

# SOCIETE GENERALE COVERED BOND PROGRAMS SG SFH INVESTOR PRESENTATION



June 2014



BUILDING TOGETHER  
TEAM SPIRIT  SOCIETE GENERALE

# DISCLAIMER

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This document may contain a number of forecasts and comments relating to the targets and strategies of the Societe Generale Group.

These forecasts are based on a series of assumptions, both general and specific, notably - unless specified otherwise - 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.

This information was developed from scenarios based on a number of economic assumptions for 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;
- to evaluate precisely 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 presentation.

There is a risk that these projections will not be met. Investors are advised to take into account factors of uncertainty and risk likely to impact the operations of the Group when basing their investment decisions on information provided in this document.

Unless otherwise specified, the sources for the rankings are internal.

The Group's condensed consolidated accounts at 30 June 2014 thus prepared were examined by the Board of Directors on 31 July 2014. The Statutory Auditors' limited review of the condensed consolidated financial statements is currently underway.

The financial information presented for the six-month period ending 30 June 2014 has been prepared in accordance with IFRS as adopted in the European Union and applicable at this date.

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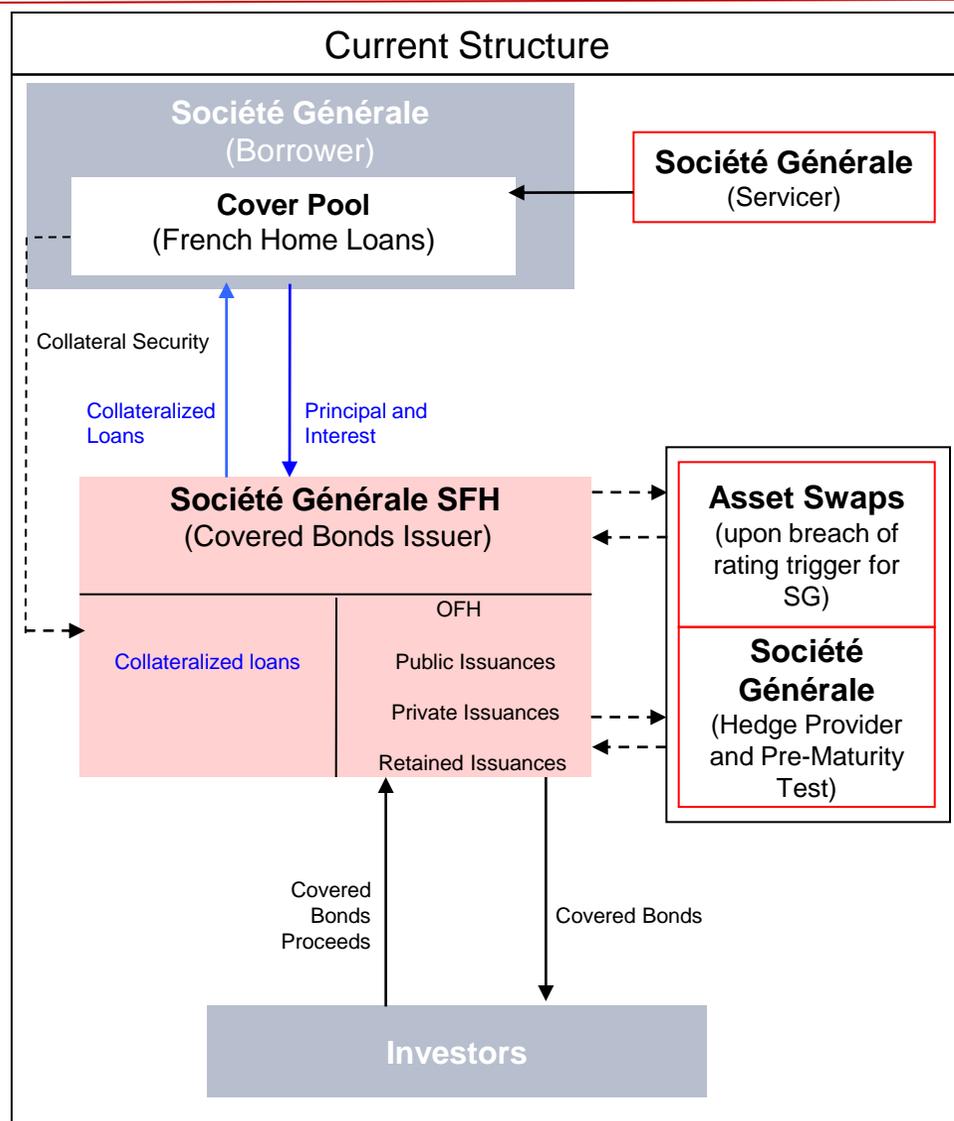


**CHAPTER 01\_SG SFH COVERED BOND PROGRAMME**

**CHAPTER 02\_FRENCH HOME LOAN BUSINESS**

**CHAPTER 03\_CREDIT LOGEMENT**

# SG SFH: STRUCTURE OVERVIEW



- **EUR 19.0bn** of **collateralized loans** granted by **SG SFH** to **SG**.
- OFH are covered by a direct security over the Cover Pool (L.211-38 from French *Code Monétaire et Financier* “*remise en pleine propriété à titre de garantie*”).
- **Dual recourse** on Société Générale and the Cover Pool.
- SG SFH has implemented a 9 month **Pre-Maturity Test** triggered upon SG’s rating. Following the downgrade of SG from F1+ to F1, SG posted a cash collateral amount.
- **Over-collateralization** is always maintained at adequate levels to support AAA/Aaa ratings on the Covered Bonds, with a **minimum of 5%** legally enforced at all time.
- Hedging policy:
  - (i) Interest rate swap including unilateral collateral agreement (CSA), in case of mismatch between assets and liabilities (OFH) rate types
  - (ii) Interest rate swap including unilateral collateral agreement, to hedge discrepancies between the home loans fixed rates portion of the cover pool and the collateralized loans in order to provide the required level of hedging to the SFH
 All swaps being consistent with the latest rating agencies methodologies

