



SOCIETE GENERALE FACTORING

Activity report
2018



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PARTNER FOR YOUR GROWTH

SOCIETE GENERALE FACTORING (formerly Compagnie Generale d'Affacturage), provides solutions for businesses to finance, manage and guarantee their receivables. Major factoring company on the French market and growing internationally, it is a fully owned subsidiary of the Societe Generale Group.

Founded in 1974, Societe Generale Factoring France has more than 300 employees, mainly based in its metropolitan areas (Paris and Lyon), and Reunion Island. In terms of governance, Societe Generale Factoring France is leading the worldwide factoring business line of the Group.

As a specialist in short term financing and inter-company credit (financing of trade receivables and accounts payables, management and guarantees), Societe Generale Factoring has developed a wide range of products to meet all customer needs, whether small, medium, or large companies, in France or abroad.

Its business expertise and proximity to customers make it a preferred partner for companies seeking innovative financing solutions specifically tailored to fit their needs.

FOREWORD

**“Our 2018 achievement :
being a company that
combines growth,
transformation and
innovation to always better
serve its customers”**



ERIC FRACHON, CHIEF EXECUTIVE OFFICER

Strong and recognised values

For over 40 years, Societe Generale Factoring has relied on the expertise and commitment of its employees, in order to develop solutions that generate added value for our customers. Innovation is a strong lever that has allowed the company to be recognized within the Group, but also by its peers, particularly within the Factor Chain International Association (FCI).

2018 : record growth

The French factoring market is still growing, +10,2% in 2018, which makes it the first solution for short term financing for businesses. We have reached a historic amount of receivables financed, 50 billion euros, thus a growth of 24% vs 2017.

Our teams remain mobilized around the fundamentals of our business to help customers around financing, management and guarantee of receivables.

Ambitious growth strategy

For the next five years, we aim to renew our performance of the past five years: to double the amount of receivables purchased. To reach that goal, we will strengthen our presence in France and abroad. Our global transformation in 2018 has laid a solid foundation both in terms of organization and in terms of digitization, which will enable our success.

Focus on group synergies

We are aligned with the Societe Generale Group's strategy, and we continuously reinforce synergies with other business lines, more specifically with Global Transaction Banking (GTB), in the area of payment and business services.

GOVERNANCE

Executive committee



From Left to Right:

1st row: **Arnaud DE LA MORANDIÈRE** Head of Risks, **Marie-Pierre DEVIDTS** Head of Strategic Development & Marketing, **Nathalie CRABIE-GLON** Head of Finance, **Philippe POUGEARD** Deputy CEO, Head of Networks, **Jérémie WILENSKI** Head of Steering & Transformation, **Éric FRACHON** Chief Executive Officer, **Jonathan CROFT** Head of Business & Information Solutions, **Stéphane-Alexandre BADOY** Deputy CEO, Payables & Receivables Finance, **Éric FLOUR** Deputy CEO, Head of Resources, **Isabelle COCAIGN** Head of Human Resources, **Guillaume D'ESCRIVAN** Chief Operating Officer, **Alain DUPEYRON** Head of Operations, **Pierre DEMPÈRE** Head of Corporate.

2nd row: **Luc HENRY** Head of Retail Client Management, **Xavier LEBLANC** Head of Retail Commercial Development, **Aneta PÉLÉGRY** General Secretary, Head of Compliance.

BOARD OF DIRECTORS

Pascal AUGÉ - Director and chairman of the board of directors
Didier BOOREE - Director
Philippe DEWEVRE - Standing representative of Societe Generale
Eric FRACHON - Director
Agnes JOLY - Director
Laurence LASFONT - Director
Laurent GOUTARD - Standing representative of Societe Generale
Financial Services Holding
Cecile WAYMEL - Director
Jean-Philippe GUILLAUME - Director

