

SOCIETE GENERALE CRYPTO OVERVIEW

Memo following the press briefing of June 10, 2021

Paris, June 11, 2021

Presentation

Societe Generale has been developing services around crypto-assets (excluding cryptocurrencies) **for over 3 years.**

Contributors: 4 experts

- Claire Calmejane – Head of Innovation for the Societe Generale group, with two roles: to accelerate the digital transformation of existing businesses and create new businesses (including the entrepreneurship programme from which Societe Generale - FORGE emerged)
- Jean-Marc Stenger – CEO of Societe Generale - FORGE
- Isabelle Martz – Deputy Director of Retail Payments, Societe Generale
- Didier Lallemand – Chief Executive Officer of Societe Generale Ventures (which has invested over €200 million in start-ups)

Introduction

Societe Generale is interested in the Crypto-asset sector. The company, which has always been at the forefront of detecting and monitoring emerging technologies, considers that blockchain has now become a mature ecosystem since bitcoin, the first blockchain, was created in 2008.

On Thursday, June 10, 2021, 4 experts from Societe Generale participated in a press briefing about services developed by the Group around crypto-assets (excluding cryptocurrencies) **for over 3 years.**

I/ Blockchain

Blockchain is to data storage what the internet was to the physical world: a revolution! It can be compared to an online spider web where all the nodes correspond to data storage.

Societe Generale continues to explore the potential of blockchain which has many advantages: it is decentralized, secure, stable, traceable, transparent, fast and reliable. It has the potential to radically improve some financial procedures that are still slow and costly.

There are currently more than a hundred protocols in blockchain (Tezos, Ethereum, Cardano, Bitcoin, etc.). It is difficult to know at this time, if one of them in particular will emerge as market leader.

However, 5 or 6 of them currently dominate the market.

Blockchain can be **public** or **private**. Public blockchains are to private blockchains what the internet network is to the intranet network.

II/ Blockchain has led to the emergence of crypto-assets

Four asset types will be addressed in this press briefing. Cryptocurrencies, which represent 80% of the crypto-asset market, are highly volatile and speculative assets. Societe Generale does not currently distribute cryptocurrencies, an asset class that involves a certain investment risk, because of its focus on customer service. Security tokens are financial security tokens: this is the asset class where Societe Generale - FORGE is active. Crypto-assets also include **Stablecoins**, a currency exchange system with a stable value. Finally, Societe Generale is currently monitoring the market for **utility tokens**, which are usage rights.

In a visionary and innovative approach, Societe Generale has detected a true transformational opportunity to develop **significant new business models** in crypto-assets and blockchain (for example, Coinbase has been valued at 60 billion dollars!). It is working in close collaboration with the regulator in an experimental context.

1) Cryptocurrencies

Societe Generale does not provide these services. However, even if the company does not want to operate in this field, after listening to its clients' needs, it is offering a bank account aggregation service for these platforms, such as Coinbase, Binance and Kraken), via its **subsidiary Boursorama**.

2) Security tokens

In just three years, Societe Generale has developed a platform (Societe Generale - FORGE) that offers **three types of services**: structuring and issuing financial instruments in crypto format, the ability to exchange these assets and digital storage of these assets.

There are two types of security tokens: native security tokens are financial securities which only exist digitally on blockchain, while asset back tokens are digital representations of financial securities that exist elsewhere. In the interests of choosing disruptive business models to better serve its customers, Societe Generale - FORGE has chosen to offer services in this first category.

To achieve its ambitions, Societe Generale has tested blockchain in order to optimise the bond issue circuit. For example, in April 2019, Societe Generale - FORGE issued a digital bond of 100 million euros on the public blockchain, Ethereum.

In May 2020, it conducted a second experiment via a (40-million-euro) bond issue on a public blockchain settled this time in CBDC issued by the **Banque de France**.

Still continuing with this dynamism, the red and black bank launched two new operations in April. It formed a banking syndicate with Goldman Sachs and Santander for a **100-million-euro digital bond issue** on the public blockchain, Ethereum, **through the EIB**¹. In addition to the bond issues, Societe Generale - FORGE has successfully completed a new stage in its development by issuing the first structured product on the public blockchain, Tezos. In accordance with the best market standards, this

¹ European Investment Bank

new test demonstrates the legal, regulatory and operational feasibility of issuing complex financial instruments (structured products) on public blockchain. It capitalises on a disruptive technology that improves the efficiency and fluidity of financial transactions. Other operations will be launched between now and the end of 2022.

Societe Generale conducts its blockchain transactions using the [CAST](#) (compliant **architecture for security tokens**) protocol.

3) Stablecoins

Stablecoin is a currency that is pegged to a stable value. It is therefore programmable. For example, in its constant search to set itself apart from the crowd through innovative initiatives, Societe Generale has supported the digital currency, Lugh de Casino.

Another form of Stablecoin is the Central Bank Digital Currency (CBDC) which is issued on a DLT. There are two categories of CBDCs: CBDCs for interbank settlements (wholesale CBDCs) and retail CBDCs (payments to individuals and businesses). Today, all the central banks are working on these CBDCs. Societe Generale is active on wholesale CBDCs (Societe Generale - FORGE is taking part in the Banque de France's experiments) and is waiting for ECB to decide on the retail CBDCs (in view of the major macroeconomic risks for retail CBDCs).

Q&A Sessions – Key takeaways

Societe Generale is interested in this asset class because it is convinced of the transformational power of this new technology. Societe Generale first needed to discover where it could both create value and offer its expertise. Two fields have therefore emerged: security tokens and payment services (opening up new possibilities via 'smart contracts' providing predictability and the possibility of triggering transactions, which may be interesting in the insurance field, for example).

Aside from the EIB, other issuers are positioning themselves for issues.

Societe Generale has just obtained a licence from the ACPR and another soon from the AMF. Regarding digital bond issues via the EIB, Societe Generale has received expressions of interest from more than 40 institutional investors, demonstrating the appetite from both clients and investors.

A few days ago, Societe Generale - FORGE signed a partnership agreement with Exaion, an EDF subsidiary. EDF has started work on setting up the infrastructure on the lower layers of blockchain technology.

On the retail market, given that it is not positioning itself in crypto currencies, Societe Generale is offering services based on the future developments in Stablecoins.

Societe Generale is interested in Stablecoins and their potential usages for payments. The challenge is to bring these Stablecoins back into the real world (as opposed to the speculative world) Lugh is a good example of this. Stablecoins offer many possibilities: loyalty points, micro-payments based on usage, but also machine-to-machine transactions and directed payments (insurance, grants).

Societe Generale - FORGE is very active in Asia. In particular, it is in discussion with investors in Singapore and has an ongoing project in Hong Kong.

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Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 133,000 members of staff in 61 countries and supports on a daily basis 30 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

- **French Retail Banking** which encompasses the Societe Generale, Credit du Nord and Boursorama brands. Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- **International Retail Banking, Insurance and Financial Services to Corporates**, with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;
- **Global Banking and Investor Solutions**, which offers recognised expertise, key international locations and integrated solutions.

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