

JUNE 2020 / N° 121

# LETTER TO SHAREHOLDERS

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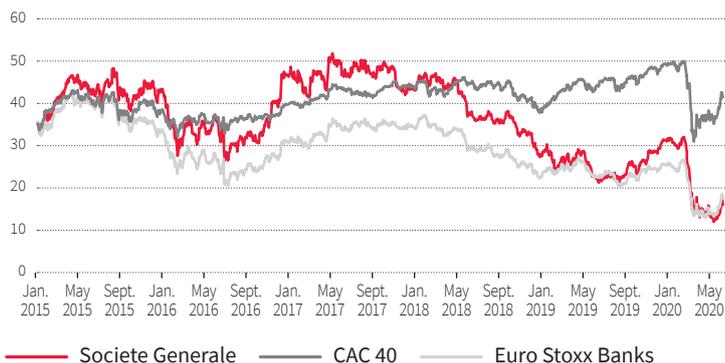


**SOCIÉTÉ  
GÉNÉRALE**

# NEWS

## SHARE PRICE

Closing price at 10/06/2020: € 15,78



Rescaled to the Societe Generale share price at 31.12.2014 - Source: Bloomberg



## MORE INFORMATION ABOUT SOCIETE GENERALE

Societe Generale's Integrated Report 2019-2020 presents the Group's long-term vision and strategy, its business model and the value we create. Through this report, we are seeking to strengthen dialogue with all our stakeholders.

[www.societegenerale.com/en/about-us/integrated-report](http://www.societegenerale.com/en/about-us/integrated-report)

For all our latest news visit [www.societegenerale.com](http://www.societegenerale.com)

## DIARY

**3 august 2020**

Publication of second quarter and first half year 2020 results

**5 november 2020**

Publication of third quarter 2020 results

## FINANCIAL RATINGS<sup>(1)</sup>

- Fitch Ratings: A-
- Moody's: A1
- R&I: A
- Standard & Poor's: A

## EXTRA-FINANCIAL PERFORMANCE

- RobecoSAM: 79/100; 90<sup>th</sup> percentile
- MSCI: AA
- Sustainalytics:
  - ESG rating report: 71/100;
  - ESG Risk rating report: 30.1/100 (0 = lowest risk)
- Vigeo Eiris: 66/100
- FTSE4Good: 4,4/5

(1) At 29/05/2020.

## HOW TO CONTACT US?

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 E-mail: [societegenerale@relations-actionnaires.com](mailto:societegenerale@relations-actionnaires.com)

 Twitter: @SocieteGenerale

 Telephone: **0 800 850 820** Service & appel gratuits

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Individual shareholder relations  
189, rue d'Aubervilliers - 75886 PARIS CEDEX 18, FRANCE

# EDITORIAL

“Dear Shareholders,

In the unprecedented health and economic situation we have been experiencing, first and foremost I hope that you and your loved ones are in good health and that you haven't been directly affected by the Coronavirus. Please be assured that our teams remain fully committed and ready to serve. Our ongoing priority is to safeguard the health of our clients and staff by implementing the necessary safety measures while ensuring the continuity of our operations, which are so vital to our fellow citizens and our economies.

With the suspension of our 2019 dividend, this situation has had serious consequences for our shareholders, and I understand that this is very disappointing. While our 2019 results had made it possible to set aside a provision to pay a dividend, in March the European Central Bank strongly urged the banks it supervises not to pay dividends before 1 October 2020, until we can assess the scale of the crisis more clearly. Out of due caution given the uncertainties linked to the crisis, we have followed that recommendation, as did the vast majority of European banks. At the end of the year we will be able to consider a potential dividend.

This unprecedented crisis will have a profound and long-lasting impact on our economies, our businesses and on the way we work. Over the last few weeks, we have been able to adapt very quickly to this unprecedented situation and our teams have all been very active in supporting our customers. Our financial



**FRÉDÉRIC OUDÉA**  
*Chief Executive Officer*

strength, both in terms of capital and liquidity, as well as our high-quality and well-diversified loan book, will play a fundamental role in overcoming this crisis.

We are also preparing for the future and building our post-crisis ambition. Accordingly, we are already starting to define our next 2021-2025 strategic plan, which we will announce in 2021.