## SG SFH COVER POOL (1/3)

### Program Term

- Société Générale SFH (*Société de Financement de l'Habitat*) was created in April 2011
- The inaugural issuance took place in May 2011
- EUR 25bn EMTN Program
- Listing: Euronext Paris

### Cover Pool

#### At SG SFH level :

- Collateralised loans to SG (EUR 19.0bn)

#### Based on a merged and look-through approach:

- Refinancing home loans originated in the SG retail network
- Transfer by way of security using L.211-38 from French *Code Monétaire et Financier* (“*remise en pleine propriété à titre de garantie*”)
- Cover pool size: EUR 23.4bn
- 332,240 home loans to individuals financing French residential real estate
- Cover pool made of home loans all 100% guaranteed by Crédit Logement (A+/Aa3/AA – S&P/Moody's/DBRS)
- No defaults, weighted average life of 7.9 years (before prepayments)
- Current OC: 24.9%

### Obligations de Financement de l'Habitat

- Compliant with provision 52(4) of the EU UCITS and art.129 of the Capital Requirement Regulation
- 18 outstanding series for a total of EUR 19.0bn of which 9 series placed with external investors for EUR 8.69bn (included the last issuance dated of April 2014)
- Weighted average life of 7.8 years
- Benchmark transactions and private placements

Figures as of end of June 2014

## SG SFH COVER POOL (2/3)

<b>Loan type</b>	<b>100% prime French residential loans guaranteed by Crédit Logement (A+/Aa3/AA)</b>
<b>Pool size</b>	<b>EUR 23.4bn</b>
<b>Number of loans</b>	<b>332,240 (average EUR 71,426 balance remaining per loan)</b>
<b>Current WA LTV</b>	<b>61.59%</b>
<b>WA Seasoning</b>	<b>60 months</b>
<b>Interest rate type</b>	<b>92.5% fixed, 7.5% capped/floored variable</b>
<b>Geographic distribution</b>	<b>Ile-de-France 42.9%, Provence-Alpes-Côte d'Azur 7.9%, Rhône-Alpes 7.6%, Others 41.5%</b>
<b>Liabilities</b>	<b>EUR 19.0bn FRN (Aaa/AAA) for a nominal OC of 24.9%</b>

Figures as of end of June 2014, cf ECBC Report available on the investor website (<http://www.societegenerale.com/fr/mesurer-notre-performance/investisseurs/investisseurs-dette>)

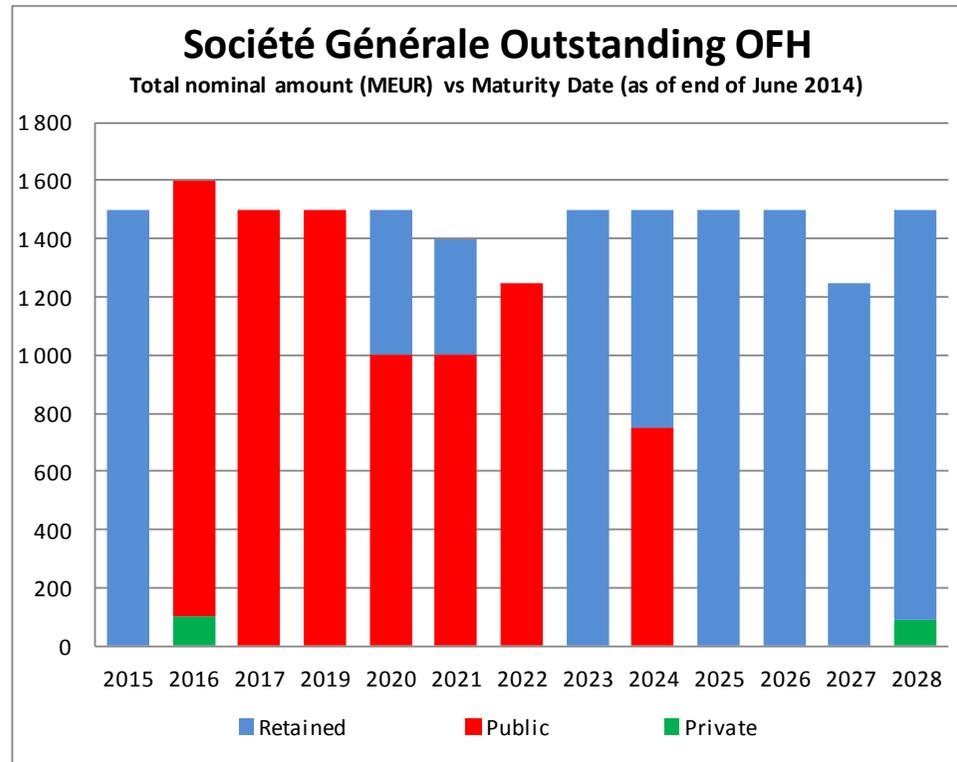
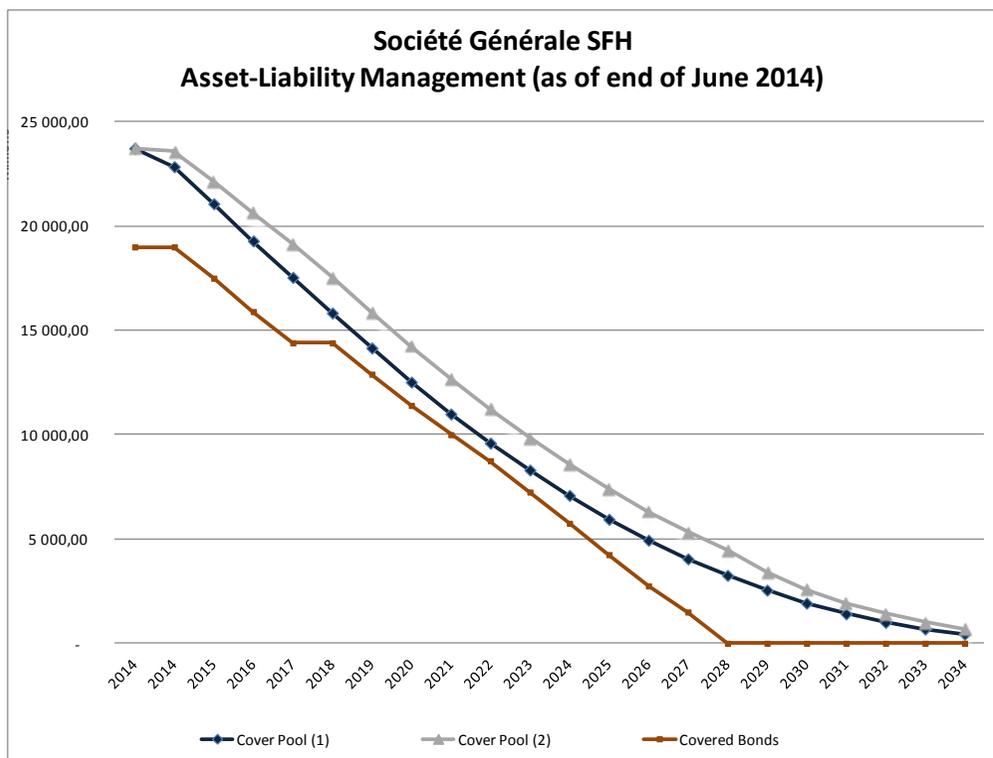
## SG SFH COVER POOL (3/3)

