

# ANNUAL GENERAL MEETING

Societe Generale's Annual General Meeting was held on 18 May 2021 and chaired by Lorenzo Bini Smaghi. The meeting took place behind closed doors due to the Covid-19 pandemic. Shareholders were able to follow the proceedings live via the Group's website or by telephone. Quorum was met at 58.56%.

After the opening message delivered by Lorenzo Bini Smaghi, William Kadouch-Chassaing, Deputy General Manager and Head of Finance, reviewed the full-year 2020 and the first-quarter 2021 results. His presentation was followed by one from the Statutory Auditors. Frédéric Oudéa, Chief Executive Officer, then presented the Group's strategy. Deputy General Managers Sébastien Proto and Slawomir Krupa respectively outlined the strategies of French Retail Banking and Global Banking and Investor Solutions. Lorenzo Bini Smaghi then provided an update on corporate governance, and Jean-Bernard Lévy, in his role as Chair of the Compensation Committee, presented the Group's policy in this area. Management then took some live questions from the shareholders.

22 out of a total of 23 resolutions were adopted. The shareholders had been asked to choose between two candidates for the post of Director Elected by Employee Shareholders. The resolution rejected was that of the candidate who received fewer votes. The dividend per share came to €0.55. A share buyback programme will be launched in the fourth quarter for the same amount as that set aside for dividend payments, subject to the approval of the regulator

FOR FURTHER INFORMATION  
ON THE RESOLUTION VOTES, VISIT:  
<https://investors.societegenerale.com/en/strategy-and-governance/governance/annual-general-meeting>



## 2020 PROVED TO BE A YEAR OF RESILIENCE DESPITE THE DIFFICULT ENVIRONMENT

Societe Generale's results showed resilience in 2020 despite the exceptional scale of the public health crisis. The year was contrasting with two very distinct halves. The first half of the year was dominated by the impacts of the public health crisis, with simultaneous market dislocation and a sharp decline in economic activity, which translated into decreased volumes and an increase in the cost of risk due to anticipated future defaults. These impacts were felt by all actors in the European banking sector and particularly by Societe Generale due to the weight of structured investment products in the Bank's business model. Conversely, the second half of the year was characterised by a recovery in the performance of the business lines.

Despite such a difficult year, Societe Generale achieved its financial objectives in terms of operating expenses, a lower-than-expected cost of risk and capitalisation levels. The Bank was able to react very quickly and effectively with major strategic decisions aimed at restoring its profitability and preparing for the future.

At the same time, the Group continued to concentrate on its strategic initiatives with the announcement of the plan to merge its retail banking networks in France and strategic plans to leverage and enhance its growth drivers: ALD Automotive, Boursorama and Komerční banka (KB). Furthermore, the risk exposure of its Global Market Activities decreased, in particular the risk associated with structured finance products.



Societe Generale also made further progress in its sustainable development strategy with first class extra-financial ratings, higher than those of 2020 in light of the progress achieved in key areas such as energy transition, supporting clients, and fostering diversity and inclusion.



**William Kadouch-Chassaing,**  
*Deputy General Manager,  
Head of Finance*

For 2020 overall, Group net income stabilised at €1.4bn, down 65% year-on-year due to three factors: lower revenue, the high commercial cost of risk and, conversely, lower operating expenses. Due to the exceptional impairments of goodwill and deferred tax assets, reported Group net income was negative at €258m.

The Group's balance sheet

was solid and improved further over the course of the year, with a Common Equity Tier 1 Capital (CET1) ratio of 13.4% at 31 December 2020.

The first quarter of 2021 was consistent with the results of the second half of 2020, with a sharp rebound in revenue. This growth in revenue combined with lower operating expenses and cost of risk is reflected in the sharp recovery in reported net income (€814m), profitability (underlying

ROTE of 10.1%) and an increase in underlying earnings per share, which came out to €0.83 in the first quarter.

### **PAYMENT OF DIVIDENDS RESUMES**

In addition to the difficult first half of 2020, the 2019 dividend was suspended for the sector by the European regulator. This had a negative impact on the stock market prices of European banks and on Societe Generale's share price, which later recovered strongly, demonstrating the Group's ability to rebound.

In terms of dividend distribution, at the end of the year, European banks, including Societe Generale, were authorised by the European regulator to resume such payments for the 2020 financial year for an amount initially strictly regulated. The Bank decided to pay the maximum authorised dividend of €0.55 per share. A share buyback programme will be launched in the fourth quarter, equivalent to the amount set aside for dividend payments, subject to the approval of the regulator.

### **THE GROUP'S EXCEPTIONAL ENGAGEMENT**

Over the course of this unprecedented year, which was both difficult and demanding, the Bank rallied around two basic priorities: ensuring the safety of staff and clients and playing its part to keep the economy running. Societe Generale ensured that it continued to provide services and meet our clients' needs while working closely with public authorities in all regions where the Bank operates. In France, the Group

contributed €18 billion to the roll out of the government-guaranteed loan scheme (PGE - *Prêts Garantis par l'État*) designed to support businesses' liquidity. Throughout the world, our teams demonstrated exemplary engagement. More than ever, Societe Generale has shown the value of our banking profession and our sense of responsibility.

