

SEPTEMBER 2019

**SG SFH & SG SCF**  
**SOCIETE GENERALE**  
**COVERED BOND**  
**PROGRAMS**



COVERED BOND  
- LABEL -

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INVESTOR PRESENTATION

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

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# **SOCIÉTÉ GÉNÉRALE GROUP**

**Group Results**

# SOCIÉTÉ GÉNÉRALE GROUP

## Q2 19 AND H1 19 Key Highlights



### WELL ON TRACK TO DELIVER CAPITAL TRAJECTORY

**CET1 up at 12.0%**

>200 bp buffer over MDA

- ⇒ Strong discipline in RWA consumption
- ⇒ Further progress in Global Markets RWA reduction (EUR 2.6bn)
- ⇒ Further progress in refocusing program: closing of Eurobank (+8bp)

**Leverage ratio at 4.3%**



### RESILIENT PROFITABILITY, RESTRUCTURING ON TRACK

EUR 1.6bn cost program on track: ca.35% of cost savings achieved

Group net income<sup>(1)</sup> : EUR 1.25bn in Q2 19

ROTE<sup>(1)</sup>: 9.7% in Q2 19 (9.1% in H1 19)



### STRONG RISK PROFILE

Low cost of risk (23bp) in H1 19

Decrease in NPL ratio at 3.4%, 55% gross coverage ratio

Solid balance sheet:

- ⇒ 69% of funding program already achieved
- ⇒ TLAC and MREL compliant

(1) Underlying data

# SOCIÉTÉ GÉNÉRALE GROUP

## Q2 19 AND H1 19 Group Performance



### FRENCH RETAIL BANKING

### INTERNATIONAL RETAIL BANKING

### INSURANCE AND FINANCIAL SERVICES

### GLOBAL BANKING AND INVESTOR SOLUTIONS

### CORPORATE CENTRE

#### Revenues

**+2.1%, excl. PEL/CEL vs. Q2 18**  
-0.6%, excl. PEL/CEL, vs. H1 18

Increase in net interest margin (+1.7% vs. Q2 18) underpinned by good trend in medium-term corporate loans

Fees affected by French banking industry commitment measures and market environment

#### RONE<sup>(1)</sup>

**12.6% in Q2 19**  
**11.5% in H1 19**

#### Revenues

**+7.0%\* vs. Q2 18**  
+7.5%\* vs. H1 18

Strong revenue growth in all regions driven by volume effect

#### RONE<sup>(1)</sup>

**17.1% in Q2 19**  
**16.5% in H1 19**

#### Revenues

**+2.9%\* vs. Q2 18**  
+3.6%\* vs. H1 18

Steady growth in insurance revenues in France and abroad  
Good momentum in equipment finance  
New personal car leasing offer in partnership with Amazon

#### RONE<sup>(1)</sup>

**21.3% in Q2 19**  
**20.9% in H1 19**

#### Revenues

**-6.1% (-7.3%\*) vs. Q2 18**  
-2.6% (-4.6%\*) vs. H1 18

Sustained Financing activities, subdued Investment Banking activities in Europe

Resilient Global Markets revenues

#### RONE<sup>(1)</sup>

**10.0% in Q2 19**  
**8.9% in H1 19**

#### EUR +38m

Q2 19 Gross operating income

#### EUR -91m

Q2 19 Contribution to Group net income

**Q2 19 Revenues EUR 6.3bn, Q2 19 Group net income<sup>(1)</sup> at EUR 1,247m**

(1) Underlying data: adjusted for exceptional items, IFRIC 21 linearisation and PEL/CEL provision for French Retail Banking. See supplement.  
\* When adjusted for changes in Group structure and at constant exchange rates

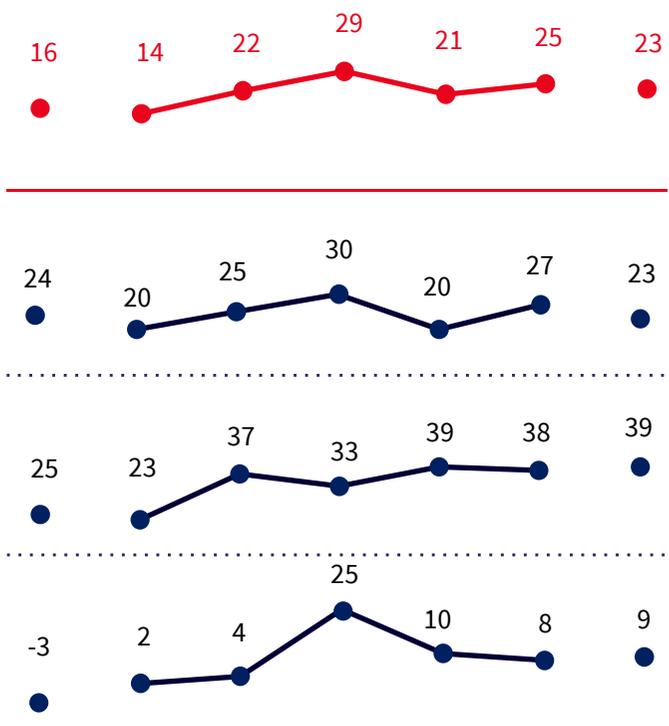
# SOCIÉTÉ GÉNÉRALE GROUP

Low cost of risk, Strong risk profile

## GROUP

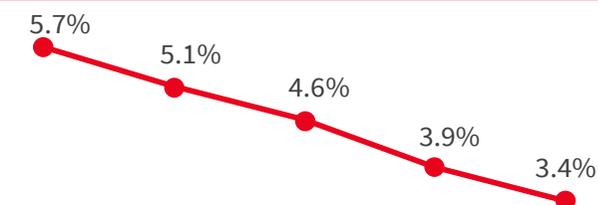
Cost of risk<sup>(1)</sup> (in bp)

H1 18 Q2 18 Q3 18 Q4 18 Q1 19 Q2 19 H1 19



## NON-PERFORMING LOAN RATIO

JUNE 15 JUNE 16 JUNE 17 JUNE 18 JUNE 19



**GROSS COVERAGE RATE: 55% at end-June 19**

(1) Outstandings at beginning of period. Annualised.

# SOCIÉTÉ GÉNÉRALE GROUP

## Balance sheet ratios above regulatory requirements

	2019 requirements <sup>(2),(3)</sup>	End-Q2 19 ratios		Target 2020
CET1	9.9%	12.0%	✓	12%
Total Capital	13.4%	17.9%	✓	
Leverage ratio	3.5%	4.3%	✓	4% - 4.5%
TLAC	19.5% (% RWA) 6.0% (% leverage)	25.8% (% RWA) 7.5% (% leverage)	✓	
MREL <sup>(1)</sup>	8% (% TLOF)	> 8% (% TLOF)	✓	
LCR	>100%	135% <sup>(4)</sup>	✓	>100%
NSFR	>100%	>100%	✓	>100%

(1) TLOF : Total Liabilities & Own Funds, after full recognition of netting rights on derivatives. Requirements subject to regulatory and legislative changes

(2) Excluding Pillar 2 Guidance add-on. Including countercyclical buffer (at 0.1% as of 31 December 2018) and P2R (at 1.75%)

(3) Requirements are presented as of today's status of regulatory discussions

(4) Average on Q2 19

# SOCIÉTÉ GÉNÉRALE GROUP

## 2019 Group long term funding programme

### Parent company 2019 funding programme similar to 2018

c. EUR 17bn of vanilla debt, well balanced across the different debt formats

Annual structured notes issuance volume in line with amounts issued over the past years (i.e. ~EUR 19bn)

\_2019 Expected funding programme<sup>(1)</sup>



### As of 2 September 2019:

~87% completion of the vanilla funding programme (including EUR 0.75bn of prefunding in 2018)

~EUR 13.0bn of structured notes

Additional EUR 1.4bn issued by subsidiaries

<b>Societe Generale</b> 2Y Senior Preferred E3M+37bp 14-Jan-21	<b>Societe Generale</b> 5Y Senior Non Preferred 1.25% 15-Feb-24	<b>Societe Generale</b> 5Y & 10Y Senior Non Preferred 0.94% & 1.164% 21-Feb-24 & 29	<b>Societe Generale</b> 10Y Senior Non Preferred 1.75% 22-Mar-29
EUR 1,750,000,000	EUR 1,750,000,000	JPY 96,200,000,000	EUR 1,250,000,000
<b>Societe Generale</b> 5Y Senior Non Preferred 3.875% 28-Mar-24	<b>Societe Generale</b> PerpNC5 AT1 6.125% 16-Apr-24	<b>Societe Generale</b> 15NC10 Tier2 4.5% 18-Apr-34NC29	<b>SG SFH</b> 10Y Green Covered Bond 0.125% 18-Jul-29
USD 1,500,000,000	SGD 750,000,000	AUD 300,000,000	EUR 1,000,000,000

(1) Excluding structured notes

# 2

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## **SG SFH & SG SCF STRUCTURE OVERVIEW**

# SG SFH & SG SCF STRUCTURE OVERVIEW

Two issuers under a strict regulation with similar structure

Many points in common				
Legal framework	Collateral strategy	Organization & governance	Strict monitoring	Transparency
<ul style="list-style-type: none"> <li>• Bankruptcy remote from SG</li> <li>• Licensed as French credit institution</li> <li>• Double recourse on SG and on the cover pool</li> </ul>	<ul style="list-style-type: none"> <li>• Originated by SG Group</li> <li>• Homogeneous cover pools</li> </ul>	<ul style="list-style-type: none"> <li>• Fully owned and supported by SG</li> <li>• Common governance</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Cover Pool Monitor</li> <li>• Regulated by the French banking regulator</li> <li>• Direct ECB supervision</li> </ul>	<ul style="list-style-type: none"> <li>• ECBC Covered Bond Label</li> </ul>

## SG SFH Program

- **EUR 40bn** program listed in Paris
- Rated **Aaa/AAA** by Moody's/Fitch Ratings
- Collateral type : **French home loans** originated only by SG Group Retail network
- **Positive Impact framework with CBI certification** 

## SG SCF Program

- **EUR 15bn** program listed in Paris
- Rated **Aaa/AAA** by Moody's/Standard & Poor's
- Collateral type : **public sector exposures** only, including sovereign, municipalities and export credit agencies

# SG SFH & SG SCF STRUCTURE OVERVIEW

A very strong legal and regulatory framework for a highest level of investors' protection

## Supervision

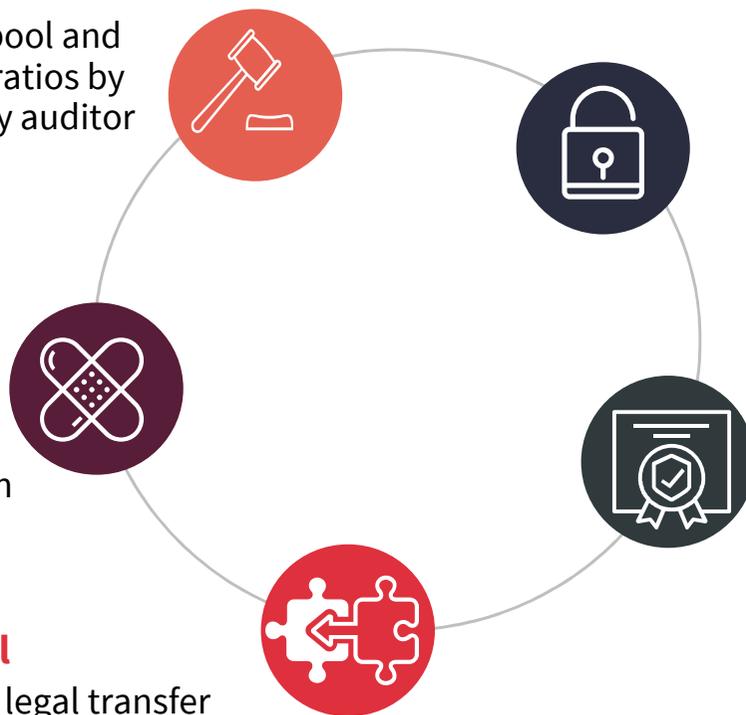
- Direct supervision by the European Central Bank
- Monitoring of the cover pool and certification of the legal ratios by an independent statutory auditor (Cover Pool Monitor)