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- **SG SFH main eligibility criteria :**
  - **Legal eligibility criteria**
    - \_ Loans granted in Euros
    - \_ Loans governed by French law
    - \_ Borrowers are individuals and not SG Group employees
  - **CRR eligibility criteria**
    - \_ Loan to Income (LTI) lower or equal to 33%
    - \_ Loan to Value (LTV) lower or equal to 80%
    - \_ There shall be no mortgage liens on the residential property when the loan is granted, and for the loans granted from 1 January 2014 the borrower shall be contractually committed not to grant such liens without the consent of the credit institution that granted the loan
  - **SG eligibility criteria**
    - \_ 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
- The Cover Pool is replenished on a monthly basis, eligibility criteria being applied at each replenishment

# SG SFH ASSET LIABILITY MANAGEMENT

- The structure has been set up taking into account best ALM practice
  - Cover Pool (1) : Cover Pool before prepayments
  - Cover Pool (2) : Cover Pool after prepayments (9.27%) but including home loans reserves and conservative assumptions of new home loans origination



# SG SFH ISSUANCE OUTSTANDING

Isin	Issue Date	Série	Currency	Principal Amount	Maturity Date	Remaining Maturity	Interest Rate Type	Index
FR0011056126	06/06/2011	1	EUR	1 500 000 000	06/06/2016	1,9	Fixed Rate	3,250%
FR0011180017	18/01/2012	12	EUR	1 250 000 000	18/01/2022	7,6	Fixed Rate	4,000%
FR0011215516	14/03/2012	13	EUR	1 500 000 000	14/03/2019	4,7	Fixed Rate	2,875%
FR0011291293	26/07/2012	17	EUR	1 500 000 000	27/05/2015	0,8	Floating Rate	EURIBOR 3M
FR0011291327	26/07/2012	19	EUR	500 000 000	10/08/2020	6,1	Floating Rate	EURIBOR 3M
FR0011291335	26/07/2012	20	EUR	1 500 000 000	26/04/2023	8,9	Floating Rate	EURIBOR 3M
FR0011291343	26/07/2012	21	EUR	750 000 000	27/05/2024	10,0	Floating Rate	EURIBOR 3M
FR0011291350	26/07/2012	22	EUR	1 500 000 000	28/07/2025	11,2	Floating Rate	EURIBOR 3M
FR0011291368	26/07/2012	23	EUR	1 500 000 000	26/08/2026	12,2	Floating Rate	EURIBOR 3M
FR0011291376	26/07/2012	24	EUR	1 250 000 000	27/09/2027	13,4	Floating Rate	EURIBOR 3M
FR0011291384	26/07/2012	25	EUR	1 410 000 000	26/10/2028	14,4	Floating Rate	EURIBOR 3M
FR0011374198	19/12/2012	26	EUR	1 500 000 000	19/12/2017	3,4	Fixed Rate	1,000%
FR0011400761	01/02/2013	27	EUR	100 000 000	01/08/2016	2,0	Floating Rate	EURIBOR 3M
FR0011404789	01/02/2013	28	EUR	400 000 000	02/08/2021	7,1	Floating Rate	EURIBOR 3M
FR0011431014	05/03/2013	29	EUR	1 000 000 000	05/03/2020	5,7	Fixed Rate	1,750%
FR0011519933	19/06/2013	30	EUR	90 000 000	19/06/2028	14,1	Floating Rate	EURIBOR 3M
FR0011644392	05/12/2013	31	EUR	1 000 000 000	05/01/2021	6,5	Fixed Rate	1,625%
FR0011859495	29/04/2014	32	EUR	750 000 000	29/04/2024	9,9	Fixed Rate	2,000%
				<b>19 000 000 000</b>				