### **2021: A YEAR IMPLEMENTING THE ANNOUNCED STRATEGIC INITIATIVES**

After having met the targets set out in the refocusing plan with the disposal of Lyxor, the Group went on the offensive again and worked to implement several strategic initiatives announced in the past few months. In French Retail Banking, we are aiming to have 15 million clients by the end of 2025, through our plan to create a new bank by merging our two retail banking networks, Crédit du Nord and Societe Generale, combined with the acceleration of the development plan for Boursorama, with a target of 4.5 million clients by 2025. Boursorama is an asset that will make a considerable difference in the French banking industry.

International Retail Banking and Specialised Financial Services businesses are showing positive potential. KB, the Group's subsidiary in the Czech Republic, has already presented its KB Change 2025 strategic plan, and intends to position itself as a leader in digital and responsible banking. Turning to the mobility sector, the Group's subsidiary ALD Automotive unveiled its Move 2025 strategic plan with the ambition of strengthening its position as a world leader in this very promising sector.

Lastly, for Global Banking and Investor Solutions, after having successfully completed the adaptation of its range of structured products, which reduced the business line's risk profile while protecting its franchises, the Group has just unveiled its medium-term strategy.

### **LEVERAGING A DIVERSIFIED AND BALANCED BUSINESS MODEL**

In addition to the strategic presentations made by several of its businesses over the past few months, the Group will present its overall roadmap for 2022-2025 in the first half of 2022. Echoing its corporate purpose, the Group has already mapped out a clear course and has reaffirmed its ambitions. As such, the Bank intends to leverage its diversified and balanced business model. Societe Generale wants to play the role of a disruptive bank that knows how to reinvent itself and capture the opportunities presented by a world undergoing profound change. Incremental transformation is not enough to confront the scale of the changes taking place. Tomorrow's bank will be digital, expert and responsible.

To fulfil our ambitions, the Group will draw on three key factors: customer centricity and satisfaction, ESG commitments and strengthening operational efficiency.

ESG issues (environmental impact, social impact and governance) have been one of the Group's priorities for many years. No business can grow if it does not place these subjects at the centre of its strategy. As a bank and a financier of the economy, Societe Generale has a key role to play. In this respect, 2020 was a pivotal year and the Group plans to accelerate our actions in this area as part of our new strategic phase.

Regarding the fight against climate change, the Bank is committed to a proactive strategy aimed at supporting our clients during the transition. The Group is working to gradually reduce our exposure to fossil fuels and to increase our support for the development of renewable energy. Exposure to the coal sector was also heavily reduced and a complete exit from coal is planned between 2030 and 2040, depending on the country. Given the scale and the complexity of the issues, it is crucial to act collectively to have an impact. To this end, Societe Generale recently joined the Net-Zero Banking Alliance as a founding member and signed the Net-Zero Asset Owner Alliance.

In social terms, Societe Generale is invested in the employability, training and mobility of our staff as part of meaningful social dialogue. These issues are crucial given the scale of the transformations to come and it is essential to anticipate them.

***“To fulfil our ambitions, the Group will draw on three key factors: customer centricity and satisfaction, ESG commitments and strengthening operational efficiency.”***

In the longer term, Societe Generale can leverage its strengths, including our staff's incredible degree of commitment. By demonstrating our strong capacity to deliver over the next few years, the Group can confirm our position as a leading European bank in the field of customer satisfaction. We are determined to offer the best possible service to our clients, who are not only changing themselves but whose needs are evolving. Societe Generale wants to maintain an attractive dividend policy for shareholders by distributing 50% of underlying annual net income.

Over the last 10 years, the Group has faced a number of unprecedented crises. This pandemic has had painful consequences for communities and individuals alike, but it also represents an opportunity to reflect and act with greater freedom. 2021 will be a year of significant rebound.

**FRENCH RETAIL BANKING:  
THE BEST OF DIGITAL AND HUMAN EXPERTISE**

The project to merge the Crédit du Nord and Societe Generale retail banking networks is a strategic choice with a strong ambition in terms of commercial activity, customer satisfaction and profitability. The project grasps the full reality of the current changes on the retail banking market. The low interest rate environment, competitive pressures and market forces weigh heavily on revenues. However, beyond the issue of revenues, the entire retail banking sector is changing, with a strict regulatory framework and more intense competition on the quality of the digital customer experience.

This project addresses this context. Accordingly, investments will be concentrated on a common IT infrastructure, that of Societe Generale. This merger will also make it possible to draw on the respective strengths of each brand. Clients are physically visiting their bank branch less and less often. This project is a solution to the challenge of resizing the retail networks, reducing the number of branches by 30% without leaving any town unserved.

This merger is also an ambitious project in the fields of customer satisfaction and revenue. The Group hopes to offer its clients the best of digital technology combined with

human expertise. Offering the best digital experience possible means not only having an array of digital solutions for everyday banking transactions but also expanding the digital offer to other products. Offering the best of human expertise means rethinking the role of the bank branch to turn it into a centre of expertise. Offering a personalised response means starting out with the needs of each type of customer to make organisational choices. Lastly, offering the best local approach means setting up shorter and faster decision-making structures.