## Legal mitigants

- Legal Cover Ratio (105%)
- Liquidity needs coverage for a 180 days period with restricted liquid assets
- Strict monitoring of asset liability mismatch in terms of WAL and gaps with regulatory limits

## Transfer of Collateral

- Valid and enforceable legal transfer of full title as security under the European Collateral Directive
- Provides a double recourse on the cover pool and on SG



## Exclusive legal purpose

- Business purpose limited by law to the sole refinancing of eligible assets
- Restricted legal eligibility criteria targeting an extremely high quality collateral selection
- Substitution assets limited to 15% of the privileged debt

## Derogatory insolvency regime

- Segregation of cover pool assets and legal preferential claim for covered bonds investors
- Absolute seniority of payments over all creditors, no early redemption or acceleration
- Regulated covered bonds are exempted from bail-in (BRRD)

# SG SFH & SG SCF STRUCTURE OVERVIEW

## A preferential regulatory treatment of covered bonds for bank investors

### 10% Risk Weight under Capital Requirements Regulations (CRR)

#### SG SFH (Art 129.1.e)

- Residential loans all fully guaranteed by Crédit Logement (Aa3/AA for Moody's/DBRS)
- Loan to Income (LTI) lower or equal to 33%
- No mortgage liens on the residential property at loan origination and for loans granted from 1 January 2014 the borrower is contractually committed not to grant such liens without the credit institution's consent

#### SG SCF (Art 129.1.a.b)

- Exposures to or guaranteed by central and local governments and public sector entities
- Exposures to or guaranteed by central and local governments and third country (other than EU) public sector entities rated step 1

### L1 & L2A High Quality Liquid Assets

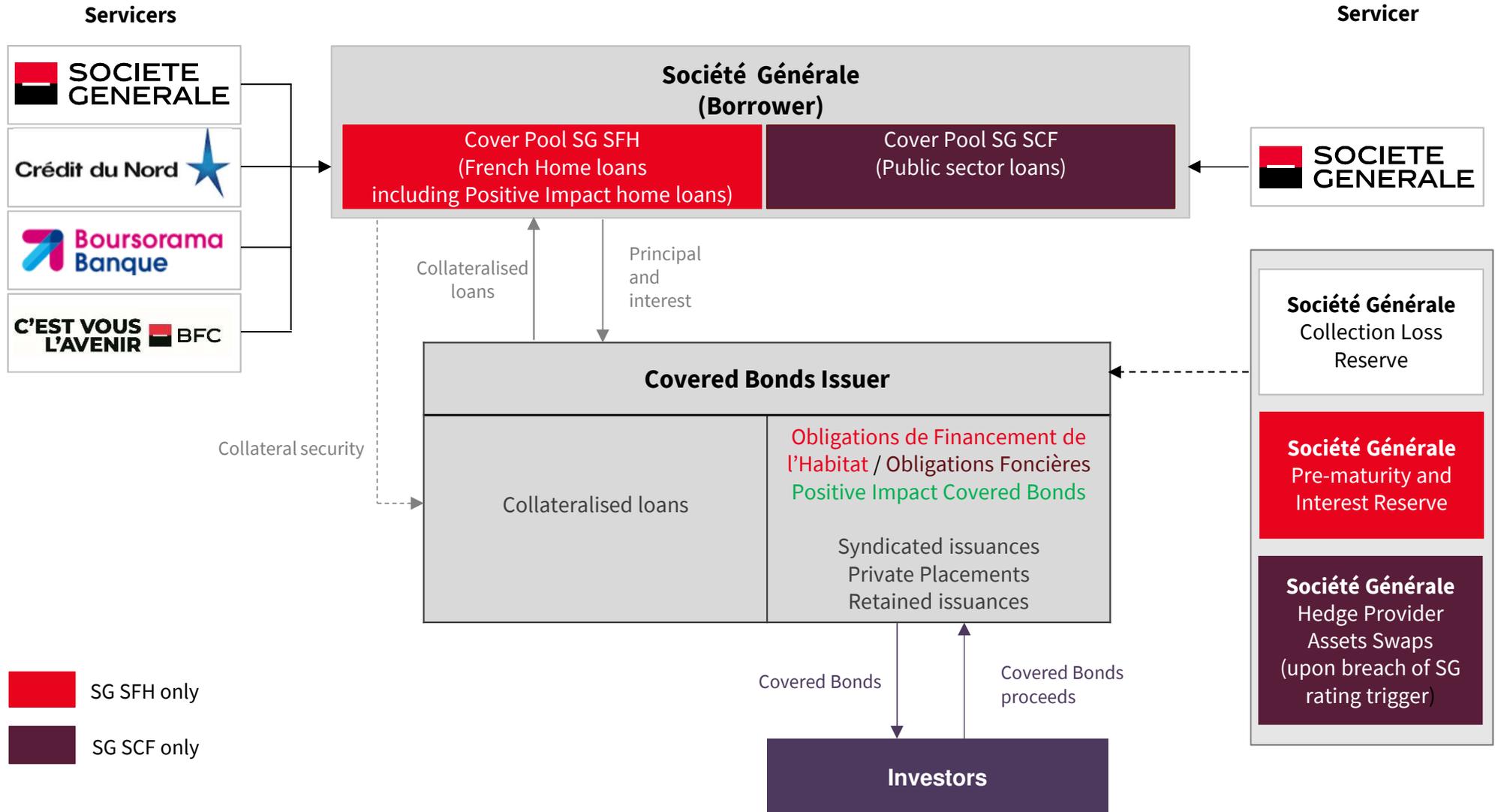
- UCITS compliant (52.4) ([http://ec.europa.eu/finance/investment/legal\\_texts/index\\_fr.htm](http://ec.europa.eu/finance/investment/legal_texts/index_fr.htm))
- Transparency requirements (Art. 129.7)\*
- Minimum issuance size (at least EUR 250 million for L2A and EUR 500 million for L1)
- Step 1 covered bond rating by at least 1 ECAI
- Overcollateralization > 2% for L1 and 7% for L2A (SG SCF : 43,3% and SG SFH : 14%)\*\*
- Exposures towards Credit institutions <15 % of outstanding covered bonds

\*cf. HTT Report available on the investor website (<https://www.societegenerale.com/en/measuring-our-performance/investors/debt-investors>)