I would like to thank you once again for your loyalty and the trust you have placed in our Group.”

## Renewal and appointment of Board members



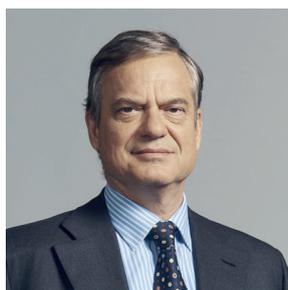
**JUAN MARIA NIN GÉNOVA AND ANNETTE MESSEMER**

**Juan Maria Nin Génova**, an Independent Director since 2017 and a member of the Risk Committee and the Compensation Committee, was reappointed for a second mandate.

**Annette Messemer** was appointed as an Independent Director for a term of four years. A German national and 55 years of age, Ms Messemer has had a long career in corporate and investment banking, particularly at JP Morgan Chase and at Commerzbank. She is also an Independent Director of the Board of Directors of EssilorLuxottica.

# ANNUAL GENERAL MEETING

Societe Generale's Annual General Meeting was held on 19 May 2020 and chaired by Lorenzo Bini Smaghi. Due to health protection measures associated with the Covid-19 pandemic, the meeting took place behind closed doors. Quorum was met at the record level of 62.76%.



**LORENZO BINI SMAGHI**  
*Chairman of the Board of Directors*

Shareholders were able to follow the proceedings with a livestream available via the Group's corporate website or by telephone.

In light of this unprecedented pandemic, Lorenzo Bini Smaghi, the Chairman of the Board of Directors, wished good health to all the shareholders and thanked the Societe Generale teams for their level of commitment.

The only resolution impacted by the crisis concerned the dividend. The Board of Directors decided to forego proposing to the General Meeting the payment of a dividend for 2019 in accordance with the European Central Bank's strong recommendation not to pay a dividend before 1 October 2020.

The Board of Directors has not ruled out paying an interim dividend or an exceptional dividend after that date.

Diony Lebot, Deputy Chief Executive Officer, presented the Group's financial results for 2019 and the first quarter of 2020, and Frédéric Oudéa, Chief Executive Officer, detailed the Group's strategy. Lorenzo Bini Smaghi then provided an update on corporate governance, and Jean-Bernard Lévy, in his role as Chairman of the Compensation Committee, presented the Group's policy in this area. Lastly, Philippe Aymerich, Deputy Chief Executive Officer, explained how the Group's French Retail Banking networks were able to cope with the crisis and support their customers.

All the resolutions presented to the meeting were approved.

FOR FURTHER INFORMATION ON THE RESOLUTION VOTES VISIT:

[www.societegenerale.com/annual-general-meeting-vote](http://www.societegenerale.com/annual-general-meeting-vote)

**“2019 was an intense year of progress in which the Group achieved all of its strategic, financial and extra-financial objectives.”**

## **Reinforcing the Group's capital and financial strength in 2019**

In 2019, the Group continued its transformation with great determination and reported financial results in line with the strategic and financial objectives it had set for the year. The Group continued to refocus its activities on its areas of

strength, applied greater selectivity in terms of organic growth and implemented the announced restructuring of some of its market activities.

These efforts reinforced the Group's capital and its financial strength. As a result, the Group's capital ratio increased from 10.9% at the end of 2018 to 12.7% at the end of 2019.

Societe Generale also worked to improve its profitability and continued to implement its cost reduction plans while investing in the digitalisation of its core businesses. The quality of the Group's loan book and very low cost of risk (25 basis points in 2019) are reflective of the high degree of discipline in origination and risk management over many years.

In all, underlying Group net income totalled €4.1 billion in 2019, while underlying ROTE stood at 7.6%.

French Retail Banking reported a solid commercial performance throughout the year, with income and expenses in line with 2019 targets, and a rise in profitability. International Retail Banking and Financial Services confirmed its ability to generate profitable growth. International Retail Banking continued to post robust commercial momentum across all regions. Insurance performed very well this year and business continues to be very strong in Financial Services to Corporates. Global Banking and Investor Solutions successfully completed the restructuring of its market activities. The other Global Banking and Investor Solutions businesses saw their revenues rise in 2019.

Just as importantly, the Group made progress across all of the remediation programmes and met the demanding deadlines set for the year. It will continue to determinedly move forward with these programmes, most of which are progressively planned until the end of 2021.

