S&P Global Ratings

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Societe Generale

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Societe Generale

Rating Score Snapshot

Global Scale Ratings
Issuer Credit Rating
A/Stable/A-1
Resolution Counterparty Rating
A+/--/A-1

SACP: bbb+ → **Support: +2** → **Additional factors: 0**

SACP		
Anchor	bbb+	
Business position	Adequate	0
Capital and earnings	Adequate	0
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support	
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A/Stable/A-1
Resolution counterparty rating
A+/A-1

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview	
Key strengths	**Key risks**
Globally systemic universal bank with well-diversified revenue by business lines and geographies.	Cost to income in the high end of its peer set, and subject to pressure from the inflationary environment.
Diversified funding profile with good access to wholesale debt markets.	Inherent complexity from some capital market activities.
Comfortable bail-inable debt cushion and a higher regulatory core capital ratio.	Pockets of risk in the loan book, including eastern Europe and French small and midsize enterprises (SMEs).

Société Générale (SG)'s cost efficiency is in a positive trend but will still lag peers in the near term. Although cost reduction is one of SG's priorities, and we have seen some improvement over the past two years, we still expect its cost-to-income ratio will remain elevated at about 70% in the near term. This is mainly because of a still high cost base, which will be subject to inflationary pressure in the next two years, and a slower net interest margin improvement in France compared with other countries. We recognize SG's efforts to combine its two retail banking networks and accelerate its digital investment, but the benefits of these will only be seen at the back end of SG's 2025 plan.

Nonperforming loans (NPL) are likely to increase given the various pockets of risk, although this deterioration will remain manageable. We expect the current high uncertainty around geopolitical issues, supply chain disruptions, high inflation, and increasing refinancing costs could halt the continuous NPL ratio improvement (2.7% at end-September 2022). We see SMEs and SG's exposure to cyclical sectors in its corporate portfolio as potentially more vulnerable. Conversely, we expect residential mortgages to be more resilient. While we expect the bank's NPL ratio to increase, we consider it will remain below 4%, which is a manageable deterioration.

We expect a stable capitalization after considering the loss on the Rosbank sale in 2022 and the likely closing of Leaseplan's acquisition by ALD in the first quarter of 2023. The bank's capital has strengthened over recent years to achieve a 9.2% risk-adjusted capital (RAC) ratio at end-2021. We expect the metric to remain at adequate levels, between 8.25%-8.75%, in next two years even including the ALD/Leaseplan deal. This is the result of higher S&P Global Ratings' risk weighted assets (RWA; from loan growth and potentially rising NPLs) being offset by retained earnings after a 50% dividend payout.

SG benefits from solid deposit franchises in France and the Czech Republic and is a well-known issuer in the capital markets. Like its peers, SG relies on market access, notably for its capital market activities.

Outlook

The stable outlook on SG and its core subsidiaries reflects our expectation that the group will navigate the current macroeconomic headwinds well. We anticipate asset quality will deteriorate in the coming quarters, but believe SG will maintain manageable credit costs of 30 basis points (bps)-40 bps in the next two years. We also incorporate in our projections that SG will maintain a buffer of bail-inable securities in excess of 8% of S&P Global Ratings' RWA, as this is the condition to maintain a two-notch additional loss-absorbing capacity (ALAC) uplift above the 'bbb+' group stand-alone credit profile (SACP).

Downside scenario

We could lower the ratings in the next two years if, contrary to our current expectations, profitability deteriorates sharply. This could happen if credit losses are far higher than our projections, or if the group cannot sustainably improve its efficiency ratio to be at least in line with historical standards. Although less likely, the long-term issuer credit rating could also come under pressure if the bank cannot maintain a sufficient ALAC buffer.

Upside scenario

An upgrade, although unlikely in the next 12 months, could come at a later stage if SG improves its efficiency and profitability, and achieves a sustainable business model on par with banks having an 'a-' stand-alone credit profile. We would also expect better operating conditions in SG's retail markets, good results from the merger of its two French networks, and solid performance from investment banking activities.

Key Metrics

Societe Generale--Key Ratios And Forecasts

	--Fiscal year ended Dec. 31--				
(%)	**2020a**	**2021a**	**2022f**	**2023f**	**2024f**
Growth in customer loans	2.4	10.5	4.5-5.5	3.1-3.8	3.1-3.8
Net interest income/average earning assets (NIM)	1.3	1.3	1.2-1.4	1.2-1.5	1.3-1.5
Cost to income ratio	74.6	66.7	64.7-68.1	68.4-71.9	69.4-72.9
Return on assets	0.0	0.5	0.2-0.3	0.3-0.4	0.3-0.4
New loan loss provisions/average customer loans	0.7	0.1	0.3-0.3	0.3-0.3	0.3-0.3
Risk-adjusted capital ratio	9.1	9.2	8.6-9.1	8.3-8.7	8.3-8.7