\*\*Figures as of end of June 2019

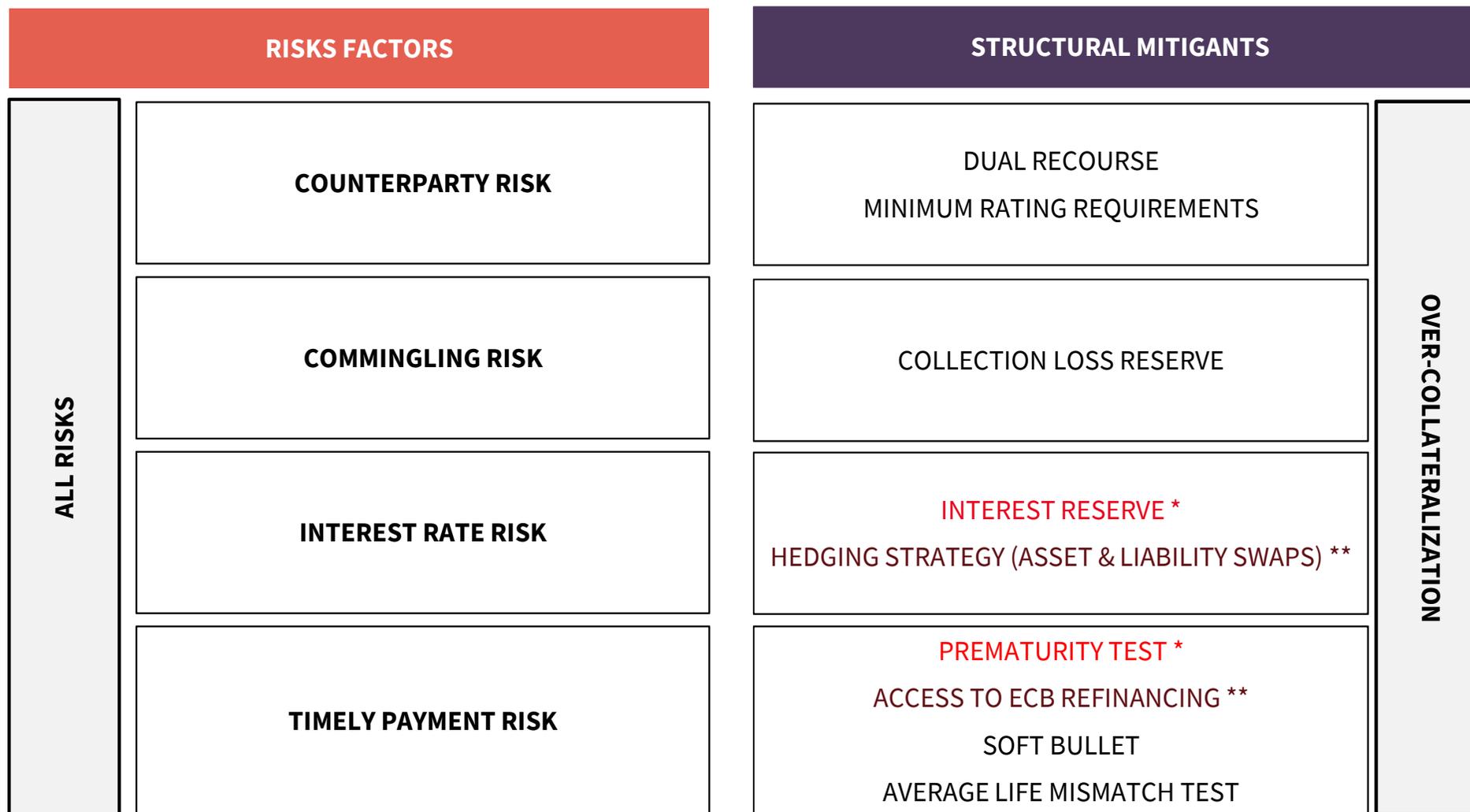
# SG SFH & SG SCF STRUCTURE OVERVIEW

A comprehensive and simple structure compliant with rating agencies' criteria



# SG SFH & SG SCF STRUCTURE OVERVIEW

Risks are rigorously managed and strongly mitigated

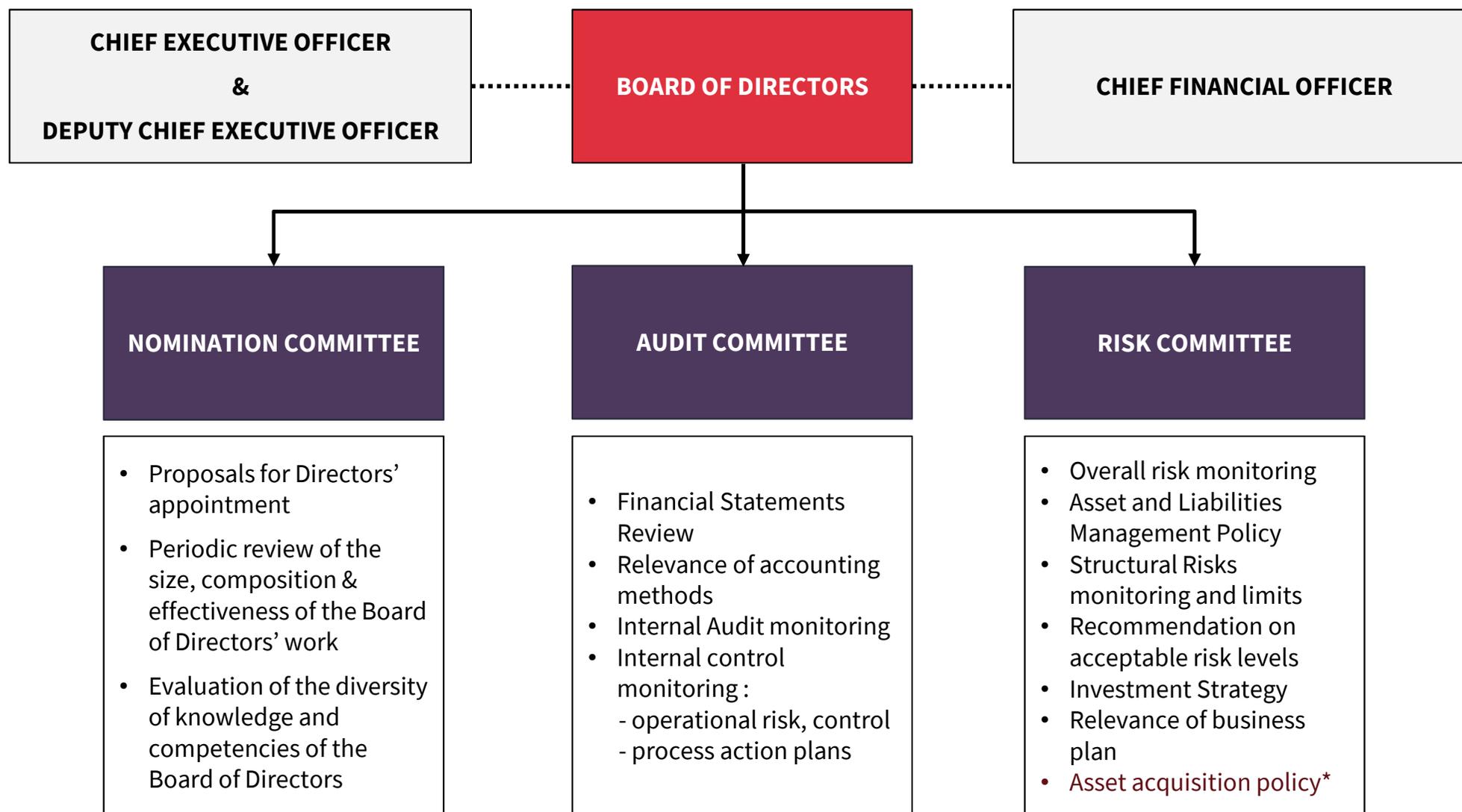


\* SG SFH only

\*\* SG SCF only

# SG SFH & SG SCF STRUCTURE OVERVIEW

A dedicated governance with a strong control environment



\* SG SCF only

# 3

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## **SG SFH COVERED BOND PROGRAM**

# SG SFH COVERED BOND PROGRAM

A collateral investment policy in line with SG Group business strategy

## Strategic integration in the Group

- SG SFH is the main refinancing entity for the French Home Loan business originated by the SG Group French Retail Network
- Provides lower cost of funding to increase SG Group competitiveness

## Attractive and resilient market segment

- Low home ownership rate allowing further development of the French Home Loan business
- Resilient home prices
- High quality and well performing prime home loans
- Dedicated mutual guarantee mechanism (Crédit Logement)

## Concentration on core competencies

- Home loans represent 52% of French retail network outstanding loans granted to individual customers
- Sustained home loan production focusing on upscale clients

## Strict selection criteria

- Double credit approval by SG and by Crédit Logement at loan origination
- Due diligence of the selected assets by the Cover Pool Monitor in respect of compliance with legal criteria
- Additional self-imposed investment restrictions at SG SFH level : residual maturity can not exceed 30 years, no unpaid instalment, borrowers are not SG employees

# SG SFH COVERED BOND PROGRAM

## Integrating SG Group environmental strategy : Positive Impact Covered Bond Framework & Issuance



### POSITIVE IMPACT COVERED BOND FRAMEWORK

#### USE OF PROCEEDS & TARGET IMPACT

- ✓ Use of proceeds: to refinance **mortgages on residential properties that belong to the top 15% carbon efficient dwellings in metropolitan France**
- ✓ Positive contribution to climate and support to the transition to a low carbon future
- ✓ Contribution to SDG target 7.3 and SDG 13



#### SELECTION OF POSITIVE IMPACT MORTGAGES

- ✓ Criteria of the underlying property:
  - Located in Metropolitan France
  - Destined to be exclusively used for main housing
  - Top 15% carbon efficient residential properties



#### ASSESSMENT & REPORTING

- ✓ The positive impact on climate change is estimated with the support of the external consultant company Wild Trees, **taking into consideration potential negative externalities**
- ✓ Annual reporting until maturity on:
  - Total outstanding amount of eligible mortgages
  - Estimated annual energy savings (in MWh)
  - Annual GHG emissions in tons of CO2 equivalent saved

#### TRANSPARENCY

- ✓ Second Party Opinion by Vigeo Eiris on the alignment with:
  - Principles for Positive Impact Finance
  - ICMA Green Bond Principles
- ✓ Top 15% selection methodology developed with Wild Trees
- ✓ Impact measurement methodology developed by Wild Trees



### COVERED BOND ISSUANCE

ISIN	Issue date	Currency	Amount issued	Maturity date	Coupon
FR0013434321	18 July 2019	EUR	1,000 M	18 July 2029	0.125%

Net proceeds of the Positive Impact Covered Bond issued in 2019 by SG SFH are **100% allocated** to the portfolio of Eligible Loans refinancing consequently **33.5% of this portfolio's global amount**

\*as defined in SG SFH Positive Impact Covered Bond Framework [https://www.societegenerale.com/sites/default/files/documents/Notations%20Financi%C3%A8res/sg\\_sfh\\_positive\\_impact\\_covered\\_bond\\_framework\\_june2019.pdf](https://www.societegenerale.com/sites/default/files/documents/Notations%20Financi%C3%A8res/sg_sfh_positive_impact_covered_bond_framework_june2019.pdf)  
 \*\*data as of 31 May 2019

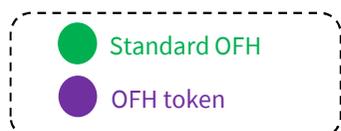
### PORTFOLIO OF ELIGIBLE LOANS

Portfolio name	Number of Eligible Loans*	Outstanding Amount**	Eligibility for Positive Impact Covered Bond	Average Portfolio Lifetime	Annual GHG emissions avoided	Annual Energy savings
Portfolio of Eligible Loans	21,237	2,987 MEUR	100%	18 years	15,926 tCO <sub>2</sub> eq	90,695 MWh

# SG SFH COVERED BOND PROGRAM

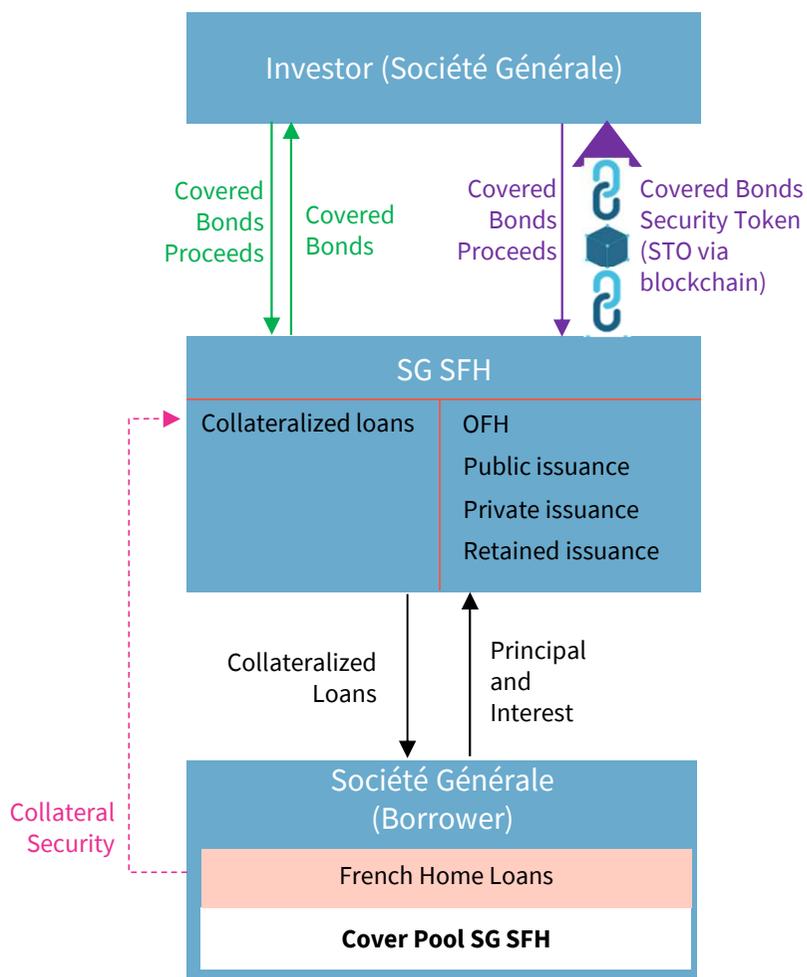
## First Covered Bond issuance on a Public Blockchain

On 18th of April the Financial Direction of Groupe Société Générale, using Société Générale FORGE platform, issued a real bond solely registered on a public blockchain.



**Product :** an OFH (Obligation de Financement de l'Habitat, repackaging RE loans) secured retained paying interests. This bond is bearing the exact legal rights as a standard OFH : it is a real bond on blockchain.

- Nominal : 100M€
- Denomination: 100k€
- Not admitted to regulated market
- Soft bullet
- Issuer call



**Client :** Financial Direction of Groupe Société Générale

**Context :** Many banks and fintechs are seeing the security tokens market as a growth relay and SG wants to be part of it. In order to optimize the refinancing of the Group, its Financial Direction is seeking to diversify its bonds issuance offer and targeting new customers leveraging on tech, cost optimization and decreased time-to-market.

### Hot points :

- The token is fully holding the legal rights of the bond; this point was cleared with GIDE & the Regulator. The code was audited by PwC.
- The custody is based on a « self custody » solution which means no CSD is needed. Thus the « custodian » task is only to keep the blockchain access keys safe and providing a strong transaction signing governance.
- The position can be read at all times on the blockchain, even in case of a failure on SG reporting tools side.
- The cash is settled against the token like a regular security (*this is one of the key value added from a financial institution in this setup*).
- Ethereum blockchain is widely used and thus is multi tested, as well as a reference as an infrastructure
- The repo eligibility is being discussed with the Central Bank.

# SG SFH COVERED BOND PROGRAM

Strategic integration in SG Group : diversified home loans origination & sources of collateral

