



# SOCIETE GENERALE FACTORING

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# PARTNER FOR YOUR GROWTH

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SOCIETE GENERALE FACTORING 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

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**“2019 IN TWO WORDS: GROWTH AND INNOVATION TO CONSTANTLY BETTER SERVE OUR 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).

## **2019 : record growth**

The French factoring market is still growing, +9,1% in 2019, which makes it the first solution for short term financing for businesses. This year again, we have reached a historic amount of receivables financed, 58 billion euros, thus a growth of 16% vs 2018.

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

## **A strategy of continuous growth**

Even if the health crisis significantly affects the world economy and therefore our activities, we aim to continue our growth through our development in France, but also internationally. Our deep transformation in 2018 laid the solid foundations both in terms of organization and in terms of digitization that will allow our success.

## **Strengthened group synergies**

One of the strategic axes of the Societe Generale group is to develop synergies between the different business lines. We are making a very active contribution to this by strengthening synergies, in particular, within Global Transaction Banking (GTB), in the area of payments and business services.

## **Innovative, sustainable and tailor-made solutions as a strong lever for CSR**

Factoring contributes in essence to the sustainability and protection of the economy; it aims to shorten payment delays which are a major cause of business failures. We strive to offer our customers solutions tailored to their needs and to those of their customers, thus contributing to a sustainable value chain.



# GOVERNANCE

## Executive committee – March 2019



### From Left to Right:

**1st row:** **Arnaud DE LA MORANDIÈRE** Head of Risks, **Marie-Pierre DEVIDTS** Head of Statagic 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.

**2<sup>nd</sup> 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

**Alexandre MAYMAT** - Chairman of the board of directors  
**Eric FRACHON** - Chief Executive Officer and Director  
**Didier BOOREE** - Director  
**Martine LASSEGUES** - Director  
**Agnes JOLY** - Director  
**Alain QUENTIN** - Director  
**Cecile WAYMEL** - Director  
**Jean-Philippe GUILLAUME** - Director  
**Houria CHAIBLAINE** - Permanent representative of Societe Generale, Director