Turning to extra-financial results, the Group continued to strengthen its commitments in 2019 and is now recognised as a leader in responsible finance. In 2019, RobecoSAM ranked Societe Generale as the world's leading bank in terms of environmental action and MSCI upgraded its rating of Societe Generale.

**“It was on these solid foundations that the Group entered this unprecedented crisis.”**

### **The main impacts of the Covid-19 crisis for the Group**

The first consequence of the crisis was the suspension of the 2019 dividend, even though the Group had already set aside the necessary funds. Out of due caution given the uncertainties linked to the crisis, the Board of Directors followed the European Central Bank's recommendation, as did the vast majority of European banks.

The second consequence was the sharp drop in Societe Generale's share price. European banking stocks have suffered considerably, in particular because there is a lot of uncertainty surrounding the economic environment and the stability of the regulatory environment. The Group's current share price



does not reflect the level of its capital and the intrinsic value of its assets. In the coming quarters, the Group is going to be working hard to convince the market to change its opinion of the Societe Generale share.

Naturally, this crisis had an impact on its first quarter 2020 results, which were disappointing. The situation varies from business to business, with the biggest issues concentrated in one area of its market activities – investment solutions. Generally, the Group's other businesses turned in resilient performances.

The scale of this crisis is exceptional. It is both an economic and a health crisis. The different economic activity scenarios assume a recession of 7% to 13% in 2020 for most advanced economies. These forecasts exceed those from the 2008-2009 financial crisis.

Like other banks, the Group is forecasting an increase in its cost of risk for the year 2020. At the same time, it is working to reduce its cost base and at the end of April announced additional savings of between €600 million and €700 million for 2020.

### **The Group's level of commitment during the crisis: a reflection of its purpose**

In January 2020, the Group renewed its corporate purpose: “Building together, with our clients, a better and sustainable future through responsible and innovative financial solutions”. The Group's commitments during the crisis fully embody this purpose. The Group's approach is structured around three areas.

The first is to continue the Group's activities while safeguarding the health of clients and staff. This has been and remains the Group's top priority. Thanks to the extraordinary dedication of its teams and the quality of its technological platforms, Societe Generale has been able to easily switch to new modes of working, with tens of thousands of people around the world working from home.

The second involves helping customers by committing the Group's own resources and making available the various support schemes initiated by governments. Banks form an important link in the chain that delivers solutions to economies, helps businesses through these critical times and maximises production capacity and job protection.

Lastly, as a responsible and committed bank, the Group has set up a global solidarity programme with a budget that could reach €50 million. The General Management has decided to contribute to the financing of this plan by giving up half of the variable component of their salary for 2020.

Like all the major French banks, Societe Generale decided not to resort to partial unemployment to avoid unnecessarily using public finances and leaving the government with the maximum amount of resources for the hardest hit sectors.

### Preparing for the future

While it is still early, a few trends are beginning to emerge. The need for insurance and savings advice will be even more important than before for individual clients. As for corporate clients, they will certainly need support to strengthen their capital structures and optimise their borrowing requirements. Furthermore, new ways of consuming and working have emerged during this crisis. Finally, this unique situation will also increase what society expects from companies in terms of Corporate Social Responsibility.

The Group will adapt to this new environment and help to build the post-crisis world, which may have more risks but will also be a source of great opportunity. The Group will be able to draw on its numerous strengths. Firstly, a balanced business model with a solid customer base. The relationship of loyalty and trust built up over the years with customers is another asset. The Group's international presence differentiates Societe Generale from its peers and offers potential for long-term development. One of the Group's main strengths is also the quality and dedication of its staff, who share a strong culture of responsibility and innovation, and real expertise. Furthermore, the Group has cutting edge IT systems that have proven their strength during the crisis. Lastly, the Bank's capital structure is solid.

Societe Generale's capitalisation and liquidity levels are sound. These are solid fundamentals for future growth and will help the Group to recover. The Group is convinced that it will be able to absorb the impact of this unprecedented crisis while continuing to support its clients, just as it has successfully overcome other crises throughout its 150-year history.

Societe Generale has already started work on its new 2021-2025 strategic plan, which will be announced next year. The Group's thoughts and analysis will be structured around three challenges: being a champion of customer experience and satisfaction, being a responsible bank and improving operational efficiency.