## THREE STRONG AND COMPLEMENTARY BRANDS REFINANCED THROUGH SG SFH



A solid universal bank at the service of the economy

1,906

branches

**€ 25.7bn  
home loans  
outstanding**



8 regional banks

836

branches

**€ 9.3bn  
home loans  
outstanding**



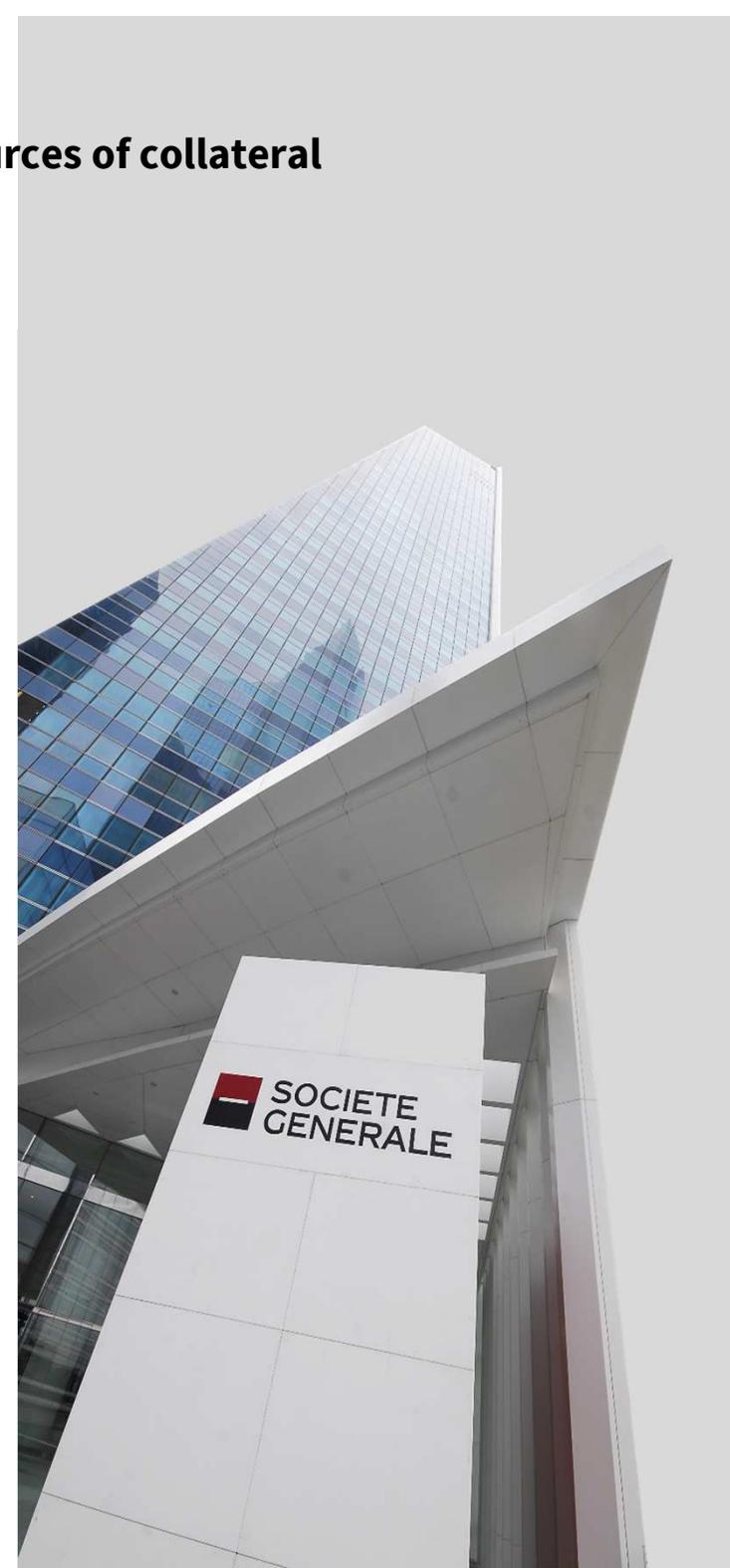
N°1 online bank in France

Leading player of the brokerage and online savings

**€ 4.3bn  
home loans  
outstanding**

**Total cover pool = € 39.3bn**

Figures as of 30 June 2019



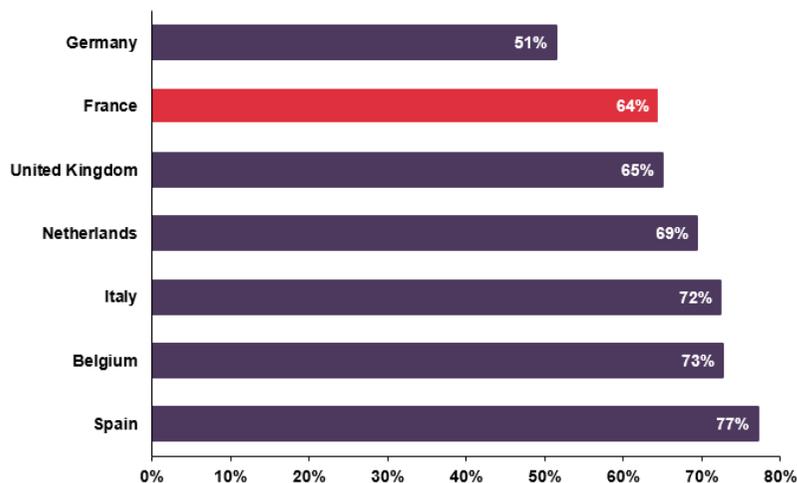
# SG SFH COVERED BOND PROGRAM

## The French home loan market : an attractive and resilient market (1/2)

### MARKET CONTEXT

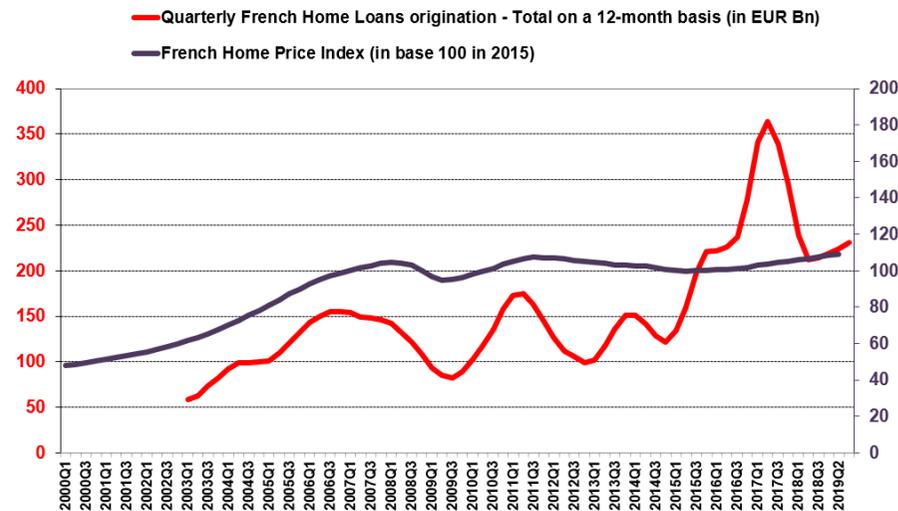
- 64% ownership rate (among the lowest in EU)
- 31.4% of French households bearing residential loans in 2018
- Resilient Home prices (very limited impact during financial crisis)
- Maturity at origination below French market practice

### European home ownership rate



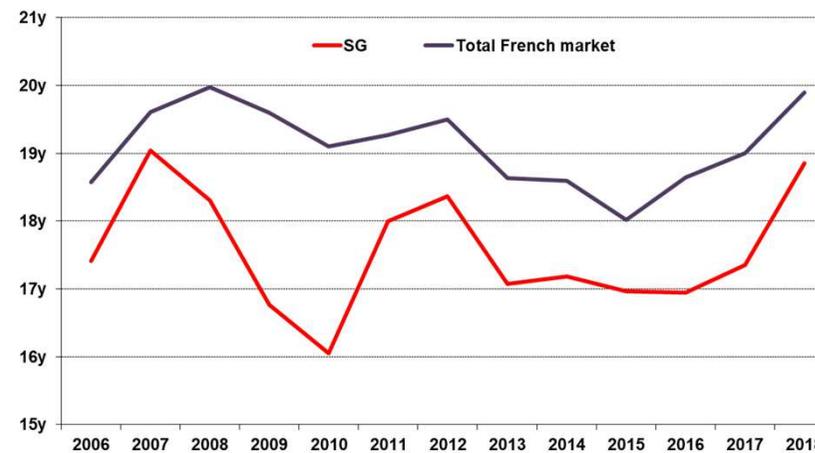
Source : Eurostat, 2017

### French home loan market



Source : Banque de France / Insee-Notaries

### Home loans initial maturity at origination



sources : ACPR - SG

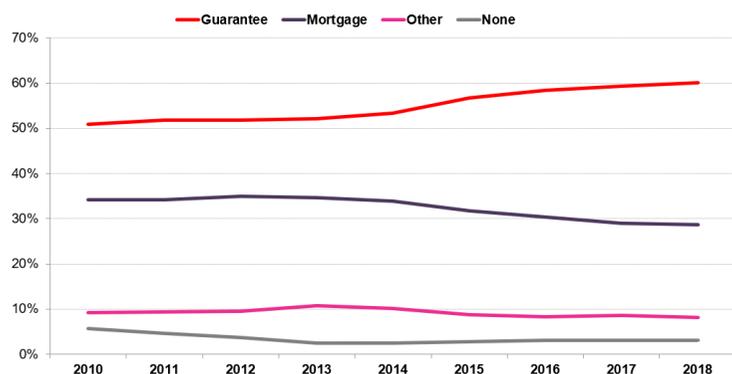
# SG SFH COVERED BOND PROGRAM

## The French home loan market : an attractive and resilient market (2/2)

### HOME LOANS MAIN CHARACTERISTICS

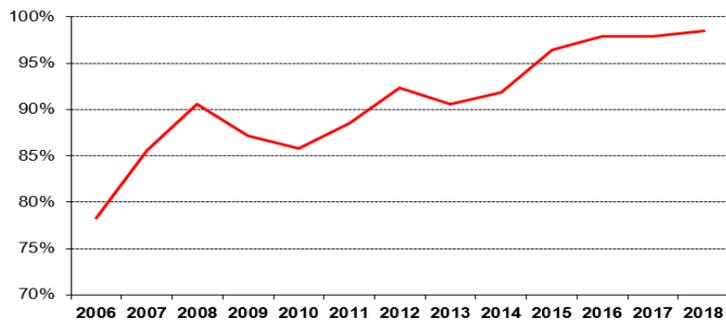
- Loan amounts are based on borrower's capacity to repay
- Security type : guaranteed rather than mortgage loans
- Mostly fixed rate loans with monthly fixed instalments
- No home equity loan market

#### Security type of French home loans



Source : Financement de l'habitat 2018 - ACPR

#### Fixed rate French home loans origination

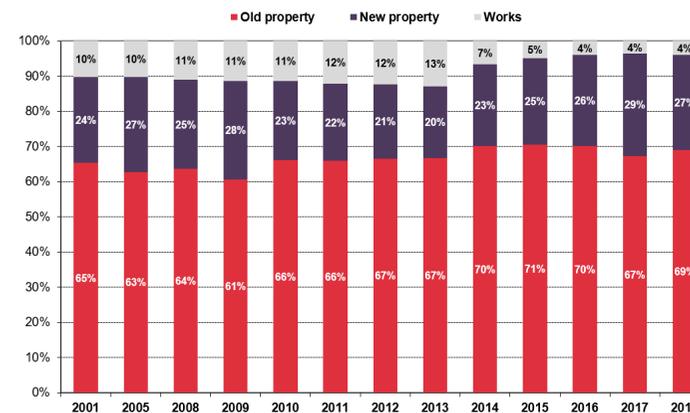


source : ACPR

### A PRIME HOME LOAN MARKET

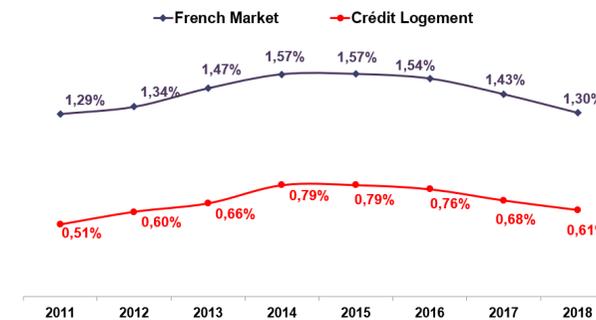
- Loan purpose : a stable distribution between new & old properties
- Non performing loans rates remain low :
  - at national level
  - especially when guaranteed by Crédit Logement

#### French home loan purpose



Source : Observatoire de la Production des Crédits Immobiliers (OPCI)

#### Non performing French home loans

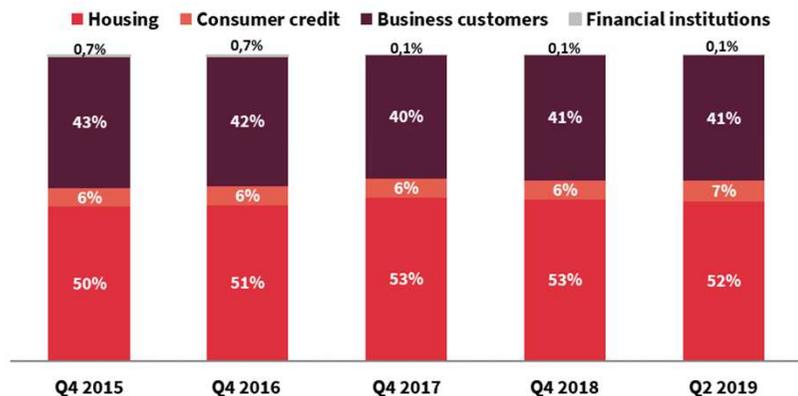


Sources : ACPR, Crédit Logement

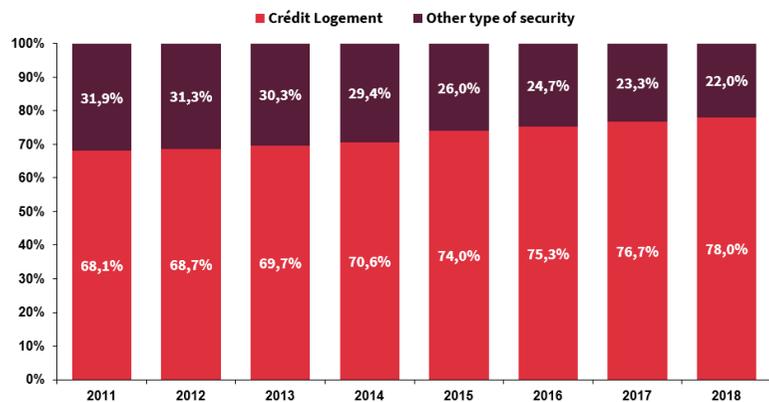
# SG SFH COVERED BOND PROGRAM

Concentration on core competencies : Société Générale French home loan business

## SG French retail outstanding loans breakdown



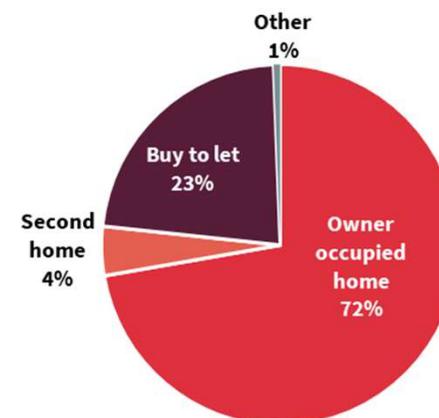
## Annual SG French retail home loans origination – Breakdown by type of security