## AUDITORS

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

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

# KEY FIGURES

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**€ 109M**

NET BANKING INCOME



**€ 58Bn**

PURCHASED RECEIVABLES  
OF WHICH 35% INTERNATIONAL



**€ 6,8Bn**

AVERAGE OUTSTANDING



**342**

EMPLOYEES



**5400**

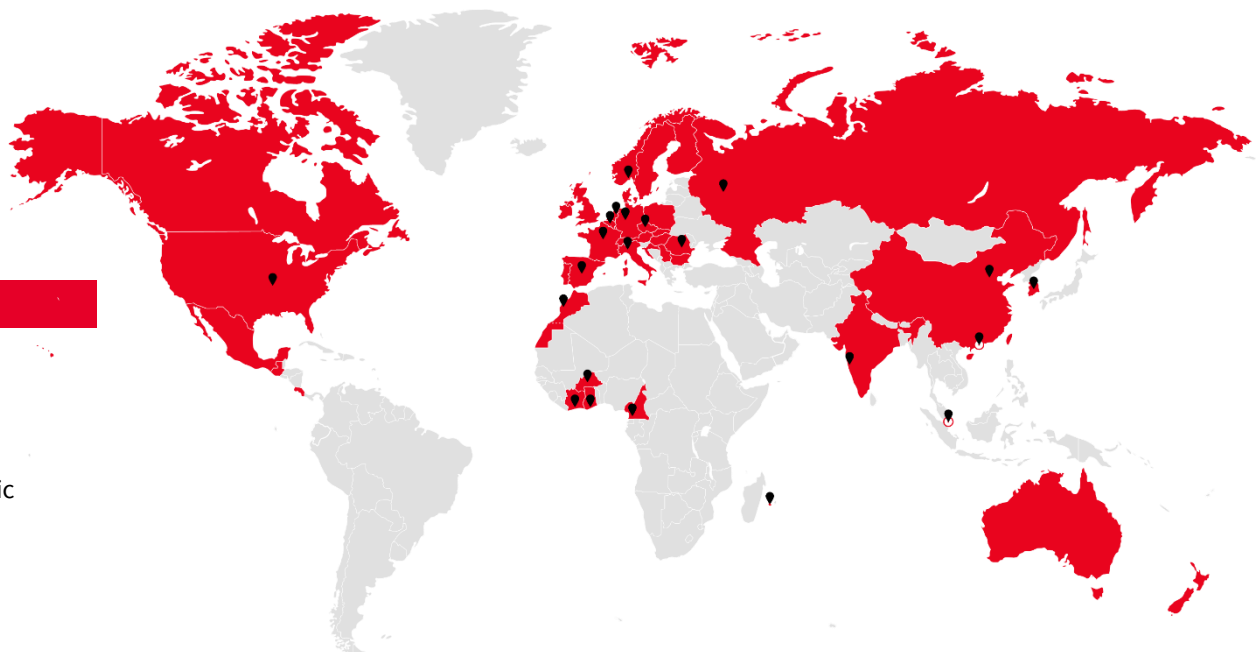
CLIENTS



**BEST FACTORING SERVICES**

AWARDED « BEST FACTORING  
SERVICES » IN EUROPE, EMEA & AFRICA

# WORLDWIDE SCOPE



## EUROPE

- > Austria
- > Belgium
- > Bulgaria
- > Croatia
- > Czech Republic
- > Denmark
- > Finland
- > France
- > Germany
- > Hungary
- > Ireland
- > Italy
- > Luxembourg
- > Netherlands
- > Norway
- > Poland
- > Portugal
- > Romania
- > Russia
- > Serbia
- > Slovakia
- > Spain
- > Sweden
- > Switzerland
- > United Kingdom

## AFRICA

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

## AMERICA


- > Canada
- > Costa Rica
- > Guatemala
- > Mexico
- > United States


## ASIA

- > China
- > Hong Kong
- > India
- > Singapore
- > South Korea

## OCEANIA

- > Australia
- > New-Zeland

 *Scope of intervention in due respect of International embargoes and sanctions policies*

 *Local presence of Societe Generale teams for factoring*

# REPORT OF THE STATUTORY AUDITORS

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## On the financial statements

### For the year ended december 31st, 2019

At the General Meeting of Societe Generale Factoring .

#### 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, 2019, as they are attached to this report. These accounts were closed by the Board of Directors on April 1, 2020 on the basis of the information available on that date in an evolving context of the health crisis linked to Covid-19.

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.

#### Independence

We carried out our audit mission in accordance with the independence rules applicable to us, covering the period from January 1, 2019 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.



## 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. Regarding the events that have occurred and the elements known after the closing date of the accounts relating to the effects of the crisis linked to Covid-19, management has told us that they will be the subject of a communication to the general meeting called to rule on the accounts.

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 28th, 2020**  
**The statutory auditors**

**DELOITTE & ASSOCIÉS**  
**MARJORIE BLANC-LOURME**

**ERNST & YOUNG AUDIT**  
**VANESSA JOLIVALT**

# FINANCIAL REPORT- BALANCE SHEET

| <b>ASSETS (KEUR)</b>                  | <b>31-12-2019</b> | <b>DEC 31-2018</b> |
|---------------------------------------|-------------------|--------------------|
| LOANS DUE FROM CREDIT INSTITUTIONS    | 508 265           | 851 774            |
| TRANSACTIONS WITH CLIENTS             | 9 353 177         | 9 370 444          |
| EQUITY AND OTHER LONG-TERM SECURITIES | 285               | 224                |
| INTANGIBLE FIXED ASSETS               | 18 249            | 17 742             |
| TANGIBLE FIXED ASSETS                 | 2 619             | 2 765              |
| OTHER ASSETS                          | 3 673             | 3 381              |
| ADJUSTMENT ACCOUNTS                   | 7 266             | 13 393             |
| <b>TOTAL</b>                          | <b>9 909 239</b>  | <b>10 259 723</b>  |

| <b>LIABILITIES (KEUR)</b>        | <b>31-12-2019</b> | <b>DEC 31-2018</b> |
|----------------------------------|-------------------|--------------------|
| DUE TO CREDIT INSTITUTIONS       | 7 957 654         | 8 381 052          |
| TRANSACTIONS WITH CLIENTS        | 1 717 681         | 1 647 808          |
| DEBTS REPRESENTED BY A SECURITY  | 24 668            | 33 147             |
| OTHER LIABILITIES                | 28 334            | 30 163             |
| REGULARISATION ACCOUNT           | 40 263            | 45 983             |
| PROVISIONS FOR RISKS AND CHARGES | 1 557             | 2 370              |
| EQUITY                           | 139 081           | 119 199            |
| CAPITAL                          | 14 400            | 14 400             |
| RESERVES                         | 104 798           | 86 533             |
| RETAINED EARNINGS                | 1                 | 3                  |
| RESULT                           | 19 882            | 18 264             |
| <b>TOTAL</b>                     | <b>9 909 239</b>  | <b>10 259 723</b>  |