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### French Retail Banking networks committed to supporting their customers

Strict hygiene measures have been put in place since the very start of the crisis. The Societe Generale and Crédit du Nord retail banking networks adjusted their organisations to allow 90% of branches to remain open and accessible to the public by appointment. The back offices kept their vital and critical activities running, especially with respect to payments. Call centres made it possible to stay in close contact with customers, and apps and websites fully played their role. Thanks to this adjusted organisation, the Group was able to continue to support its clients.

Societe Generale and Crédit du Nord are also closely involved in the measures introduced to help professionals and businesses. Loan repayment dates were postponed by up to six months, for a total of €1.8 billion, in order to cushion the initial shock of falling customer revenue. Furthermore, on 25 March 2020 the teams

began to offer State guaranteed loans to customers in France. As of 18 May, the Group has received 70,000 requests for a total amount of €17.4 billion.

In addition to these efforts, the French networks have begun to look beyond the end of the crisis. Initiatives have been launched to help revive commercial activity at this crucial time. The networks

can build on the strength of the investments they made in recent years (such as in digital tools, the expertise of relationship managers and the flexibility of systems) and draw the first lessons from this crisis, in particular with respect to offering services at a distance and new products.



**PHILIPPE AYMERICH**  
*Deputy Chief Executive Officer*

# QUESTIONS & ANSWERS

Watch the full video  
of the Annual General Meeting  
at [www.societegenerale.com](http://www.societegenerale.com)



## **Does Societe Generale undertake to acknowledge the risks represented by the Group's exposure to shale oil and gas?**

Societe Generale is among the banks committed to measuring the alignment of all their portfolios with a transition scenario meeting the objectives of the 2015 Paris Climate Agreement. In light of this engagement, the Group was also one of the first banks to sign the Katowice Agreement in 2018 and the Collective Commitment for Climate Action of the Principles for Responsible Banking of 2019.

In 2020, the Bank will publish a plan to reduce the long-term impact of its loan books in the energy industry, including the oil and gas sector.

Currently the Group bases its position on the International Energy Agency's Sustainable Development Scenario.

The Bank makes its funding contingent on meeting the strictest social and environmental criteria and regularly strengthens its financing standards and procedures.

## **Will Societe Generale, in the very short term, review its coal sector commitments to align them with financial sector best practice and the Paris Agreement?**

For many years, Societe Generale has set a goal of significantly reducing the weight of the thermal coal sector in its portfolios. The objective of limiting the percentage of coal in the energy mix funded by the Group to 19% by the end of 2020 has already been met given that it currently stands at 11.5%.

The Bank is committed to fully moving away from thermal coal by 2030 in the member states of the European Union and the OECD, and by 2040 for the rest of the world.

## **In terms of capital markets activities, what is the future of credit activities?**

These activities, which were hit hard in the first quarter of 2020, play a key role in the financing of the economy.

In the midst of the Coronavirus crisis, when clients had urgent funding needs, the Group's teams acted rapidly to place their issues under challenging conditions. Overall, 75 clients were

able to issue their euro-denominated bonds during this period. Through their work, Societe Generale's teams helped to keep sectors critical to the economy going during the crisis.

These activities are very important and the Group will continue to develop them. In the first quarter, there was one specific type of activity that did not do well - structured credit products - and even then, it was only a single product, specifically tranches of North American corporate debt. A comprehensive review of these products was launched to determine if the Group will continue selling them in the future, and, if so, in what conditions.

## **What is Societe Generale's development strategy for Africa?**

With its 17 entities and 12,000 staff members, the Group supports four million individual and business customers on the African continent, where it has been operating for over 100 years. For Societe General, Africa is a growth reservoir and an outpost for innovation.

The current crisis has demonstrated the overall resiliency of Societe Generale's presence in Africa. The Group's ambition is to continue to consolidate its leadership positions. It will continue to develop services for businesses and its retail banking activities, particularly wealth management and high-end clients. The Group also intends to continue to develop new digital tools, particularly in Mobile Payment, to attract a new customer base.

Africa is a key component of Societe Generale's sustainable and responsible development strategy. With this in mind, the Group set up the Grow with Africa programme with four priorities: supporting the development of African SMEs, infrastructure financing, financial inclusion and innovative financing of renewable energies and agribusiness.