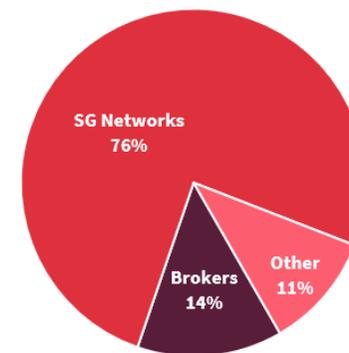
## SG French home loans business

Breakdown as of end of 2018

### Loan Purpose Type



### Acquisition Channel Type



# SG SFH COVERED BOND PROGRAM

## The French home loan market : Benefits of Credit Logement's guarantee(1/2)

### CREDIT LOGEMENT PERFORMANCE

• **“Guaranteed loans” market share in home loan market** : in 2018, guaranteed loans represented 60,1%(\*) of the overall residential loans granted in France, an increase of 0.9 bps compared to 2017.

• **Crédit Logement is the national leader** of the home loan guarantee, with a market share of around 33% of the whole home loan market.

in EUR Bn	2013	2014	2015	2016	2017	2018
French home loan production	140,5	121,6	192,6	180,4	220,5	203,0
CL Guarantee production	49,1	43,2	80,4	69,4	84,4	66,3
<i>CL guarantee production market share</i>	35%	36%	42%	38%	38%	33%
French home loan outstanding	783,4	802,4	834,1	870,8	927,7	983,4
CL Guarantees outstanding	245,5	254,3	280,3	301,1	325,7	345,8
<i>CL guarantees outstanding market share</i>	31%	32%	34%	35%	35%	35%

• Disbursements on guarantee calls and full partner bank compensations are paid from the **Mutual Guarantee Fund (MGF)\*\***, while Crédit Logement overheads are covered by fees partly spread over the life time of the guarantees.

• Crédit Logement NBI also comprises interest income from the MGF investments and reached EUR 204m in 2018 (EUR 239m in 2017). The decrease is mainly due to lower fees on lower production and less prepayments on guaranteed loans, where fees to be spread are immediately brought to P&L.

(\*) Source: Enquête annuelle 2019 du SG ACPR sur le financement de l'habitat

(\*\*) which funds are collected from the initial fee payments when guarantees are granted

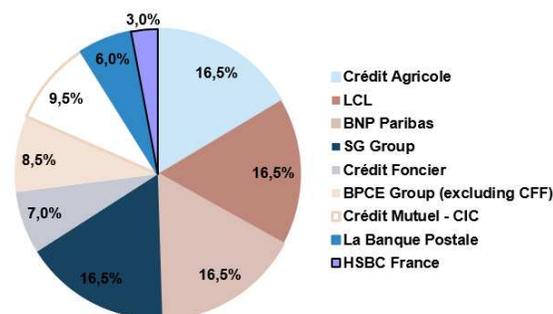
# SG SFH COVERED BOND PROGRAM

## The French home loan market : Benefits of Credit Logement's guarantee(2/2)

### OTHER CREDIT LOGEMENT CREDENTIALS

- **Crédit Logement is backed by all larger French banks:**

- Long term rating : Aa3 (stable outlook) by Moody's & Aa low (stable outlook) by DBRS
- Shareholders are formally committed to support Crédit Logement's growth in terms of capital needs



- Crédit Logement is a financial institution supervised by the French Banking Regulator (*Autorité de Contrôle Prudentiel et de Résolution*).
- Crédit Logement risk decreases since 2015 and doubtful debt ratio reaches a low 0,61% at end 2018.
- In 2018, the MGF covers 2.7 times all doubtful debts (defined as >3 months instalments arrears) :

in EUR Mn	2013	2014	2015	2016	2017	2018
CL Guarantees outstanding	245 470	254 288	280 344	301 096	325 720	345 777
CL MGF outstanding	3 950	4 120	4 571	4 924	5 321	5 651
Balance Sheet - Doubtful debt outstanding	730	889	1 078	1 244	1 335	1 347
Off Balance Sheet - Doubtful debt outstanding	898	1 119	1 146	1 047	873	771
Total Doubtful debt outstanding	1 628	2 008	2 224	2 291	2 208	2 118
<i>Doubtful debt % of the guarantees outstanding</i>	0,66%	0,79%	0,79%	0,76%	0,68%	0,61%
<i>CL MGF outstanding / Total Doubtful debt outstanding</i>	2,43	2,05	2,06	2,15	2,41	2,67
Written off amounts	13,90	19,77	29,70	25,10	50,90	67,40
<i>Write-offs (N) / Doubtful debt outstanding (N-1)</i>	1,00%	1,21%	1,48%	1,13%	2,22%	3,05%
<i>Write-offs (N) / CL MGF outstanding</i>	0,35%	0,48%	0,65%	0,51%	0,96%	1,19%

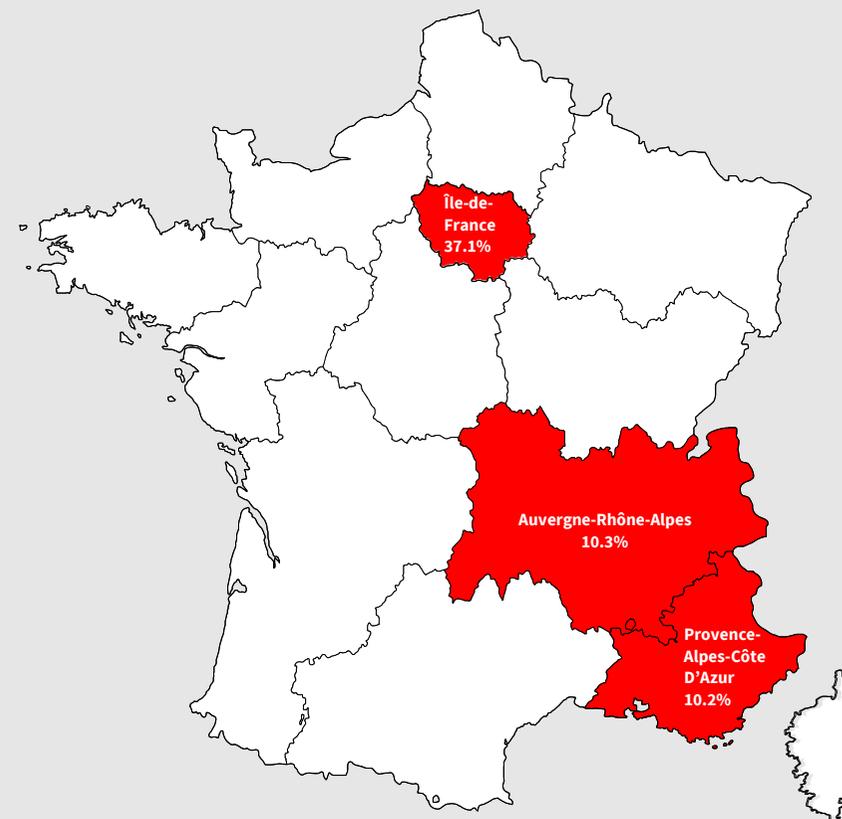
# SG SFH COVERED BOND PROGRAM

A high quality and well diversified cover pool (1/3)

As at 30 June 2019

<b>Collateral</b>	100% prime French residential loans guaranteed by Crédit Logement
<b>Pool Size</b>	€ 39.3bn
<b>Number of borrowers</b>	328,986
<b>Number of loans</b>	390,107
<b>Average loan balance</b>	€ 100.8k
<b>Current WA LTV</b>	62.1%
<b>WA Seasoning</b>	53 months
<b>WAL</b>	86 months
<b>Non performing loans</b>	0

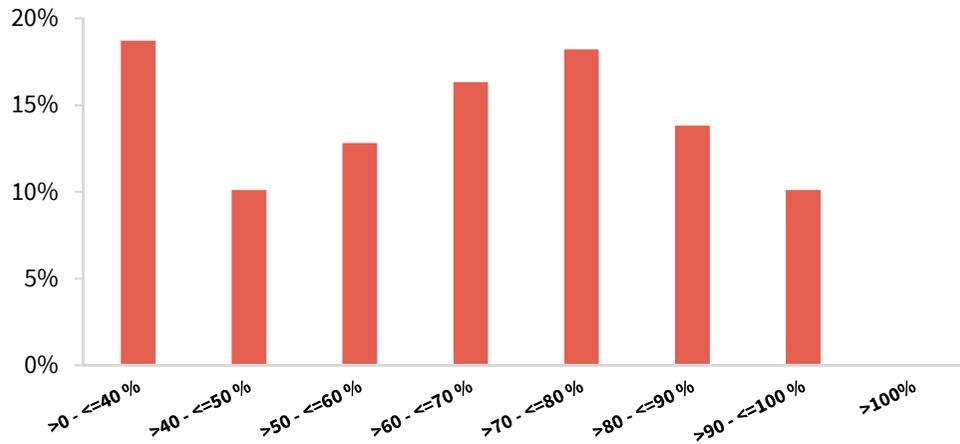
## Geographical distribution



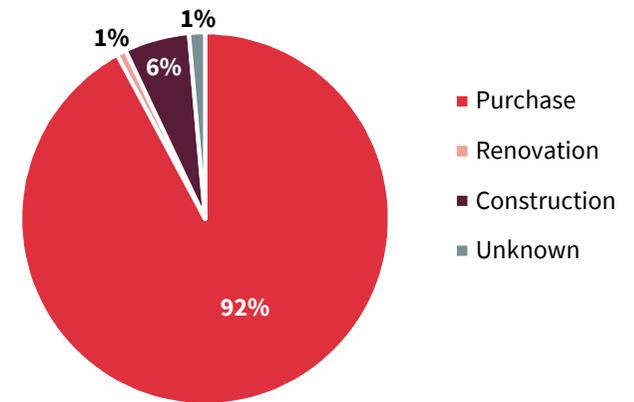
# SG SFH COVERED BOND PROGRAM

A high quality and well diversified cover pool (2/3)