AUDITORS

Deloitte & Associés
represented by **Marjorie BLANC-LOURME**

Ernst & Young Audit
represented by **Vanessa JOLIVALT**

KEY FIGURES



€ 107M

€107 MILLION EUROS
NET BANKING INCOME



€ 50Bn

€50 BILLION EUROS
PURCHASED RECEIVABLES
OF WHICH 35% INTERNATIONAL



€ 6,1Bn

€6,1 BILLION EUROS
AVERAGE OUTSTANDING



330

330 EMPLOYEES



6000

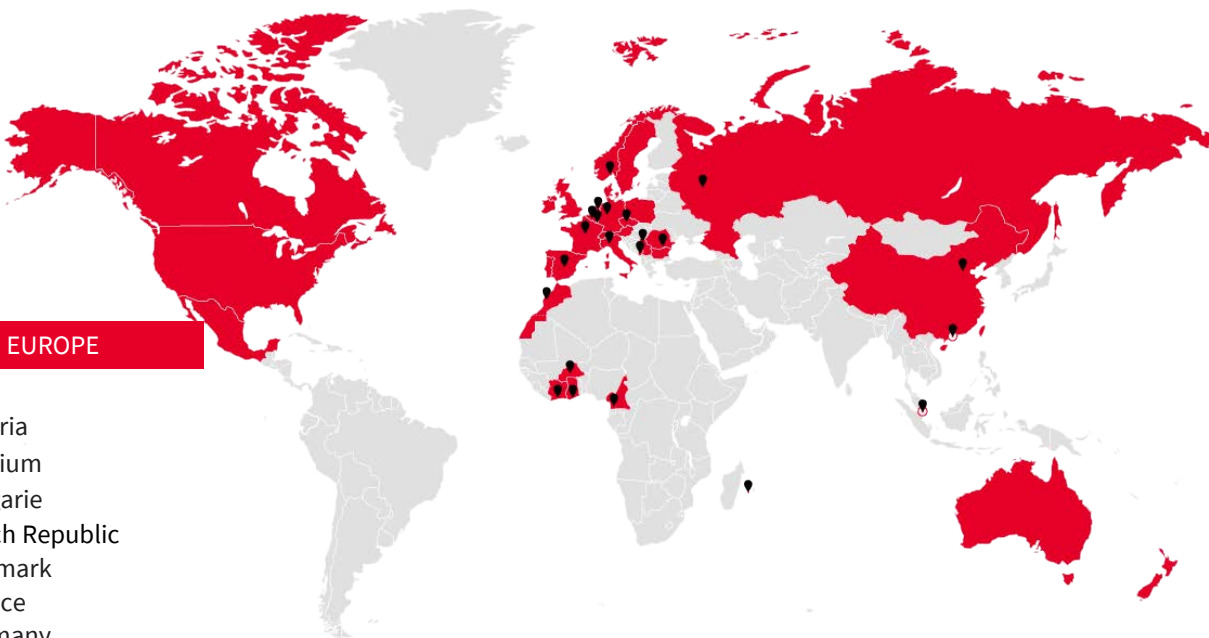
6000 CLIENTS



BEST FACTORING SERVICES

AWARDED « BEST FACTORING
SERVICES » IN EUROPE & EMEA

WORLDWIDE SCOPE



EUROPE

- > Austria
- > Belgium
- > Bulgarie
- > Czech Republic
- > Denmark
- > France
- > Germany
- > Irland
- > Italy
- > Luxembourg
- > Montenegro
- > Norway
- > Netherlands
- > Poland
- > Portugal
- > Spain
- > Romania
- > Russia
- > Serbia
- > Sweden
- > Switzerland
- > United Kingdom

AFRICA

- > Burkina Faso
- > Cameroon
- > Ivory Coast
- > Ghana
- > Reunion Island*
- > Morocco

AMERICA

- > Canada
- > Mexico
- > United States

ASIA

- > China
- > Hong Kong
- > Singapour

OCEANIA

- > Australia
- > New-Zeland

Scope of intervention
 Local presence

* Réunion Island included in France

REPORT OF THE STATUTORY AUDITORS

On the financial statements

For the year ended december 31st, 2018

At the General Meeting of Societe Generale Factoring (formerly Compagnie Generale d’Affacturage).

Opinion

In compliance with the engagement entrusted to us by your board of directors and your general meeting, we have audited the annual accounts of Societe Generale Factoring for the year ended December 31, 2018, as they are attached to this report.

We certify that, in the light of French accounting rules and principles, the annual accounts are fairly presented and give a true and fair view of the results of the operations of the past financial year and the financial position and assets of the company at the end of the year. The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of our opinion

We have performed our audit in accordance with professional standards applicable in France. We believe that the evidence we have collected is sufficient and appropriate to provide a basis for our opinion. The responsibilities incumbent on us under these standards are set out in the section "Auditors' responsibilities for auditing the annual accounts" of this report.