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*During the Annual General Meeting, General Management answered a certain number of written questions submitted to the Meeting in advance. All the written questions and the answers provided by the Board of Directors can be viewed at [www.societegenerale.com](http://www.societegenerale.com), on the Annual General Meeting page.*



# A BANKING SECTOR FACING THE CHALLENGES OF TOMORROW

While being open to the outside world has become a necessity in our changing world, the close relationships we maintain with our ecosystem enable us to anticipate the transformations to come and so better meet the needs of our clients.

## SUPPORTING SOCIETAL AND ENVIRONMENTAL TRANSITION

**Changing social trends, whether climate-related, demographic or economic, represent collective challenges, but they are also rich in opportunities.**

As the climate emergency compels companies and economies to thoroughly reconsider their business models, the banking sector is being called upon to play a major role. Environmentally-friendly transition brings with it the emergence of new business sectors and innovative solutions, as well as the need to modernise infrastructure. With all the new markets that need to be financed, our job is to better understand the associated risks, which are also new.

At the same time, consumer habits are undergoing profound change. People are seeking transparency and fair competition, searching for greater meaning, energy needs are increasing, more attention is being paid to protecting the environment... While consumers are increasingly aware of their own impact, the traditional banking model is changing to support responsible economic development.

In Europe, demographic changes are having a material impact on the way we consume and the investment, housing and health markets. If, in advanced economies, new sectors of economic activity related to the ageing of the population are emerging, the vast African continent is developing with its own specific societal needs to reduce inequalities and provide access to all the resources the local communities need.

**55%**

OF SENIOR CITIZENS  
WILL BECOME DEPENDENT BY 2100  
IN ADVANCED ECONOMIES <sup>(1)</sup>

(1) Source: Ipsos/Sopra Steria Survey, September 2019.

**78%**

OF EUROPEANS DESCRIBE  
CLIMATE CHANGE AS  
A SOURCE OF CONCERN  
OR EVEN OF GREAT CONCERN <sup>(2)</sup>

(2) European Investment Bank Survey of Citizens and Climate.

## SELECTING THE BEST FROM TECHNOLOGICAL REVOLUTIONS

**The banking sector has now entered an era of disruption. Affecting large swaths of society, technological revolutions open up new possibilities and horizons.**

Changing trends and the emergence of neobanks have encouraged ever greater digitalisation of the customer experience. New, increasingly sophisticated technologies make it possible to provide customer experience with high added-value: greater autonomy, simpler steps and personalised services and advice, all further enabling excellence in the quality of customer relationships.

Innovation and the ability to process information are now key differentiating factors. Against this backdrop, Artificial Intelligence, used to automate certain tasks or process massive data in real time, represents a powerful growth driver. Customers will benefit from even more efficient and seamless services and products with the arrival of 5G. As for the concept of Open Banking, which is based on the opening up of information systems and the responsible sharing of customer data with trusted financial partners, it has increased service opportunities tenfold and has radically changed business models. However, it also comes with a major issue: the ability to guarantee security to the customer.



**96%**

OF BANKERS SAY THAT OVER THE PAST THREE YEARS, THEY HAVE WITNESSED AN ACCELERATION IN THE PACE OF TECHNOLOGICAL INNOVATION IN THEIR BUSINESS

**52%**

OF CONSUMERS SAY TECHNOLOGY PLAYS A DOMINANT ROLE OR IS PART OF ALMOST EVERY ASPECT OF THEIR DAILY LIVES <sup>(3)</sup>

(3) Accenture Survey 2020: Technology Vision Consumer Survey.

# SOLIDARITY THROUGH ACTION



Unprecedented situations call for exceptional engagement.

In keeping with our spirit of commitment, Societe Generale launched a large-scale global solidarity programme that could ultimately reach €50m. The aim of this programme is to contribute to the solidarity initiatives conducted by different governments and to directly support associations that are at the forefront of the health and social emergency. The Group also encouraged its staff in France to join this commitment to social solidarity.