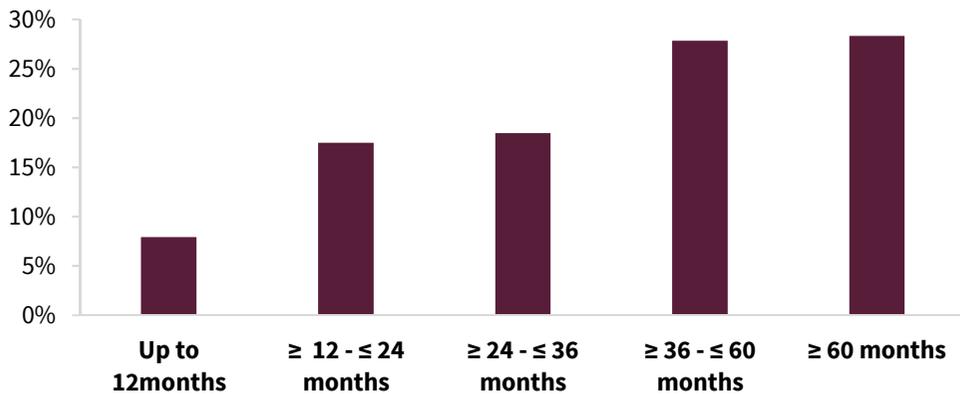
**Indexed LTV Distribution**



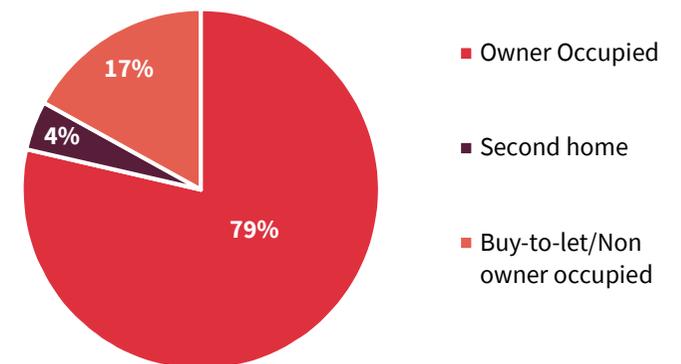
**Loan purpose**



**Seasoning**

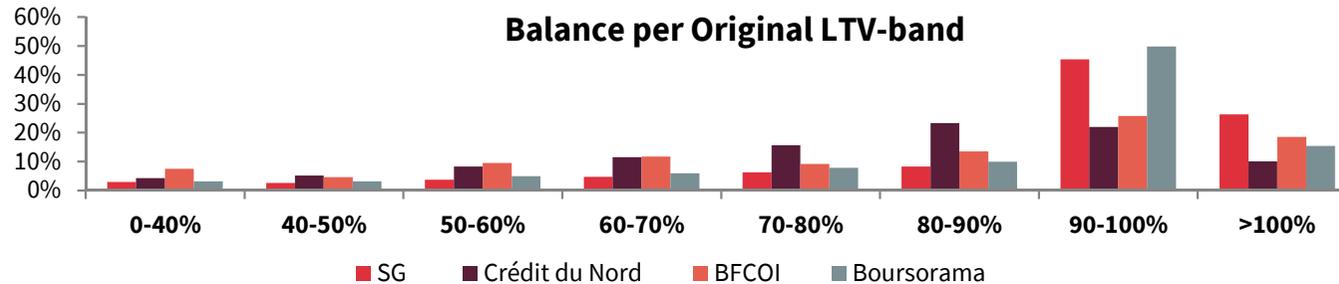
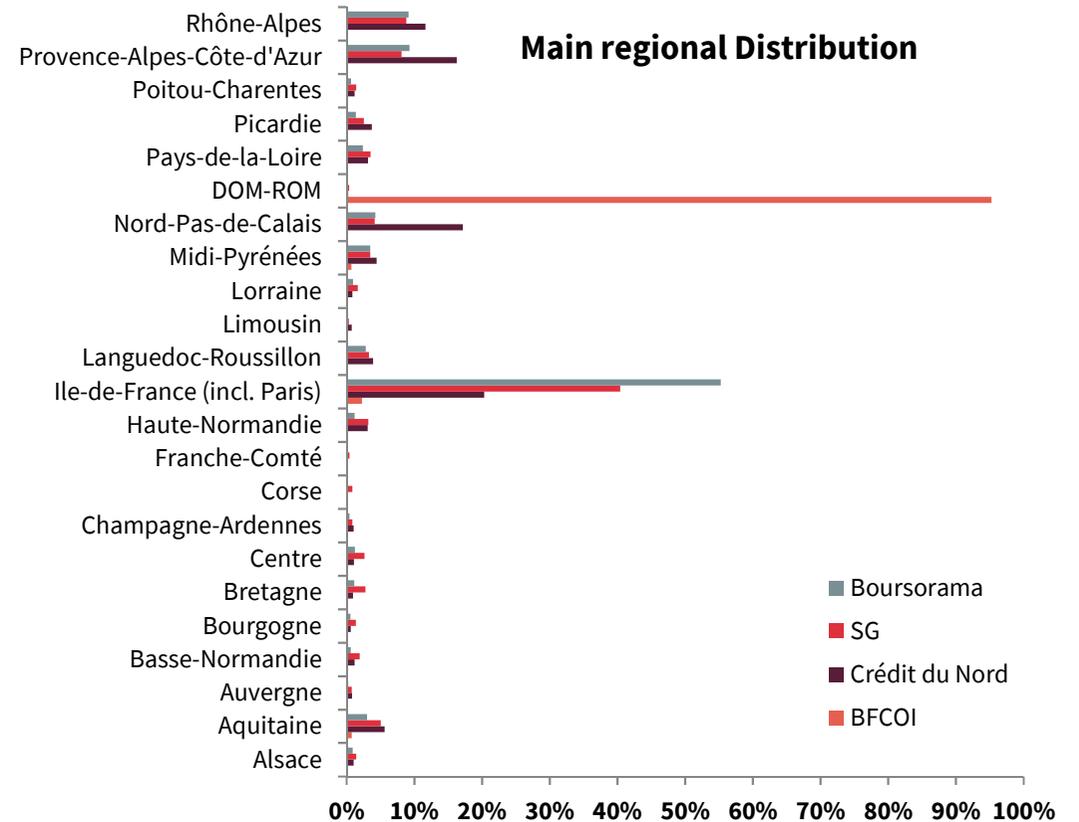
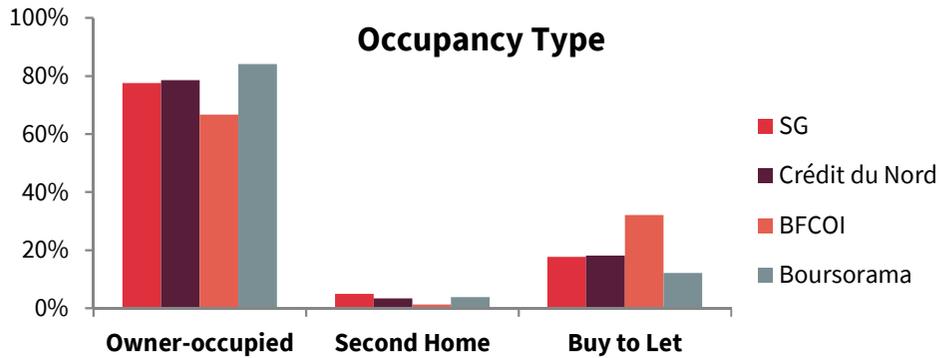
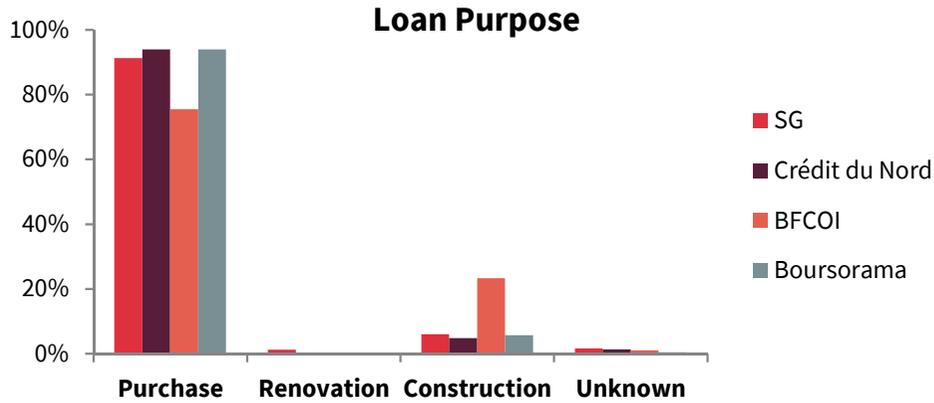


**Occupancy type**



# SG SFH COVERED BOND PROGRAM

A high quality and well diversified cover pool (3/3)

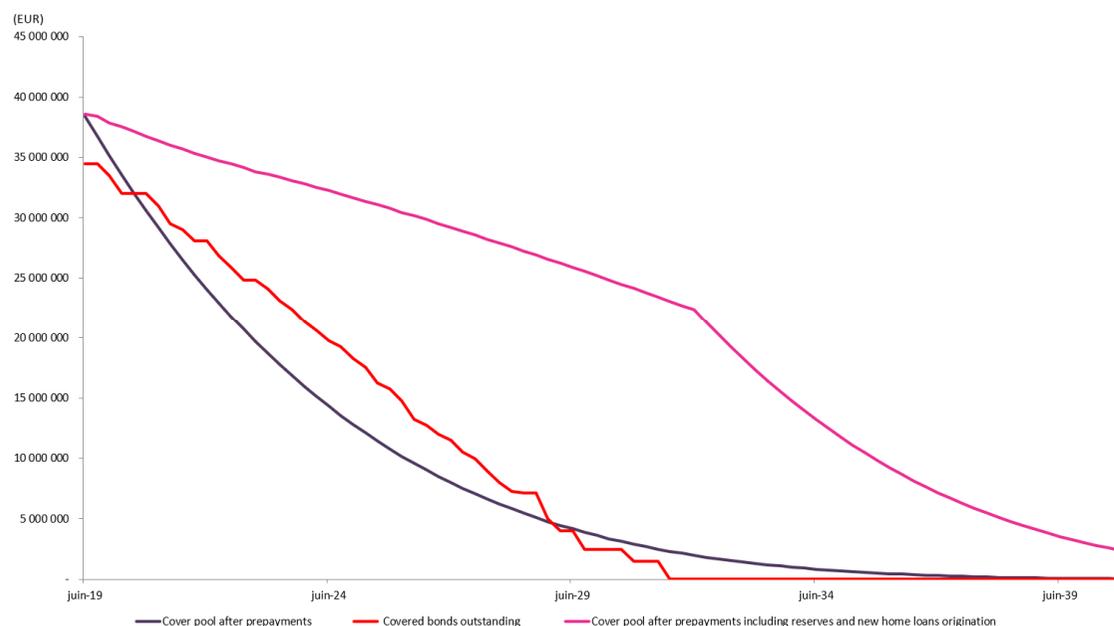


# SG SFH COVERED BOND PROGRAM

## A dynamic, projective and cautious ALM monitoring

- Covered bonds fully backed up to their final maturities
- The structure has been set up to take into account best ALM practice
  - Tight projective monitoring of ALM metrics
  - Definition and strict monitoring of a coverage long term plan based on available eligible assets and conservative new production assumptions
- Stress Tests have been designed to ensure the resilience of the structure to downgraded economic environment

**Asset Liability Management profile**



### Nominal Over-Collateralisation

**114%**

Min AAA target : > 106,5% (Moody's)  
> 105,5% (Fitch)

### Weighted Average Life mismatch

**-13 months**

Limit : < +18 months

### 180 days Liquidity Coverage

No gaps during the next 180 days period

### Collateral Coverage Gaps

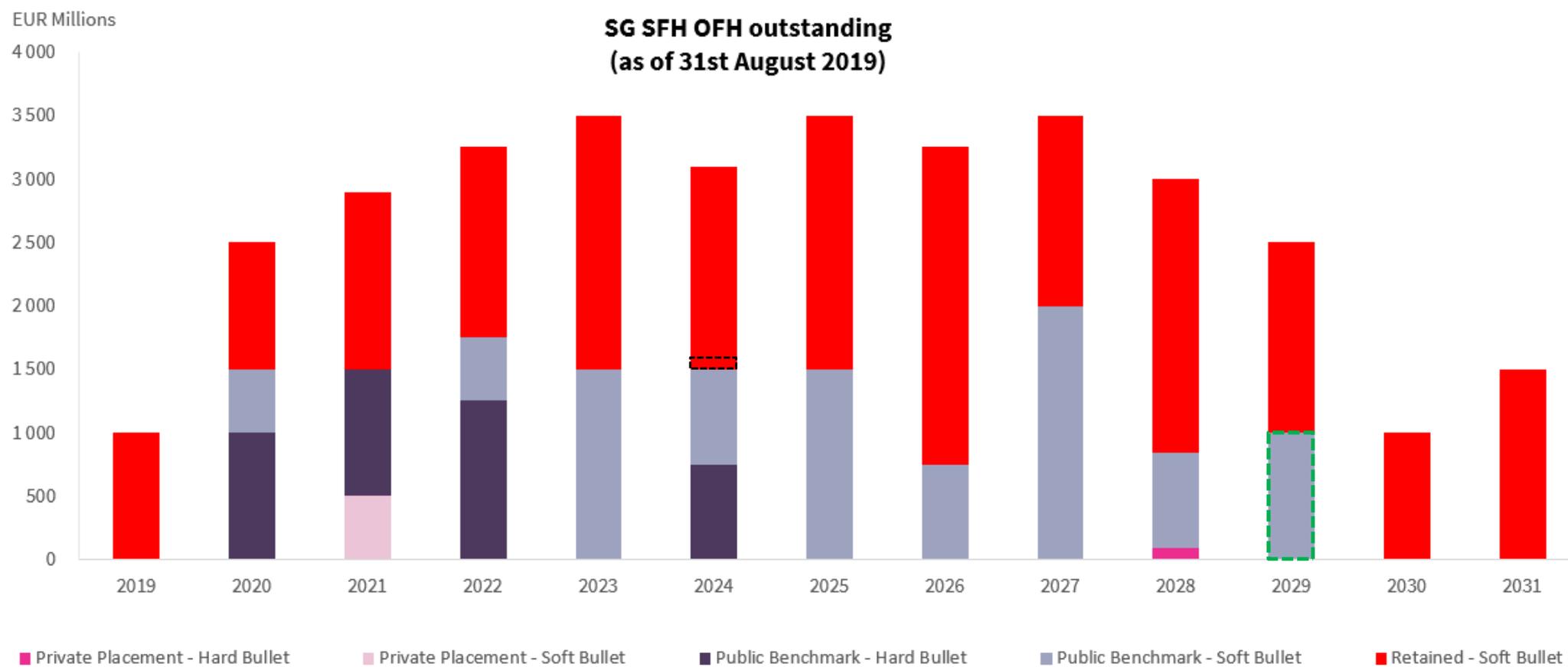
No gaps up to final maturity

Figures as of end of June 2019

# SG SFH COVERED BOND PROGRAM

Funding strategy : well balanced mix between Group funding needs and issuance capacity