# SG SFH ISSUANCE PROGRAMME

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- A successful inaugural transaction launched in 2011: EUR 1.5bn benchmark, June 2016, reoffer MS + 43 bps, annual fixed coupon 3.25%
- **New issues in 2014**
  - April 2014 : EUR 0.75bn benchmark, April 2024, reoffer MS + 26 bps, annual fixed coupon 2.0%
- With a **EUR 10bn issuance capacity**, the SG SFH program will add further flexibility to the SG Group's funding strategy
- The SG SFH program should be limited around EUR 1.0bn per year

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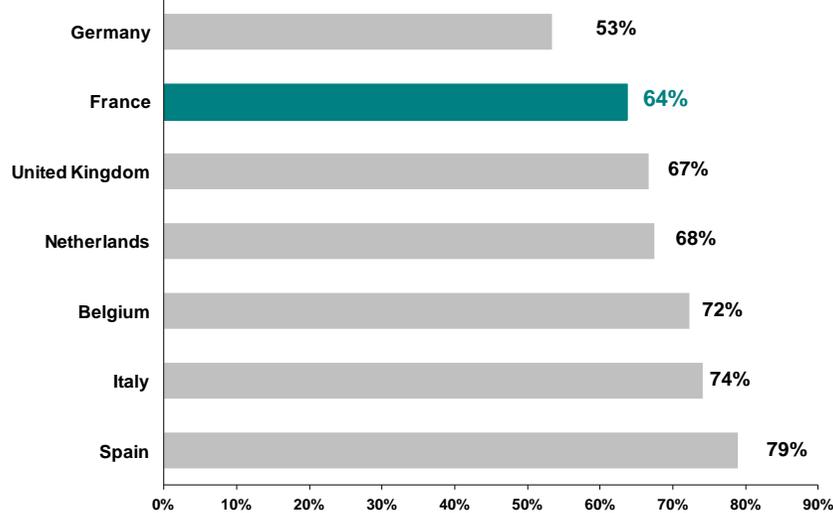
**CHAPTER 03\_CREDIT LOGEMENT**

# OVERVIEW OF THE FRENCH HOME LOAN MARKET (1/3)

## FRENCH HOME LOAN MARKET CONTEXT

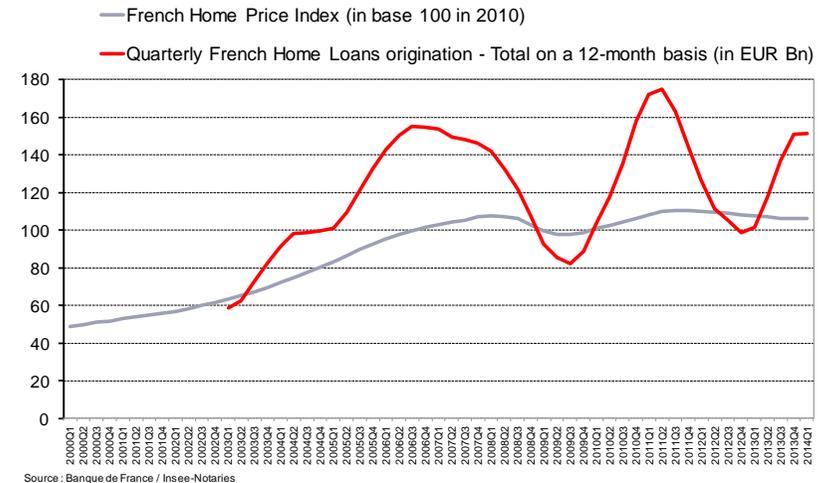
- SG Group: EUR 66Bn home loans outstanding to individuals
- 64% ownership rate (second lowest in EU)
- 31.4% of French households bearing residential loans
- Home prices resilient (very limited impact during financial crisis)
- Maturity at origination on a decreasing trend

