

# THE WALL STREET JOURNAL

Pietro Lombardi ▼

COVID-19 DAILY BRIEFING

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MARKETS

## Société Générale Posts Surprise Loss as Bad-Loan Charges Surge

French bank to cut costs by up to a further \$760 million this year



Société Générale, like other banks world-wide, has been setting aside billions of dollars to cover bad loans.

PHOTO: CHRISTOPHE MORIN/BLOOMBERG NEWS

By [Margot Patrick](#) and [Pietro Lombardi](#)

April 30, 2020 5:28 am ET



SAVE



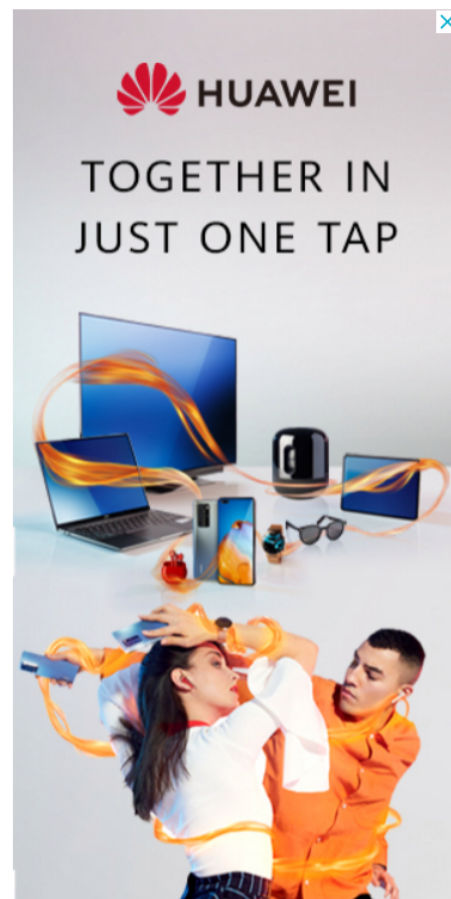
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TEXT

French bank Société Générale SA said it would cut costs and rework its strategy after bad-loan charges tripled in the first quarter and stock-trading revenue was wiped out by disruption from the coronavirus pandemic.

As at other banks, the lender said clients traded more in volatile



markets but the transaction fees it earned on those trades were offset by poor performance in structured products. Companies that canceled dividend payments because of the coronavirus wiped €200 million (\$217.1 million) from its structured products revenue and counterparty defaults cost the bank €55 million.

France's third-largest listed bank by assets posted a first-quarter net loss of €326 million Thursday, compared with a profit of €686 million a year earlier. It set aside €820 million to cover bad loans, up from €264 million in first-quarter 2019, and said it expects further deterioration in its loan book. Two fraud cases contributed to the loan charges, the bank said.

### Société Générale Surprises

The bank's unexpected first-quarter loss affected its share price

#### Société Générale



Source: FactSet

Analysts had expected the bank to make a profit and the bank's shares fell 3.5%. The results were "a bad surprise this morning," analysts at [Citigroup](#) said in a note.

Banks world-wide [have been setting aside billions of dollars](#) to cover bad loans and are shoring up capital by canceling dividends and share buybacks, as lockdowns and uncertainty from [the coronavirus pandemic](#) shatter the world economy.

At Société Générale, net banking income fell almost and uncertainty from [the coronavirus pandemic](#) shatter the world economy.

At Société Générale, net banking income fell almost

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PREVIEW



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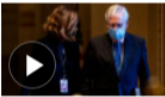


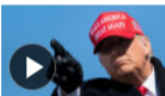

PREVIEW



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17% to €5.17 billion, driven by weakness in its investment bank. The division posted a loss of €537 million from a profit of €140 million, and posted a 27% decline in revenue. Equities revenue collapsed, falling

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posted a 27% decline in revenue. Equities revenue collapsed, falling 99% to just €9 million.

The bank's core Tier 1 ratio, a key measure of capital strength, fell to 12.6% in March from 13.2% in December. It indicated the ratio will fall further this year.

The bank said it would cut costs by up to a further €700 million this year to adapt. Chief Executive Frédéric Oudéa said the bank is working on a 2021-2025 strategic plan that will take into account the "new environment post crisis." The lender had already said it would cut 1,600 jobs globally after a slump in investment-banking revenue at the end of 2018.

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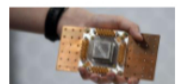
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