- Last issuance in July 2019 : Green Bond of EUR 1,000M 10 years maturity in soft bullet format
- The SG group funding strategy allocated around EUR 2.5bn to both SG covered bonds program
- Strong issuance capacity of EUR 18.6bn as of 31<sup>st</sup> August 2019



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**SG SCF COVERED  
BOND PROGRAM**

# SG SCF COVERED BOND PROGRAM

A collateral investment policy in line with SG Group business strategy

## Strategic integration in the Group

- SG SCF is the main refinancing entity for the Public Sector financing originated by the SG Group French Retail Network and the Investment Bank
- Provides lower cost of funding to increase SG Group competitiveness

## Strategic key financing areas

- Municipalities and Local Governments financing
- Public utilities and service providers
- Public infrastructure projects such as expansion of the national grid, renewable energy, harbors, airports, highways, schools and social housing buildings
- Export Credit Agencies guaranteed transactions

## Concentration on core competencies

- 2nd market share on large local governments in 2018 (source : AGEFI)
- 3rd ranking in export finance in H1 2019 with a 7.6% market share (source : TXF)
- Best Corporate and Investment Bank in Energy, Infrastructure and Transport sector Q2 2019 (Trophées Leaders de la Finance)

## Strict selection criteria

- Stringent selection based on a multi-step process
- Certification by reputable law firms of each asset class' eligibility
- Ex ante due diligence by the Cover Pool Monitor on the proposed collateral assets
- Validation by SG SCF's Risk Committee of new asset class

# SG SCF COVERED BOND PROGRAM

Financing new innovative projects supporting economic growth and development

CULTURE



NICE STADIUM



GRENOBLE UNIVERSITY



MUCEM - MARSEILLE

SPORT



HYBRID BUS - DIJON



PHILHARMONIE DE PARIS



VELODROME - SAINT QUENTIN EN Y.

INFRASTRUCTURES

# SG SCF COVERED BOND PROGRAM

Contributing to financing the French public economy sector

LOCAL GOVERNEMENTS

SUPPORTING INVESTMENTS IN TRANSPORTATION, ENERGY AND RESOURCES SECTOR



LOCAL PUBLIC ENTITIES



CONTRIBUTING TO CONSTRUCTION PROJECTS FOR ALL CITIZENS

SOCIAL HOUSING

COMMITTED FOR THE DEVELOPMENT AND ATTRACTIVENESS OF TOMORROW'S TERRITORIES



PUBLIC HEALTH INSTITUTIONS

# SG SCF COVERED BOND PROGRAM

Contributing to developing export finance transactions



Transport



Cruise



Infrastructure



Media & Telecoms



Energy



Environment

75 staff members

based in 12 countries

3<sup>rd</sup> in Export Finance

- Europe #1
- Africa #1
- Middle East #2



22 export credit programs

40 years of experience

- Australia (EFIC)
- Austria (OeKB) \*
- Belgium (Ducroire) \*
- Canada (EDC)
- China (SINOSURE)
- Czech Republic (EGAP) \*\*
- Denmark (EKF) \*
- Finland (Finnvera Oyj) \*
- France (BpiFrance AE) \*
- Germany (Euler Hermes) \*
- Italy (SACE)
- Japan (JBIC & NEXI)
- Korea (KSURE & KEXIM)
- Luxembourg (ODL)
- Netherlands (Atradius) \*\*
- Norway (GIEK) \*
- Poland (KUKKE)
- Spain (CESCE)\*\*
- Sweden (EKN)
- Switzerland (SERV)
- United Kingdom (UKEF) \*
- United States (Ex Im Bank) \*

\* Already refinanced through SG SCF

\*\* Target refinancing through SG SCF

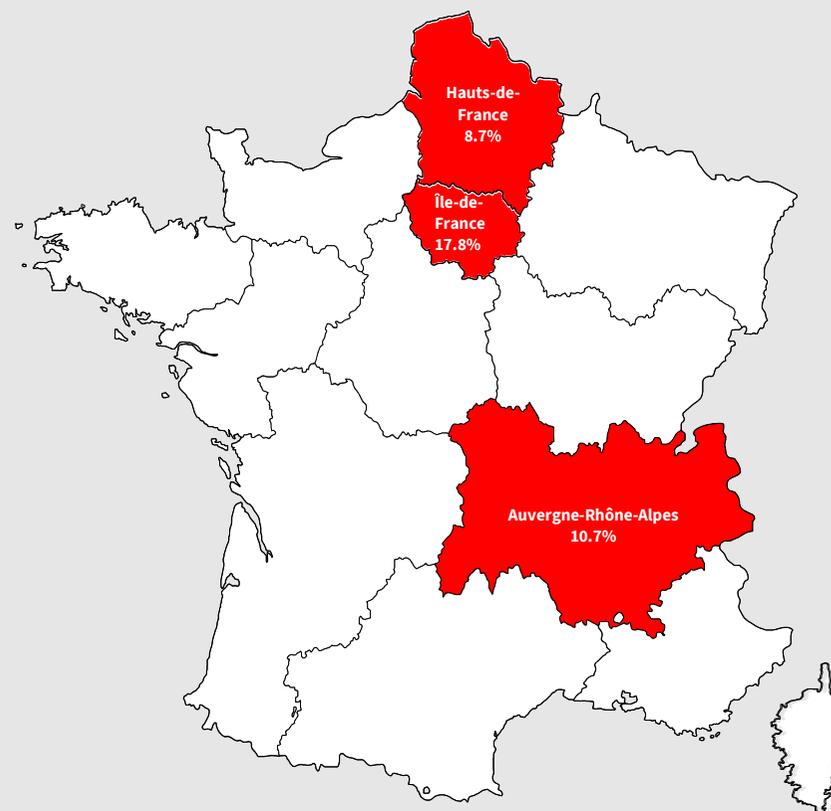
# SG SCF COVERED BOND PROGRAM

A high quality and well diversified cover pool (1/2)

As at 30 June 2019

<b>Collateral</b>	Exposures to / or guaranteed by eligible public entities
<b>Pool Size</b>	€ 11.8bn
<b>Number of borrowers</b>	1,507
<b>Number of loans</b>	3,543
<b>Origination by SG French retail vs Investment Bank</b>	60% 40%
<b>Currency Distribution</b>	EUR : 93% USD : 7%
<b>Current WA LTV</b>	62.1%
<b>WAL</b>	86 months
<b>ECB Eligible Assets</b>	58%
<b>Non performing loans</b>	0

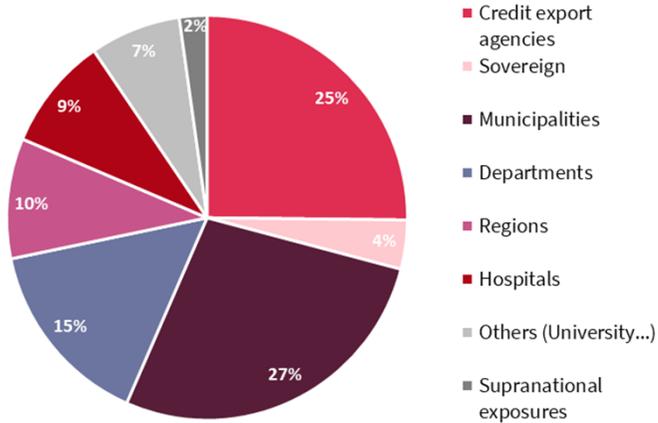
Geographic distribution in France  
(85% of the cover pool)



# SG SCF COVERED BOND PROGRAM

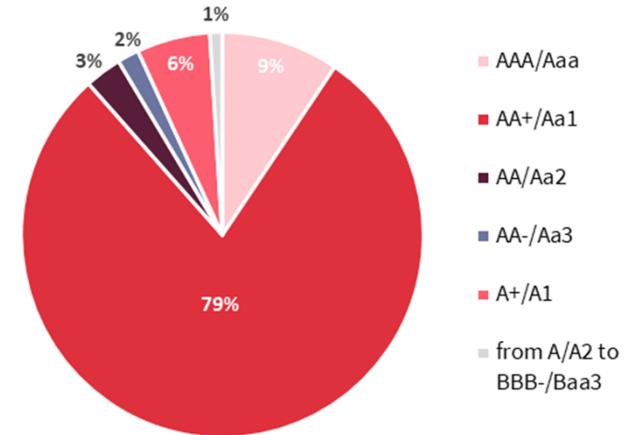
A high quality and well diversified cover pool (2/2)

### Exposure Type

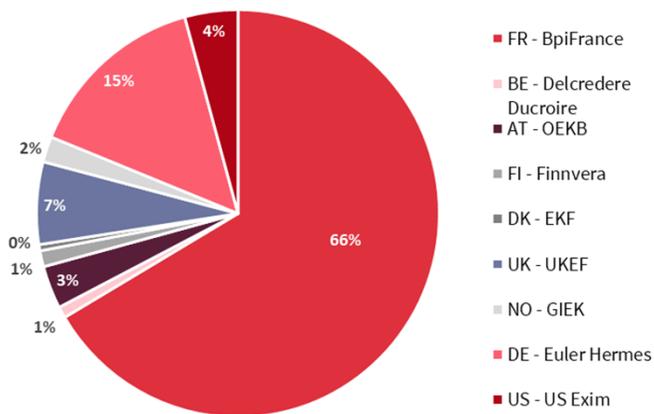


### Exposure Ratings

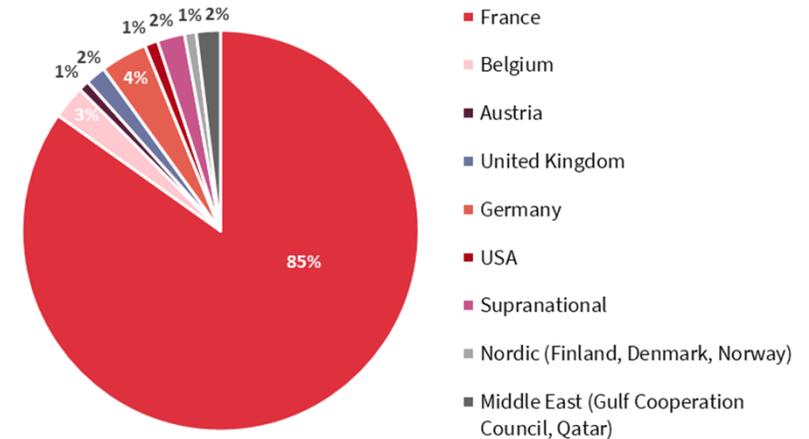
(SG internal rating in rating agencies equivalent)