### European home ownership %

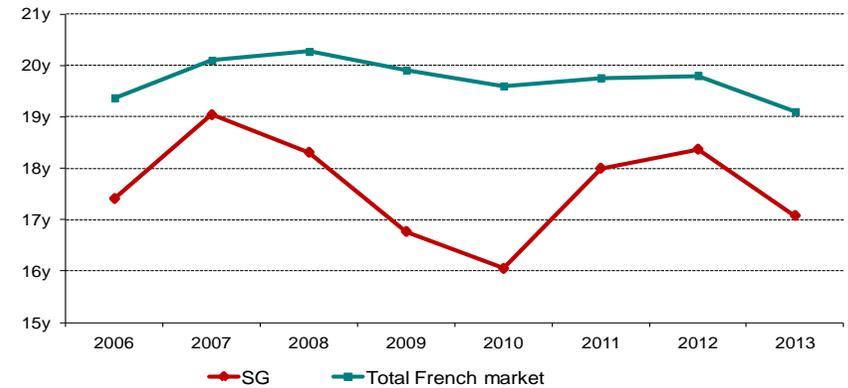


Source : Eurostat, 2012

### French home loan market



### Maturity of home loans at origination

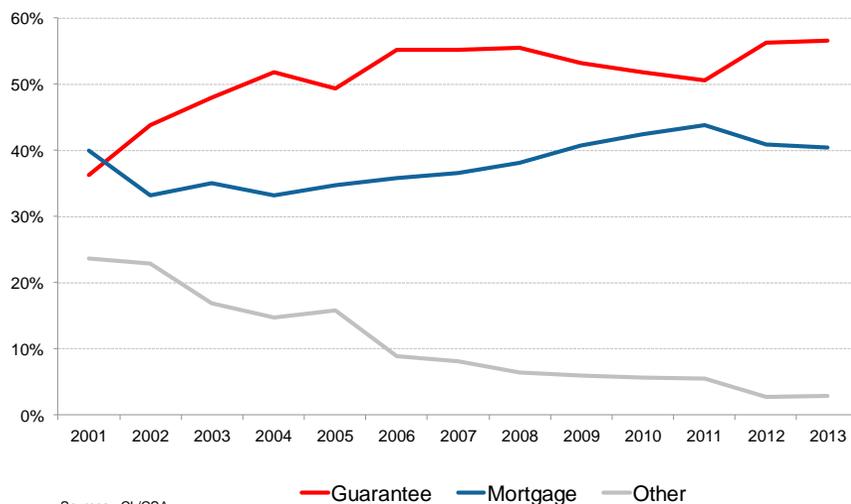


# OVERVIEW OF THE FRENCH HOME LOAN MARKET (2/3)

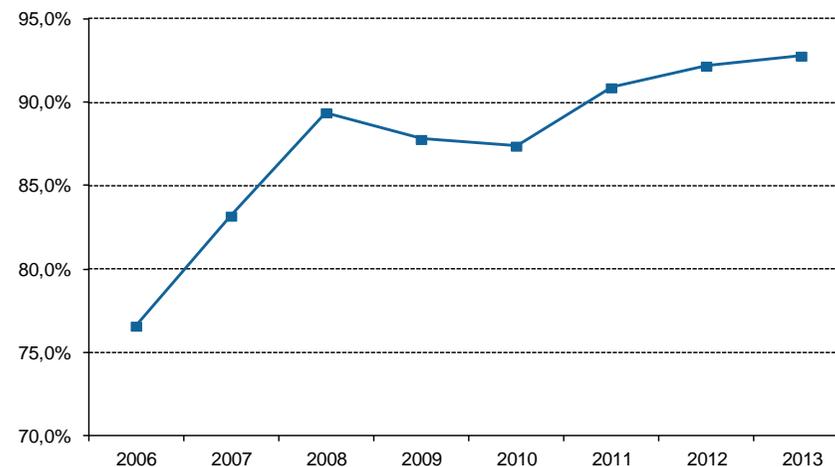
## FRENCH HOME LOANS MAIN CHARACTERISTICS:

- Guaranteed rather than mortgage loans
- Fixed rate loans mostly (capped and floored for FRN)
- Amounts lent are based on the borrower's capacity to repay rather than on the leverage ratio
- No home equity loan market

Type of security of French home loans outstanding



Portion of fixed rate loans in home loans origination

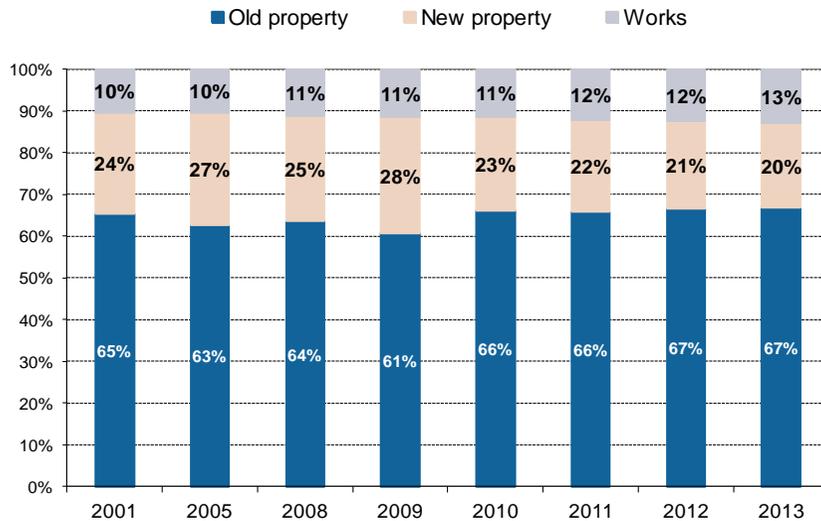


Source: ACP R- SG

# OVERVIEW OF THE FRENCH HOME LOAN MARKET (3/3)

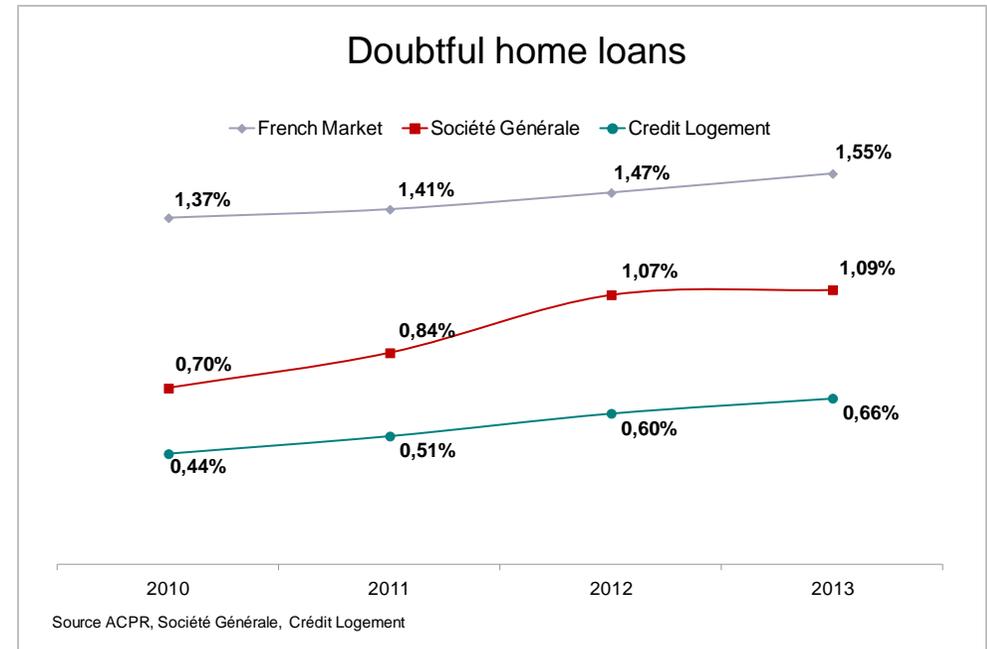
- The French home loan market is a prime loan market
  - \_ Mainly on existing properties (+/- 2/3)
- Default rates remain at low level
  - \_ At national level
  - \_ At Société Générale level
  - \_ Especially when guaranteed by Crédit Logement