We carried out our audit mission in accordance with the independence rules applicable to us, covering the period from January 1, 2018 to the date of our report, and in particular we did not provide any services prohibited by Article 5 (1) of Regulation (EU) No 537/2014 or the Code of Ethics of the profession of External Auditor.

Justifications of assessments

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement which, according to our professional judgment, were the most important for the audit of the annual accounts of the year, as well as the responses we have given to these risks.

The assessments thus made fall within the context of the audit of the annual financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on separate items of the annual accounts.

REPORT OF THE STATUTORY AUDITORS

Specific verifications and information

In accordance with the professional standards applicable in France, we have also performed the specific controls required by the legal and regulatory texts.

We have nothing to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the board of directors and in the other documents on the financial position and the annual accounts addressed to the shareholders in question, except for the point below.

The sincerity and consistency with the financial statements of the information relating to the payment periods referred to in Article D. 441-4 of the French Commercial Code call on us for the following observation: as indicated in the management report, this information does not include banking and related operations, your company considering that they do not fall within the scope of the information to be produced.

We attest to the existence, in the section of the management report of the Board of Directors devoted to corporate governance, of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Code trade.

With regards to the information provided pursuant to the provisions of Article L. 225-37-3 of the French Commercial Code on compensation and benefits paid to corporate officers and the commitments made in their favor, we verified their consistency with the financial statements or with the data used to establish these accounts, and, when necessary, with the elements collected by your company from the companies controlling your company or controlled by it.

On the basis of this work, we certify the accuracy and sincerity of this information.

In accordance with the law, we have ensured that the various information relating to equity and controlling interests and to reciprocal participation has been communicated to you in the management report.

Responsibility of the management and persons forming the corporate governance relating to the annual accounts

It is the responsibility of the management to prepare annual accounts presenting a true and fair view in accordance with French accounting rules and principles and to set up the internal control it deems necessary for the preparation of the annual accounts that do not contain any significant anomalies, from fraud or from errors.

When preparing the annual accounts, it is the responsibility of the management to assess the ability of the company to continue to operate, to present in these accounts, when appropriate, the necessary information relating to the continuity of operations and apply the operating accounting policy unless it is intended to wind up the company or to cease trading.

REPORT OF THE STATUTORY AUDITORS

The Audit Committee is responsible for following the process of preparing financial information and for monitoring the effectiveness of the internal control and risk management systems, as well as, where applicable, the internal audit, with respect to procedures relating to the preparation and processing of accounting and financial information.

The annual accounts have been approved by the Board of Directors.

Responsibilities of the auditors relating to the audit of the annual accounts

It is our responsibility to prepare a report on the annual accounts. Our objective is to obtain reasonable assurance that the financial statements taken as a whole do not contain any material misstatements. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with professional standards will systematically detect any material misstatement.

Anomalies may arise from fraud or error and are considered significant when it can reasonably be expected that they, taken individually or in combination, may influence the economic decisions that account users take in their business based on these anomalies.

As stated in Article L. 823-10-1 of the French Commercial Code, our mission of certification of accounts is not to guarantee the viability or the quality of the management of your company.

As part of an audit conducted in accordance with the professional standards applicable in France, the statutory auditor exercises his professional judgment throughout this audit.

In addition:

► he identifies and assesses the risks that the annual accounts contain material misstatements, whether from fraud or error, defines and implements audit procedures to address these risks, and collects evidence that he considers sufficient and appropriate to base his opinion.

The risk of not detecting a significant anomaly from fraud is higher than that of a significant misstatement resulting from an error, as the fraud may involve collusion, forgery, voluntary omissions, misrepresentation or circumventing internal control;

► he check upon the internal control relevant to the audit in order to define appropriate audit procedures in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the internal control;

REPORT OF THE STATUTORY AUDITORS

► he assesses that the accounting methods used are appropriate and that the accounting estimates made by management are reasonable, as well as the information concerning them provided in the annual accounts;

► he assesses that the management's application of the operating accounting policy is appropriate and, depending on the evidence gathered, the existence of significant uncertainty related to events or circumstances likely impact the company's ability to continue operating.

This assessment is based on the information collected up to the date of his report, although it is mentioned that subsequent circumstances or events could later jeopardize the continuity of operations.