### Export Credit Agencies Type



### Geographic Exposure

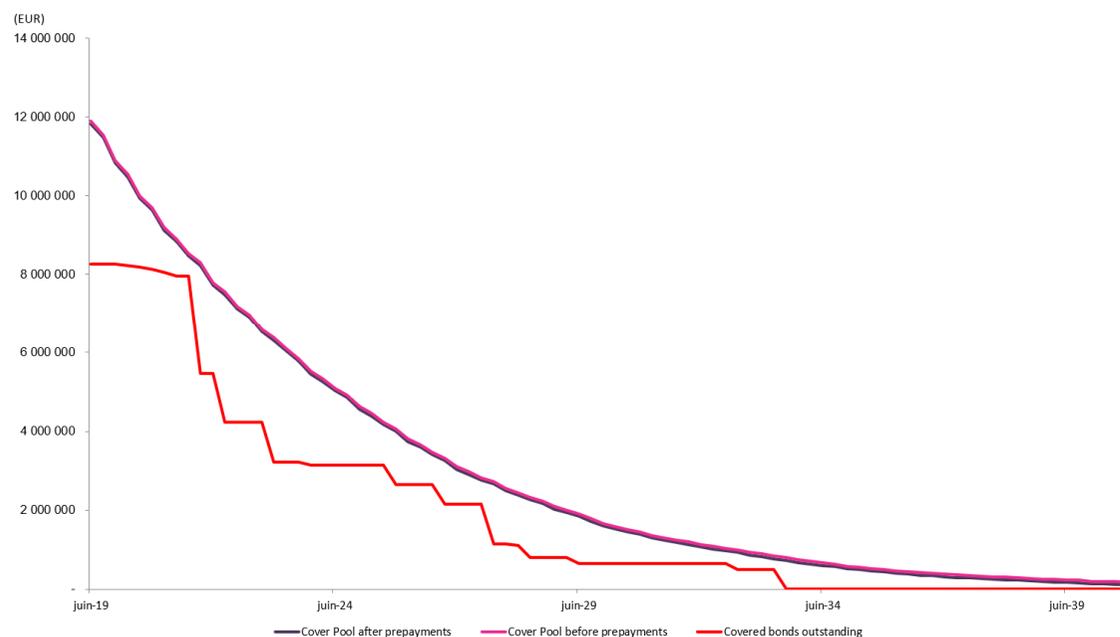


# SG SCF COVERED BOND PROGRAM

## A dynamic, projective and cautious ALM monitoring

- Covered bonds fully backed up to their final maturities
- The structure has been set up to take into account best ALM practice
  - Tight projective monitoring of ALM metrics
  - Definition and strict monitoring of a coverage long term plan based on available eligible assets and conservative new production assumptions
- Stress Tests have been designed to ensure the resilience of the structure to downgraded economic environment

Asset Liability Management profile



### Nominal Over-Collateralisation

**143.3%**

Min AAA target : > 104% (Moody's)  
> 102.5% (S&P)

### Weighted Average Life mismatch

**+ 4 months**

Limit : < +18 months

### 180 days Liquidity Coverage

No gaps during the next 180 days period

### Collateral Coverage Gaps

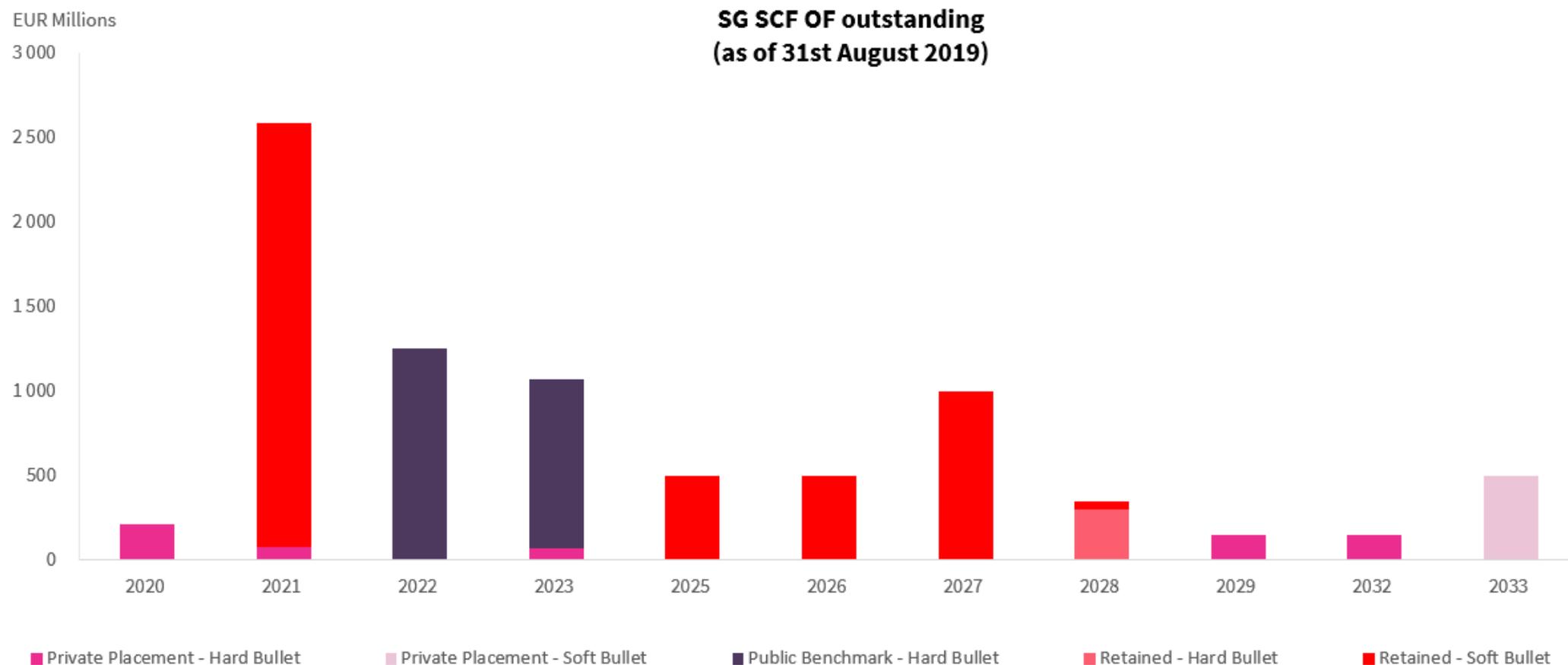
No gaps up to final maturity

Figures as of end of June 2019

# SG SCF COVERED BOND PROGRAM

Funding strategy : well balanced mix between Group funding needs and issuance capacity

- Last Club Deal issuance in August 2015 : EUR 500M 18 years maturity in soft bullet format
- Issuance capacity of EUR 2.4bn as of 31<sup>st</sup> August 2019



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## APPENDICES

# SG SFH COVER POOL : ELIGIBILITY CRITERIA

## SG SFH main eligibility criteria

- Loans granted in Euros
- Loans governed by French law
- The financed property is a residential property, located in France
- Loans are secured by a guarantee granted by Crédit Logement
- At the date on which the loan is selected to enter into the pool:
  - principal outstanding can not exceed EUR 480,000 if the property value exceeds EUR 600,000
  - residual maturity can not exceed 30 years
  - at least one instalment has been paid
  - no unpaid instalment
- Borrowers are individuals
- Borrowers are not SG Group employees
- No contractual set off right granted to the borrower
- No amount drawn under the loan and already repaid can be redrawn by the borrower

The Cover Pool is replenished on a monthly basis, eligibility criteria being applied at each replenishment

# SG SCF COVER POOL : ELIGIBILITY CRITERIA

## SG SCF main eligibility criteria

- Loans to or guaranteed by public entities :
  - Central or local governments
  - Central banks
  - Public sector entities
  - Supranational institutions
- Minimum exposure rating :
  - BBB-/Baa3 and/or internal rating equivalent (within European Union)
  - AA-/Aa3 and/or internal rating equivalent (outside European Union)
- Minimum country exposure rating of AA-/Aa3 with derogations possible for below AA- within a certain limit
- Loans denominated in EUR and USD only
- No highly complex structured rates loans
- No contractual set off right granted to the borrower
- No defaulted loans

The Cover Pool is monitored on a monthly basis, eligibility criteria being applied and all defaulted loans are withdrawn

# CREDIT LOGEMENT MECHANISMS (1/2)

## BUSINESS MODEL

- Crédit Logement provides guarantees of home loans in case of non repayment by borrowers, as an alternative to the traditional registration of a mortgage :
  - Each home loan granted by SG and guaranteed by Crédit Logement has to satisfy both Crédit Logement and SG credit policies;
  - Its unique knowledge of the home loan market (working with all the French banks) allows Crédit Logement to remain well aware of market practices.
- Crédit Logement has signed agreements with 230 partner banks it is working with, these agreements stating the rights and obligations of each partner bank.
- The use of Crédit Logement guarantees has real competitive advantages both for banks and borrowers.

## FOR BORROWERS

- Competitive cost, with repayment of a high portion of the contribution to the Mutual Guarantee Fund (MGF)
- Allow avoidance of French mortgage registration, heavy process
- Flexible: efficient process allowing quick obtaining and cancellation (once loan is fully repaid), with no extra deregistration cost in case of early repayment

## FOR BANKS

- No cost involved and automatic process to obtain the guarantee approval based on precise criteria
- No administrative burden to follow on the mortgage
- Full and rapid compensation when a guaranteed loan is defaulting
- Recovery process and costs fully managed by Crédit Logement, in particular Crédit Logement developed an expertise on this activity

# CREDIT LOGEMENT MECHANISMS (2/2)

## MUTUAL GUARANTEE FUND

- The guarantee provided by Crédit Logement is based on the contribution of each borrower to the Mutual Guarantee Fund (MGF) which is a dedicated guarantee on residential loans
- How does the MGF work and where the money comes from?
  - Initial payment to the MGF for every borrower benefiting from a CL guarantee,
  - Defaulted loans are bought back by Crédit Logement and MGF funds repay the bank,
  - When a loan is fully repaid, part of the initial payment is reimbursed to the borrower (calculated according to the global rate of use of the MGF)
- The MGF mechanism is more profitable to the borrowers in comparison with the standard guarantees offered by some other institutions:
  - Less expensive than a mortgage constitution fee,
  - Borrowers can get back some portion of their initial contribution

## PROCESSES

### GRANTING PROCESS

- When receiving a guarantee request, in mostly cases through electronic transmission or its extranet, the process works as follows:
  - Internal review of its own register to assess Crédit Logement exposure on this borrower,
  - Automated analysis by the DIAG system,
  - Manual assessment by analysts, in circumstances where DIAG has not provided an automatic clearance.
- DIAG combines a score, limits and professional rules with two main axis of analysis:
  - Customer ability to repay the loan,
  - Analysis of the borrower's available assets, knowing that Crédit Logement has the ability to seize all the assets of the defaulted borrower.

### RECOVERY PROCESS

- When called on a guarantee, after three unpaid instalments, the process is the following:
- The recovery analyst, after receiving the whole file from the bank, contacts the borrower and try, within a limited period of time, to get full repayment of unpaid amounts
    - Crédit Logement manages to put back to normal loan process 50% of guarantee calls
    - Otherwise, Crédit Logement's target is to get an out of Court sale, but may initiate the property seizure. After sale, Crédit Logement has still the ability to pursue the borrower thanks to the common pledge on the borrower's property
      - During the whole procedure, Crédit Logement may secure its recovery by obtaining a judicial mortgage, within less than a week



# DISCLAIMER

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This presentation contains forward-looking statements relating to the targets and strategies of the Société Générale 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 Société Générale, Société Générale SFH and Société Générale SCF believe 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 Société Générale's markets in particular, regulatory and prudential changes, and the success of Société Générale's strategic, operating and financial initiatives.

More detailed information on the potential risks that could affect Société Générale, Société Générale SFH or Société Générale SCF's financial results can be found in Société Générale Registration Document, Société Générale SFH and Société Générale SCF Base Prospectus as supplemented, both filed with the French Autorité des Marchés Financiers.

Further information regarding Société Générale Positive Impact Covered Bonds Framework are available on the website of Société Générale (<https://www.societegenerale.com/fr/mesurer-notre-performance/investisseurs/investisseurs-dette>).

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, Société Générale, Société Générale SFH and Société Générale SCF do 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.

Figures in this presentation are unaudited.