French market – Loan purpose  
(Crédit Logement classification)



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

Doubtful home loans



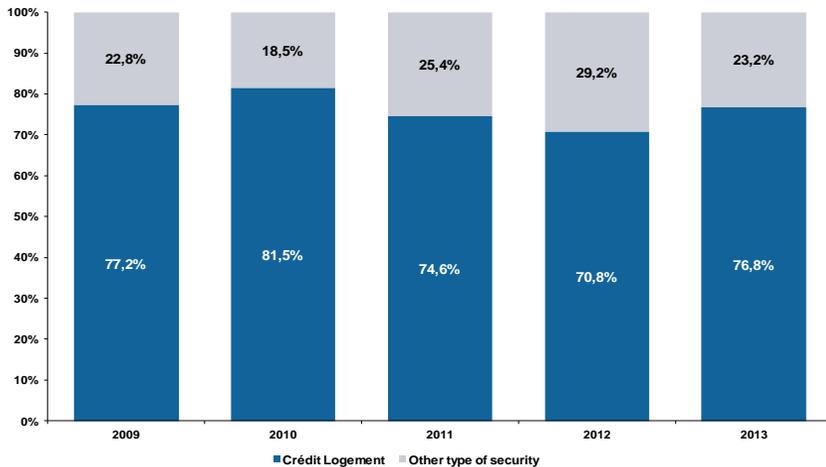
# SG FRENCH HOME LOAN BUSINESS CHARACTERISTICS

## SOCIETE GENERALE FRENCH HOME LOAN BUSINESS

- Focused on
  - \_ Crédit Logement guarantee
  - \_ Owner occupied home
- Most of the time borrowers are existing clients before granting of the home loan
- For any acquisition channel, acceptance is decided at branch level

### Société Générale production's structure

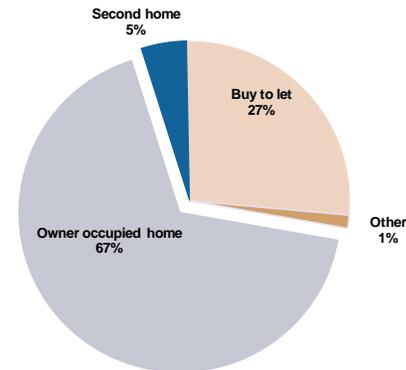
Annual SG Habitat Retail origination – Breakdown by type of security



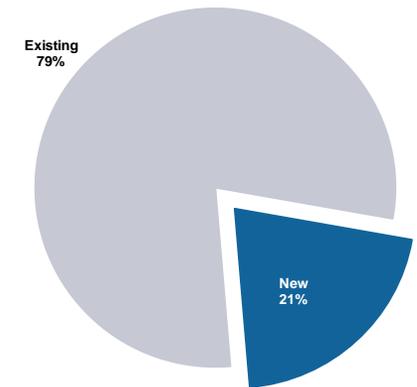
## Société Générale French Home Loan Business

Performing outstanding breakdown as of end of 2013

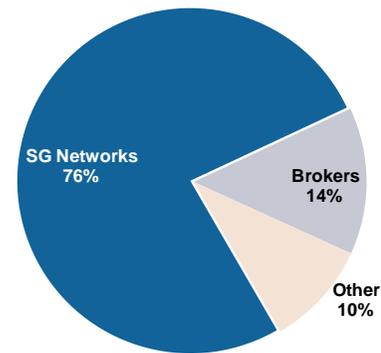
### Type of loan purpose



### Type of clients



### Type of acquisition channel



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## CREDIT LOGEMENT / MUTUAL GUARANTEE FUND (MGF)

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- The guarantee provided by Credit Logement is based on the contribution of each borrower to the **Mutual Guarantee Fund (MGF)**
- The MGF is a dedicated guarantee on residential mortgage loans:
  - \_ Every borrower benefiting from a Credit Logement guarantee participates by his initial payment to the supply of the fund,
  - \_ The MGF allows repaying the bank in case the borrower fails,
  - \_ Once the loan is repaid, the customer can benefit from the repayment of a part of his initial participation in the MGF, this sum being calculated according to the global rate of use of the MGF
- The advantage of MGF benefits to the borrowers, compared with standard guarantees offered by some other institutions which are more constitutive of some insurance, and where the borrower cannot get back any portion of its initial contribution

## CREDIT LOGEMENT PERFORMANCE ON ITS MARKET

- **“Guarantee” market share in home loan market:** in 2013, guaranteed loans represented 56.6% of the overall residential loans granted in France, vs 40.5% with respect to the mortgage loans (usual mortgage) (\*)
- **Home loan guarantee market:** Crédit Logement is the national leader of the home loan guarantee market, with a market share above 60%.
- Main figures(\*\*):

in EUR Bn	2006	2007	2008	2009	2010	2011	2012	2013
French home loan production	154,2	157,7	126,3	109,0	165,5	156,5	109,2	140,5
French guaranteed home loan production	87,9	86,7	63,9	55,0	85,3	80,3	57,8	79,5
<i>French guaranteed home loan market share</i>	<i>57%</i>	<i>55%</i>	<i>51%</i>	<i>51%</i>	<i>52%</i>	<i>51%</i>	<i>53%</i>	<i>57%</i>
CL Guarantee production	40,0	39,5	34,5	32,5	56,3	51,1	35,1	49,1
<i>CL guaranteed home loan market share</i>	<i>45%</i>	<i>46%</i>	<i>54%</i>	<i>59%</i>	<i>66%</i>	<i>64%</i>	<i>61%</i>	<i>62%</i>
French home loan outstanding	494,4	560,9	607,1	634,3	672,9	714,6	739,5	770,0
CL Guarantees outstanding	118,5	139,5	155,4	167,6	201,9	224,0	232,9	245,5

- Disbursements on guarantee calls and full partner bank compensations are paid from the 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 245m in 2013 (EUR 255m in 2012).