If he concludes that there is significant uncertainty, he draws the attention of the readers of his report to the information provided in the annual accounts about this uncertainty or, if this information is not provided or is not relevant, he formulates a qualified certification or a refusal to certify;

► he assesses the overall presentation of the annual accounts and assesses whether the annual accounts reflect the underlying transactions and events so as to give a true and fair view.

Report to the audit committee

We provide the audit committee with a report that outlines, among other things, the scope of the audit work and the work program implemented, as well as the conclusions arising from our work. We also inform, where appropriate, the significant weaknesses of internal control that we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the elements disclosed in the report to the Audit Committee are the risks of material misstatement, which we consider to have been the most important for the audit of the financial statements for the year and which therefore constitute the key points of the audit, which it is our responsibility to describe in this report.

We also provide the audit committee with the declaration provided for in Article 6 of Regulation (EU) No 537-2014 confirming our independence within the meaning of the rules applicable in France as laid down in particular by Articles L. 822 -10 to L. 822-14 of the French Commercial Code and in the Code of Ethics of the profession of statutory auditor. Where appropriate, we discuss with the audit committee the risks to our independence and the safeguards applied.

Paris-La Défense, May 20th, 2019
The statutory auditors

DELOITTE & ASSOCIÉS
MARJORIE BLANC-LOURME

ERNST & YOUNG AUDIT
VANESSA JOLIVALT

FINANCIAL REPORT- BALANCE SHEET

ASSETS (KEUR)	DEC 31-2018	DEC-31-2017
LOANS DUE FROM CREDIT INSTITUTIONS	851 774	605 686
TRANSACTIONS WITH CLIENTS	9 370 444	7 806 733
EQUITY AND OTHER LONG-TERM SECURITIES	224	215
INTANGIBLE FIXED ASSETS	17 742	13 877
TANGIBLE FIXED ASSETS	2 765	1 820
OTHER ASSETS	3 381	2 554
ADJUSTMENT ACCOUNTS	13 393	8 412
TOTAL	10 259 723	8 439 297
LIABILITIES (KEUR)	DEC 31-2018	DEC-31-2017
DUE TO CREDIT INSTITUTIONS	8 381 052	6 566 762
TRANSACTIONS WITH CLIENTS	1 647 808	1 671 819
DEBTS REPRESENTED BY A SECURITY	33 147	22 537
OTHER LIABILITIES	30 163	19 897
REGULARISATION ACCOUNT	45 983	54 865
PROVISIONS FOR RISKS AND CHARGES	2 370	2 481
EQUITY	119 199	100 936
CAPITAL	14 400	14 400
RESERVES	86 533	61 658
RETAINED EARNINGS	3	2
RESULT	18 264	24 875
TOTAL	10 259 723	8 439 297
OFF BALANCE SHEET (KEUR)	DEC 31-2018	DEC-31-2017
COMMITMENTS GIVEN		
GUARANTEE COMMITMENTS	1 332 159	2 359 340
COMMITMENTS RECEIVED		
FINANCING COMMITMENTS	259 255	223 785
GUARANTEE COMMITMENTS	2 291 366	1 773 620

FINANCIAL REPORT- INCOME STATEMENT

INCOME STATEMENT IN (KEUR)	DEC 31-2018	DEC-31-2017
+ FINANCING COMMISSIONS	73 409	55 309
+ INCOME FROM INTERBANK TRANSACTIONS	13 113	3 018
- EXPENSES ON INTERBANK TRANSACTIONS	-32 619	-6 228
+ SERVICE COMMISSIONS	59 248	57 692
+ COMMISSIONS (PRODUCTS)	4 700	4 790
- COMMISSIONS (EXPENSES)	-11 249	-9 983
+ OTHER BANKING INCOME	791	988
- OTHER BANKING EXPENSES	-39	-795
NET BANKING INCOME	107 353	104 791
- GENERAL OPERATING EXPENSES	-64 956	-61 409
- ALLOCATIONS TO DEPRECIATION AND PROVISIONS FOR DEPRECIATION ON TANGIBLE AND INTANGIBLE ASSETS	-5 725	-5 069
GROSS OPERATING PROFIT/LOSS	36 672	38 313
+/- COST OF RISK	-6 966	-995
OPERATING PROFIT/LOSS	29 706	37 318
+/- GAINS OR LOSSES ON FIXED ASSETS	0	-53
PRE-TAX PROFIT/LOSS	29 706	37 265
+/- NON-RECURRING PROFIT/LOSS	0	-2
- CORPORATION TAX	-11 443	-12 388
NET EARNINGS	18 264	24 875

EXPLANATORY NOTES

On the balance sheet and the income statement

Annual accounts ended december 31, 2018

Societe Generale Factoring, factoring subsidiary of Societe Generale, offers companies solutions for managing, financing and guaranteeing their trade receivables. The company changed its name on June 26, 2018.