This merger will be completed in 2023 with 80% of the synergies achieved by 2024 and the remainder by 2025.



**Sébastien Proto,**  
*Deputy General Manager in charge of the Societe Generale and Crédit du Nord, Private Banking networks and their Innovation, Technology and IT division*

**GLOBAL BANKING & INVESTOR SOLUTIONS (GBIS):  
ENSURING SUSTAINABLE PROFITABILITY**



**Slawomir Krupa,**  
*Deputy General Manager, Head of Global Banking and Investor Solutions*

The strength of GBIS lies in the soundness and the loyalty of its customer base. The value created by its activities hinges first and foremost on resilient flows of revenue generated by its large and stable customer base. Its capacities for innovation are also a key factor of this proven process of value creation that is nonetheless facing substantial challenges: a suboptimal cost structure and sensitivity to external shocks.

Our roadmap is a simple one: ensure sustainable profitability with a lower standard deviation of performance thanks to better revenue flow balance, greater operational leverage and a lower level of risk, while taking advantage of the unique opportunities presented by CSR obligations and digitalisation.

GBIS is well placed and determined to take advantage of every opportunity for market growth: increasing needs for infrastructure to support energy transition, sustained growth of private debt and equity, growing savings for retirement, and return to growth post-crisis, particularly in the Americas and in Asia.

GBIS will gradually rebalance its business model by reducing the risk of concentration through balanced diversification of its capital allocation in favour of its global finance, advisory and transaction banking. The business will increasingly concentrate on large corporates and, within the universe of financial institutions, expand its activities with institutional investors. By drawing on the strength of its revenue-generating platforms in Asia and in the Americas, GBIS will capture the projected surplus growth in these regions.

ESG and technology are two key drivers on which its growth ambitions will rely. With its 20 years of experience in this field, the Group plans to double its revenue linked to ESG by 2025.

# QUESTIONS & ANSWERS



## What is the Group's policy with respect to coal and hydrocarbons?

The Group pursues a proactive policy when it comes to supporting clients and aligning its lending portfolios. By joining the Net-Zero Banking Alliance, Societe Generale is committed to proactively managing its lending portfolios by aligning them with a path towards net-zero emissions by 2050 and consistent with keeping global warming under 1.5°C by 2100.

The Bank is also committed to prioritising those portfolios that pollute the most. This is why the Group has been pursuing a policy of gradually reducing its involvement in coal since 2011. Societe Generale was also one of the first global banks to announce a concrete and measurable target to reduce its portfolio exposed to oil and gas extraction.

At the same time, the Group plans to become a driving force in energy transition. At the end of the first quarter of 2021, the Group had already achieved 80% of its objective to contribute €120bn towards financing the energy transition between 2019 and 2023. The Group is a pioneer and a leader in the renewable energies sector.

WATCH THE FULL VIDEO OF  
THE ANNUAL GENERAL MEETING AT:  
<https://investors.societegenerale.com/en/strategy-and-governance/governance/annual-general-meeting>

## Don't you think it would have been wiser to take the more radical decisions much earlier to energise revenue and avoid the difficulties the Group has encountered over the past 10 years?

Over the course of the last ten years the banking sector had to face a number of major crises: the 2008 financial crisis, the euro crisis and this unprecedented pandemic. During this period, some banks disappeared, and others became domestic retail banks. For its part, Societe Generale was able to preserve its expertise and its core businesses to serve its clients. The Group was also able to create new business lines and alternative business models such as Boursorama and ALD Automotive. Today, Societe Generale has strong franchises, a solid balance sheet and high-quality risk management. Now the challenge is one of very disciplined execution of all the projects we have unveiled, all of which are creators of value.

## How is the Group managing the social impacts associated with the massive introduction of working from home since the beginning of the public health crisis?

The arrangements around working from home have had an impact and created a sense of distance from the workplace. The Group was very attentive to this issue. As such, it regularly conducted staff surveys. Concentrated communication, training initiatives and help with addressing psycho-medical-social risks were all provided. Working groups were formed to think about the future. The perspective of organised, voluntary and structured remote working is emerging while maintaining an on-site presence, which is important to staff.

## How do you plan to support clients with respect to the merger of the Crédit du Nord and Societe Generale retail banking networks?

The customer is genuinely at the heart of this project.

Crédit du Nord customers will enjoy the use of a more extensive range of digital services than the ones available to them today as well as access to a greater number of branches France. Crédit du Nord's business clients will benefit from a wider service offering and the strength of Societe Generale's financial support.

All our professional clients will have a single point of contact within their bank, as Crédit du Nord currently provides. All of our clients will receive high-quality digital services thanks to the investments made possible by the merger.

The merger will be completed in 2023. We will focus special attention on supporting Crédit du Nord clients during this transition. This involves preparation and a local approach. The Group is very familiar with how to do this.

This operation is not only a merger; it is also a commercial venture to increase the value we bring to our Crédit du Nord and Societe Generale customers alike.