(\*) Source: OFL – CSA

(\*\*) Source: Enquête annuelle 2013 du SGACP sur le financement de l'habitat

# CREDIT LOGEMENT BUSINESS MODEL

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- 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 remaining well aware of the market practices
- Crédit Logement has signed agreements with 222 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 fully managed by Crédit Logement, in particular Crédit Logement developed an expertise on this activity

## CREDIT LOGEMENT PROCESSES – Granting process

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- 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, which has approved about 55% of all transactions received in 2012,
  - \_ 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.

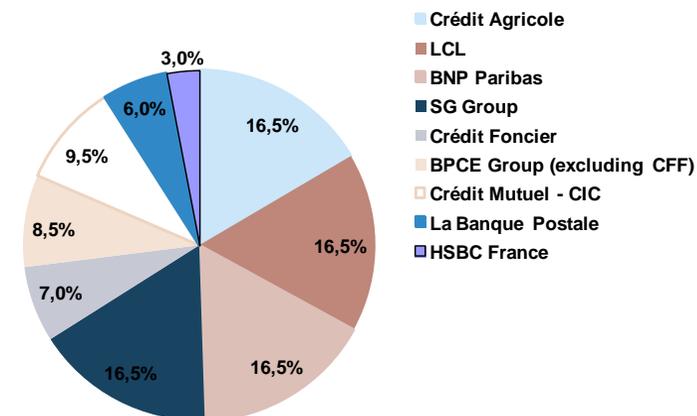
## CREDIT LOGEMENT PROCESSES – Recovery process

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- 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
  - \_ During the whole procedure, Crédit Logement may secure its recovery by obtaining a judicial mortgage, within less than a week

# CREDIT LOGEMENT STRENGTHS

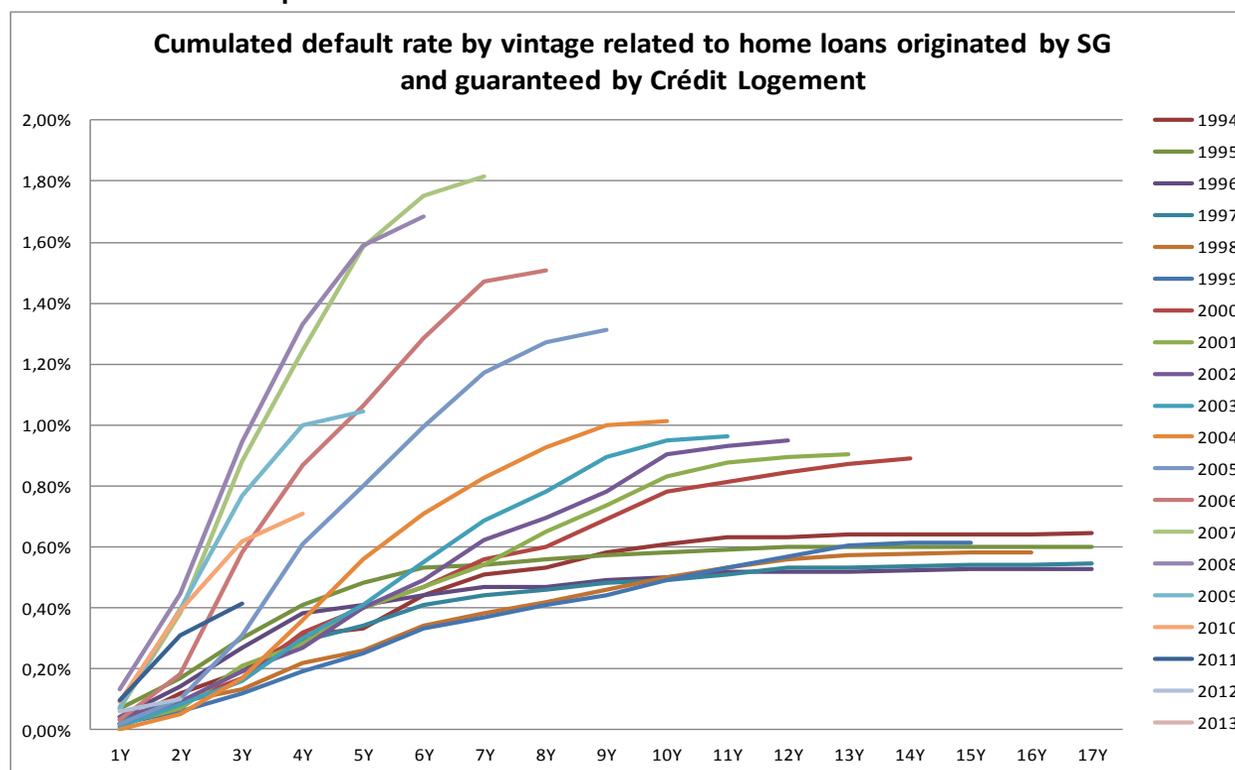
- Crédit Logement is strongly backed by high quality shareholders:
  - Long term rating
    - A+ by S&P (under stable outlook)
    - Aa3 by Moody's (under stable outlook)
    - AA by DBRS
  - Commitment of partners and shareholders to rebuild the MGF if necessary.
- Crédit Logement, a financial institution supervised by the French Banking Regulator (*Autorité de Contrôle Prudenciel et de Résolution*).
- Despite the 2008/2009 financial crisis, Crédit Logement risk remains low and totally under control.
- In 2013 the MGF covers 2.4 times all doubtful debts.