Accounting rules, methods and principles

The financial statements of Societe Generale Factoring have been prepared in accordance with the provisions of the Accounting Chart for Credit Institutions, ANC Regulation No. 2014-07 on the accounts of companies in the banking sector. All amounts are indicated in KEUR. The information presented in the notes to the annual financial statements focuses on those that are relevant and material in relation to the financial statements of Societe Generale Factoring, its activities and the circumstances in which they occurred during the period.

Capital assets and depreciations

Intangible assets managed internally

Since 2014, IT projects which are internally generated and related to a clearly individualised project are recognised as fixed assets if the total cost of the project concerned is higher than 50K€.

Other capital assets - depreciations

A part from capital assets generated internally, the intangible assets are essentially composed of computer software. They are depreciated using the straight-line method over 4 years. Tangible assets are depreciated using the straight-line method over 3, 5 or 10 years.

Receivables and depreciation credit risk

Doubtful receivables - debtors

In accordance with Article 2221-1 of the ANC Regulation 2014-07 of the Accounting Standards Authority, accounts receivable outstanding for more than 3 months after their notional maturity have been classified as "bad debts", or the existence of any unpaid one can conclude to the existence of a proven risk, or if there is a contentious procedure.

Only receivables from sound clients are likely to be classified as doubtful bad debts. Debt receivables, whether doubtful or not, on litigatin clients, do not appear in bad debt accounts receivable. Their amount is taken into account in the calculation of the bad loans clients. It should be noted that these receivables can be extended by up to 120 days, subject to agreement.

Doubtful debts from clients

The account "irrecoverable doubtful debt from clients" records the amounts due by clients in litigation. The share of debt covered by guarantees is reclassified as "ordinary doubtful debt", as provided for in the opinion n°2003-G from the Emergency Committee of the French National Accountancy Board. The ordinary doubtful debt account also includes the balances of clients' current accounts that have remained unpaid for 90 consecutive days.

EXPLANATORY NOTES

Contagion rule

As specified in article 8 of regulation n°2002-03 from the French Accounting Regulatory Committee, the general principle is to apply the contagion rule, meaning to consider, for a debtor, all exposure related to their SIREN (government number) and, for a client in litigation, all outstanding debts for this client.

An exception to the contagion rule is for receivables in the following cases:

- for disputed receivables, where the participant is notoriously creditworthy. In this case, if the dispute can not be resolved, the participant will reimburse Societe Generale Factoring in accordance with the contract;
- for non-contentious receivables:
 - ✓ when the contract is recourse, because in this case the credit risk depends on the creditworthiness of the client,
 - ✓ when the debtor is notoriously creditworthy (administration or large account),
 - ✓ when it is found for a given debtor, that payments have resumed on a regular basis for the amounts corresponding to the original contractual deadlines, as provided for in Article 6 of Regulation 2002-03 of the Comité de la Réglementation Comptable .

Depreciations on doubtful accounts receivable

Not all debtor doubtful receivables will necessarily be depreciated, and the depreciations can be applied either with regards to a client risk or to a debit risk, in accordance with the following table:

	Client risk	Debtor risk
Depreciated receivables	Contested and Compromised (1)	Doubtful compromised (1)
Non-depreciated receivables	Simple contested	Simple doubtful

(1) According to the rules n°2002-03 of december 12th, 2002 of the emergency comitee of CNC, compromised debtor doubtful receivables include, besides receivable in legal action, all the receivables included in the doubtful outstanding since more than one year (i.e 455 days before theoretical term).

Simple contested receivables and simple doubtful receivables are not representative of a known risk and, therefore, are not depreciated.

Depreciation on doubtful debts from clients

Client cases are sent to the litigation service and recorded as irrecoverable debt when the risk of non-payment is ascertained.

Commissions

The service commission that remunerates all factoring services is applied ad valorem to the amount of transferred invoices.

The advance or financing commission remunerates the funding granted by Societe Generale Factoring to its clients.

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

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SA with share capital of 14 400 000 €

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