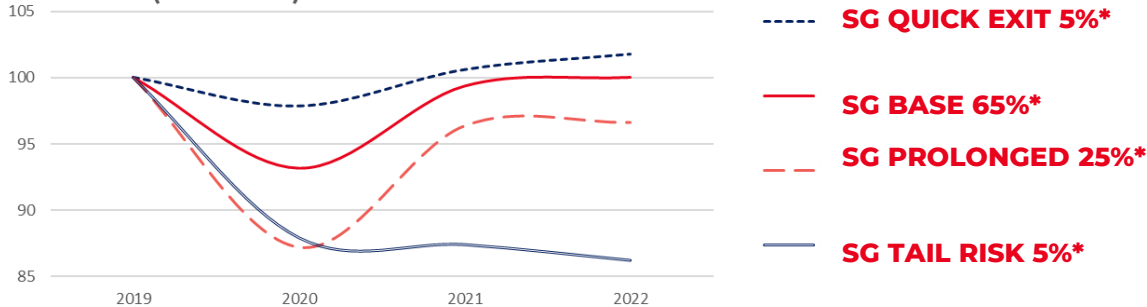
## METHODOLOGY APPLIED

As of Q2 20, update of IFRS 9 parameters to fully include forward looking information based on:

- Specific sector / areas-at-risk adjustments
- 4 macroeconomic scenarios adjusted to take into account massive State support in the major countries in which we operate

## MACROECONOMIC SCENARIOS as of 30.06.20

GDP level (Euro area)



## SCENARIO USED IN IFRS9 MODEL FOR EURO ZONE

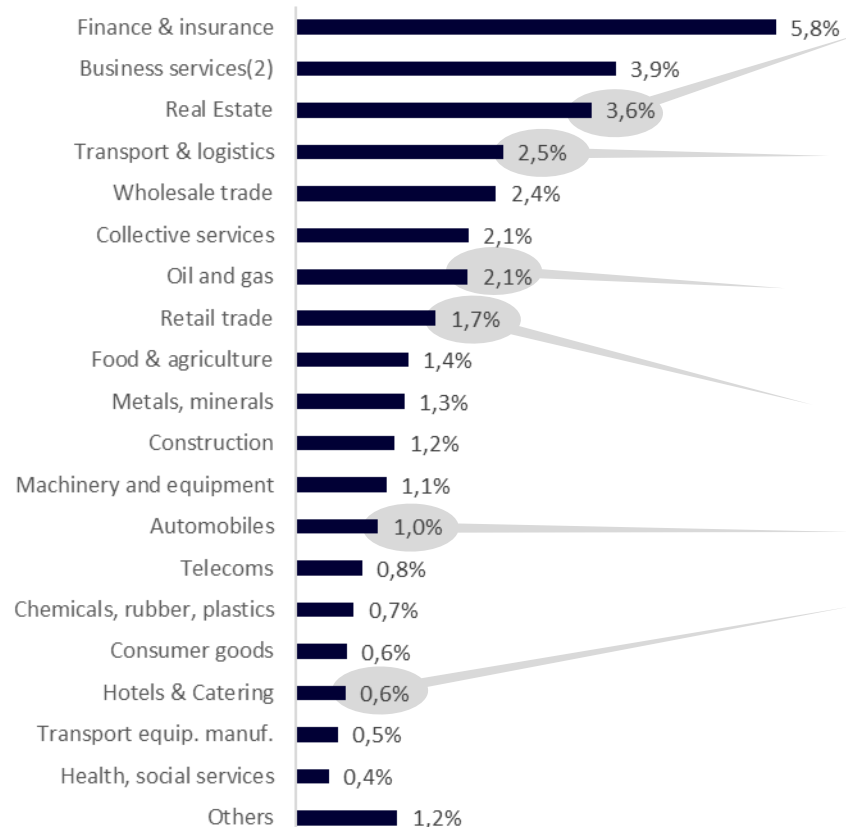
In order to take the time-lag resulting from government measures into account, the Group has retained for 2020 and 2021 the (logarithmic) average of the variations in GDP compared to a base 100 in 2019

2019	2020	2021	2022
1.2%	-5.8%	-5.8%	+0.5%

\*scenario weighting in IFRS 9 expected credit loss calculation

# DIVERSIFIED CORPORATE PORTFOLIO

## CORPORATE EAD IN EACH SECTOR IN % OF TOTAL GROUP EAD<sup>(1)</sup> AT 30.06.2020 Total Group EAD : EUR 990BN



**COMMERCIAL REAL ESTATE:** disciplined origination with average LTV between 50% and 60%, limited exposure on retail (20%)

**SHIPPING:** diversified, <1% of total Group EAD, mostly secured

**AIRCRAFT:** <0.5% of total Group EAD, mostly secured

**CRUISE:** ~0.2% of total Group EAD, mostly covered by Export Credit Agencies

**OIL & GAS :** diversified exposure, ~2/3 Investment Grade, ~25% covered by ECA or Insurance companies, limited exposure on US Reserve Based Finance with ~0.1% of total Group EAD

**NON-FOOD RETAIL:** ~0.4% of total Group EAD, diversified and granular exposure, less than 20% at risk (e.g. textile & clothes)

**AUTOMOTIVE INDUSTRY:** ~ 50% Investment Grade, focused on largest car manufacturers

**HOTEL & CATERING:** ~0.6% of total Group EAD (of which ~50% on Hotels, with 70% in France benefiting from specific state support)

**DIRECT GROUP LBO EXPOSURE < EUR 5bn**

**SME REPRESENTING ~5% OF TOTAL GROUP EAD** (mostly in France)

(1) EAD for the corporate portfolio as defined by the Basel regulations (large corporate including insurance companies, funds and hedge funds, SME, specialised financing, and factoring) based on the obligor's characteristics before taking account of the substitution effect. Total credit risk (debtor, issuer and replacement risk). Corporate EAD : EUR 345bn

(2) Including conglomerates

# MAINTAINING LEADERSHIP IN SUSTAINABLE FINANCE

## COLLABORATING TO DELIVER INCLUSIVE SOLUTIONS



### Working with clients to co-construct new business solutions

- ✓ First commercial bank to sign CFO Principles for SDG-aligned corporate finance



### Aligning credit portfolios with the Paris Agreement

- ✓ First application report of PACTA for Banks: joint publication of a methodology with the Katowice Banks\*

## MANAGING OUR OWN IMPACT



### Best-in-class policy to accelerate exit from coal sector

- ✓ Long-term commitment to reduce to zero exposure to thermal coal by 2030 for companies in EU or OECD countries, and 2040 elsewhere
- ✓ Achieved through immediate and medium-term conditions



### Publication of an updated Sustainable and Positive Impact Bond Framework

- ✓ EUR 1bn green positive impact SNP bond issued by Societe Generale SA, September 2020

## DELIVERING ON OUR CORPORATE PURPOSE

“Building together, with our clients,  
a better and sustainable future through responsible and innovative solutions”

\* A5-bank pledge of Societe Generale, BBVA, BNP Paribas, ING and Standard Chartered

## **INVESTOR RELATIONS TEAM**

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**[www.societegenerale.com/en/investors](http://www.societegenerale.com/en/investors)**