in EUR Mn	2006	2007	2008	2009	2010	2011	2012	2013
CL Guarantees outstanding	118 504	139 510	155 350	167 608	201 927	223 976	232 870	245 470
CL MGF outstanding	2 295	2 508	2 688	2 867	3 231	3 518	3 703	3 950
Balance Sheet - Doubtful debt outstanding	98,1	119,8	171,1	274,7	379,6	482,0	587,6	730,4
Off Balance Sheet - Doubtful debt outstanding	74,6	117,3	193,9	366,1	513,4	661,4	809,3	897,9
Total Doubtful debt outstanding	172,7	237,1	365,0	640,8	893,0	1 143,4	1 396,9	1 628,3
<i>Doubtful debt % of the guarantees outstanding</i>	0,15%	0,17%	0,23%	0,38%	0,44%	0,51%	0,60%	0,66%
<i>CL MGF outstanding / Total Doubtful debt outstanding</i>	13,3	10,6	7,4	4,5	3,6	3,1	2,7	2,4
Written off amounts	1,8	3,2	2,4	6,0	5,0	2,9	6,5	13,9
<i>Write-offs (N) / Doubtful debt outstanding (N-1)</i>		1,85%	1,01%	1,64%	0,78%	0,32%	0,57%	1,00%
<i>Write-offs (N) / CL MGF outstanding</i>	0,08%	0,13%	0,09%	0,21%	0,15%	0,08%	0,17%	0,35%

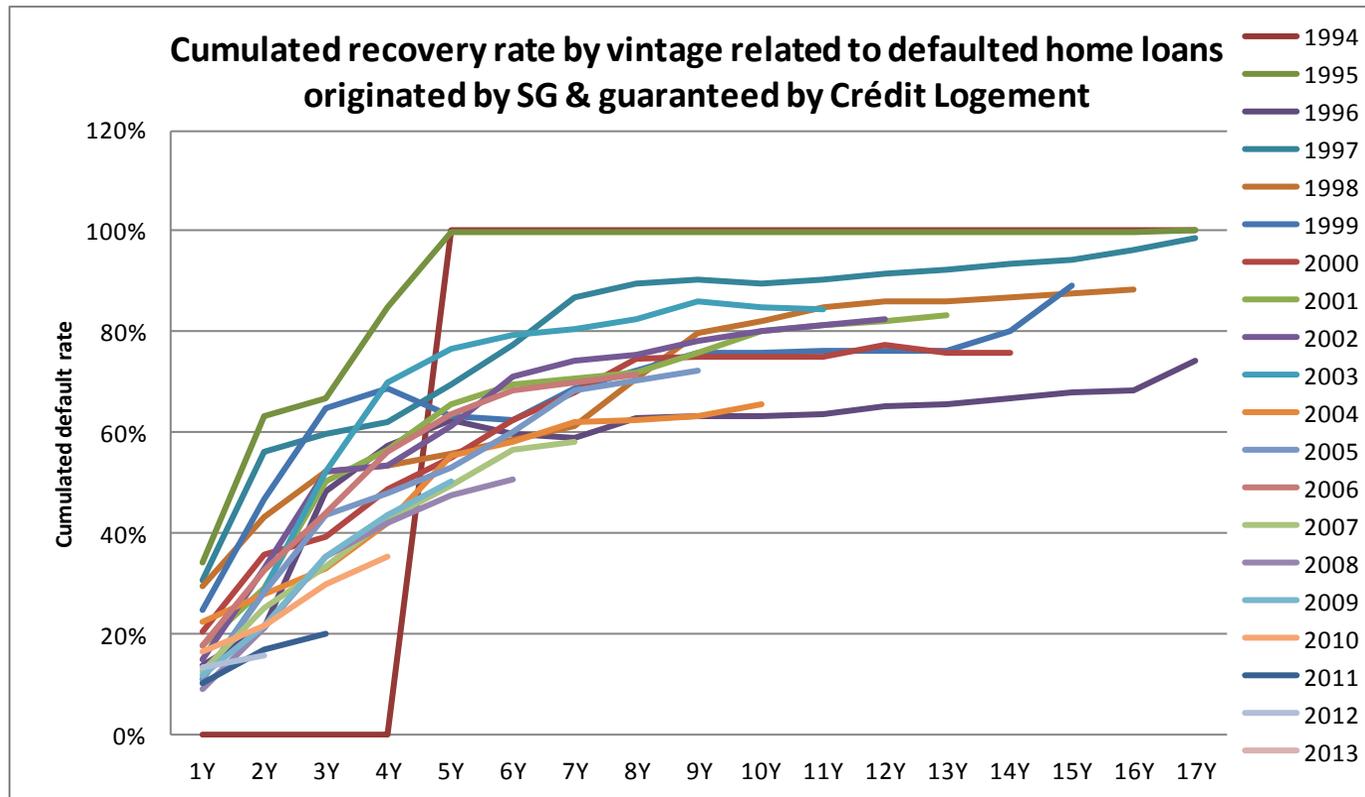
## SG – Crédit Logement guaranteed home loans performances (1/2)

- As of end of December 2013
  - \_ SG Crédit Logement home loans represent 72.5% of the total outstanding of SG French home loans to individuals
  - \_ SG SFH home loans guaranteed by Crédit Logement represent 60% of the total SG Crédit Logement home loans
- Default definition from 3 unpaid instalments



Source : Crédit Logement (as of end of December 2013)

## SG – Crédit Logement guaranteed home loans performances (2/2)



Source : Crédit Logement (as of end of December 2013)

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BUILDING TOGETHER

TEAM SPIRIT  SOCIETE  
SPIRIT  GENERALE