| <b>OFF BALANCE SHEET (KEUR)</b> | <b>31-12-2019</b> | <b>DEC 31-2018</b> |
|---------------------------------|-------------------|--------------------|
| <b>COMMITMENTS GIVEN</b>        |                   |                    |
| GUARANTEE COMMITMENTS           | 1 453 979         | 1 332 159          |
| <b>COMMITMENTS RECEIVED</b>     |                   |                    |
| FINANCING COMMITMENTS           | 360 384           | 259 255            |
| GUARANTEE COMMITMENTS           | 2 340             | 2 291              |
|                                 | 149               | 366                |

# FINANCIAL REPORT- INCOME STATEMENT

| INCOME STATEMENT IN (KEUR)  | 31-12-2019     | DEC 31-2018    |
|---|----------------|----------------|
| + FINANCING COMMISSIONS   | 87 925         | 73 409         |
| + INCOME FROM INTERBANK TRANSACTIONS  | 11 572         | 13 113         |
| - EXPENSES ON INTERBANK TRANSACTIONS  | -44 061        | -32 619        |
| + SERVICE COMMISSIONS   | 59 489         | 59 248         |
| + COMMISSIONS (PRODUCTS)  | 5 556          | 4 700          |
| - COMMISSIONS (EXPENSES)  | -11 835        | -11 249        |
| + OTHER BANKING INCOME  | 947            | 791            |
| - OTHER BANKING EXPENSES  | -17            | -39            |
| <b>NET BANKING INCOME</b>   | <b>109 576</b> | <b>107 353</b> |
| - GENERAL OPERATING EXPENSES  | -68 553        | -64 956        |
| - ALLOCATIONS TO DEPRECIATION AND PROVISIONS FOR DEPRECIATION ON TANGIBLE AND INTANGIBLE ASSETS | -7602          | -5 725         |
| <b>GROSS OPERATING PROFIT/LOSS</b>  | <b>33 422</b>  | <b>36 672</b>  |
| +/- COST OF RISK  | -1566          | -6 966         |
| <b>OPERATING PROFIT/LOSS</b>  | <b>31 856</b>  | <b>29 706</b>  |
| +/- GAINS OR LOSSES ON FIXED ASSETS   | 28             | 0              |
| <b>PRE-TAX PROFIT/LOSS</b>  | <b>31 884</b>  | <b>29 706</b>  |
| +/- NON-RECURRING PROFIT/LOSS   | 0              | 0              |
| - CORPORATION TAX   | -12 002        | -11 443        |
| <b>NET EARNINGS</b>   | <b>19 882</b>  | <b>18 264</b>  |



# EXPLANATORY NOTES

## On the balance sheet and the income statement

### Annual accounts ended december 31, 2019

Societe Generale Factoring, factoring subsidiary of Societe Generale, offers companies solutions for managing, financing and guaranteeing their trade receivables.

#### 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

Computer studies generated internally relating to a project using the classical method or agile method are immobilized, each time the overall cost of the project or the release concerned exceeds 50 KEUR.

#### Other capital assets - depreciations

Apart from internally generated fixed assets, intangible fixed assets are mainly consisting of external computer software. They are amortized on a straight-line basis over 4 years except in cases particular structuring project.

#### 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.

## Post-closing events

Following the onset of the health crisis linked to the Covid-19 coronavirus, SGF deployed its plan business continuity with massive recourse to teleworking from March 11, 2020. Since March 16, SGF has been faced, like all economic players, with travel restrictions and the national confinement obligation. Concerned about protecting its employees and partners, SGF can operate with the considerable remote workload, only the personnel essential to the operation of the service, ie around ten employees, continue to work on site. SGF is mobilized to support its customers and even if certain peaks in invoice handling are slowing down computer systems, a good level of service quality continues to be provided to all customers. Finally, the members of the ASF, (of which Societe Generale Factoring is a part), work to study, with the public authorities, all the measures and risk mitigations that could be taken to help the economy.

# THE FUTURE IS YOU



**SOCIETE GENERALE**  
Factoring

## **Societe Generale Factoring**

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