## NUMEROUS WAYS TO OFFER SUPPORT IN FRANCE

The Group made a €1m donation in France to the “All united against the virus” alliance, sponsored by the *Fondation de France, Assistance Publique – Hôpitaux de Paris* and the *Institut Pasteur*, and encouraged staff members to also join in with this commitment to solidarity. The Bank has also reinforced its support for the Societe Generale Corporate Foundation’s partner associations with generous donations of more than €1.5 million made to *Apprentis d’Auteuil, Emmaüs Challenge, Aurore, SAMU Social, Rests du Cœur, Emmaüs Solidarité* and *SOS Villages d’Enfants*.

A leading sponsor of classical music in France, Societe Generale is also supporting musicians and musical ensembles hit hard by the Coronavirus crisis with an exceptional programme amounting to €2m in aid.

## CONCRETE ACTIONS AROUND THE WORLD

Several initiatives, including donations of masks, financial donations and loans of cars to healthcare workers, among others, were rapidly put into action in the countries where we operate, notably in China, Romania, Italy, the United States, France, Spain, and other countries.

We will continue to engage in all our entities around the world and especially in Africa.

## SOLIDARITY IN AFRICA

Although Africa was initially spared the worst of the health crisis, the continent must now take action in the face of the spreading epidemic. Societe Generale has been historically present on the African continent for over a hundred years and is committed to fighting the spread of Covid-19 with the creation of a specific programme. The first step of this commitment was a €1.5m donation to Doctors Without Borders (*Médecins Sans Frontières, MSF*) With a wealth of medical expertise built up from past epidemics, MSF is working in coordination with local health authorities to assess needs and recommend appropriate solutions.

“ Alongside my colleagues from General Management, we have decided to renounce in advance half of the variable component of our salary that would have been allocated to us by the Board of Directors for the 2020 financial year, a year of social action and initiatives, to help finance our solidarity programme. ”

**FRÉDÉRIC OUDÉA,**  
Chief Executive Officer



# A NEW PURPOSE, A SHARED VISION

After over 150 years of history, we decided to renew our corporate purpose. Its aim is to give our actions more meaning, guide our choices for the future and affirm our goals when we serve our clients.



Founded in 1864 with the original purpose of “promoting the development of trade and industry in France”, Societe Generale supported the industrial revolution, which profoundly changed the world in the 19<sup>th</sup> century.

Today, globalised economies must adjust to a new turning point: a broader responsibility to society, the planet and future generations. To support this new revolution, Societe Generale decided to redefine its corporate purpose:

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

## THE EXPRESSION OF A COLLECTIVE AMBITION

This corporate purpose is the expression of a strong conviction about the specific and differentiating way in which we wish to exercise our banking profession. An engaging purpose, it states, with determination, that our ambition is to continue to play a leading role in the positive transformations of the world.

This purpose prepares us for the long term, marking our place in a world where economic development has become inseparable from environmental and social progress.

## A GUIDE TO STRATEGIC REFLECTION

Through this corporate purpose, Societe Generale is deepening the promise we make to our customers, to support the projects of all those who today are building the world of tomorrow.

More than words, this long-term commitment will concretely inform all of the Group’s strategic priorities. Moreover, it is also through their day-to-day work, proposing innovative solutions to our customers, that our staff bring our purpose to life while actively contributing to the sustainability of the company and the world around us.

## A CO-CONSTRUCTION APPROACH

To construct this new corporate purpose, Societe Generale drew on 85,000 contributions from staff around the world through the annual staff survey, and on several specific workshops involving a variety of teams.

After analysis and convergence work carried out with the Executive Committee, the Board of Directors endorsed the purpose put forward in January 2020. A roll-out and staff ownership programme will be organised throughout 2020.

Societe Generale. A French limited company (*société anonyme*) with share capital of €1,066,714,367.50 - Registered office: 29 bd Haussmann, Paris - 552 120 222 00013 RCS Paris. Group Communication Division - Postal address: Societe Generale, 189 rue d'Aubervilliers, 75886 Paris Cedex 18 - Head of Publication: Frédéric Oudéa. Creation and Production: Studio Societe Generale - Legal submission date: June 2020 - ISSN: 1258-8679 - © Photos: Jean-Marie Cras, Régis Corbet / Societe Generale, Thomas Chéné / La Company, Gérard Uféras, Noëlie Sawadogo / MSF, Getty Images: EmirMemedovski, AJ Watt, Birn, Luis Alvarez, Westend61. Reference: 170 313