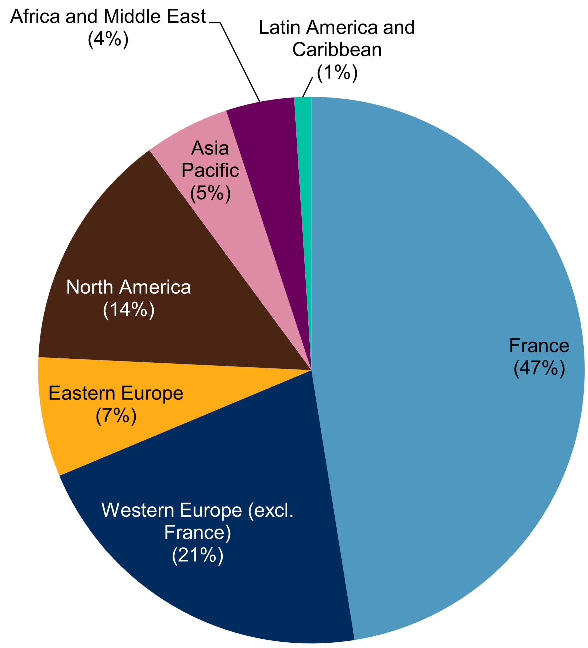
All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb+', Reflecting Geographically Diverse Assets And The Industry Risk In The French Banking System

We use our Banking Industry Country Risk Assessment methodology and our economic risk and industry scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. We assess economic risk for SG based on our calculation of the bank's weighted-average credit exposures in the countries and regions in which it operates. We weigh each jurisdiction according to the geographic distribution of its credit exposures (see chart 1). The weighted-average economic risk score for these territories is just below '3.3' on a scale of '1' to '10' ('1' representing the lowest risk and '10' the highest).

Chart 1

Societe Generale's Geographical Breakdown Of Credit Exposures (On And Off Balance Sheet)



Data as of end-September 2022. Source: SG's financial presentations

On the economic risk side, the rebound of the French economy since pandemic-related restrictions were lifted has been strong, both in terms of GDP and employment. However, the Russia-Ukraine war, commodity supply shortages, and inflation stress are reducing growth prospects. For France, we forecast GDP growth of 2.5% in 2022, before slowing to 0.2% in 2023; and unemployment of 7.4%, below the 2019 level, stabilizing at 7.8%-7.9% in 2023-2024. We project that inflation will peak at 5.9% in 2022, then decelerate to 4.4% in 2023 and 2.4% the following year. We expect French banks' loan growth to decelerate but remain positive at 3.0% annually. Domestic asset quality is structurally supported by fixed-rate mortgage loans, so will not be damaged by higher interest rates. Defaults should increase in the next two years, stemming notably from corporates, small and midsize enterprises, and consumer lending, but to lower levels than we expected a couple of years ago. We project domestic nonperforming assets (NPAs) will increase to close to 3.0% of domestic loans by year-end 2024. We see the economic risk trend as stable.

Regarding industry risk, we expect higher interest rates to benefit French banks' interest income, although this will materialize more progressively than in other European banking markets, reflecting notably the repricing lag in the banks' fixed rate mortgage loan portfolios. Cost efficiency is a weakness for French banks compared with their European peers, mainly because of a still-dense branch network. In a scenario of persistent high inflation, management will find it harder to keep operational expenses under control. Banks also face the challenge of streamlining their operations with digitization efforts. Finally, the banking model of most French banks implies some reliance on wholesale resources, exposing the sector to market shocks. We see the industry risk trend as stable.

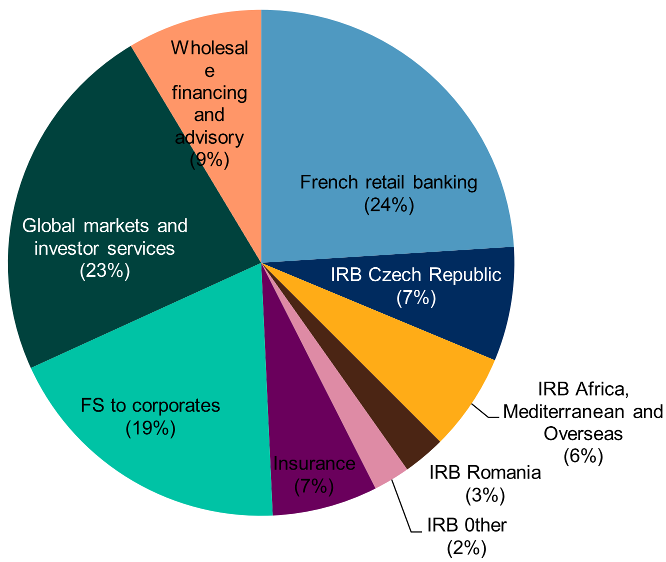
Business Position: Diversified Model But Still Incurring Volatility

Our business position assessment balances SG's strong customer franchises and strong geographic diversification, with its less favorable track record than peers in achieving consistent performance levels through the cycle.

SG is a global, systematically important bank with a large asset base of €1,593 billion at end-September 2022 and ranks among the 10-largest European banks. The group follows a universal banking strategy. It is a leading retail and commercial bank in France and is active in corporate and investment banking internationally. SG has leading positions in financial services to corporations, namely equipment financing and mobility solutions (leasing and fleet management). The group's international retail banking operation is geographically diverse, with a sizable presence in the Czech Republic, Romania, as well as expanding retail businesses in Africa and consumer finance operations across Western Europe. However, these strengths do not fully translate into resilient earnings yet, unlike typically for higher rated peers. Insurance makes a more limited contribution to the group's franchise, which is a weakness in the French retail market where cross-selling is essential. With more than two-thirds of its credit exposures in France or Western Europe, the group is predominantly exposed to low-risk economies. We estimate the share of riskier, but higher growth in emerging economies to be about 10% of credit exposures (see chart 2).

Chart 2

Societe Generale's Operating Income Distribution In The First Nine Months Of 2022 By Division
(Exclusive corporate center)



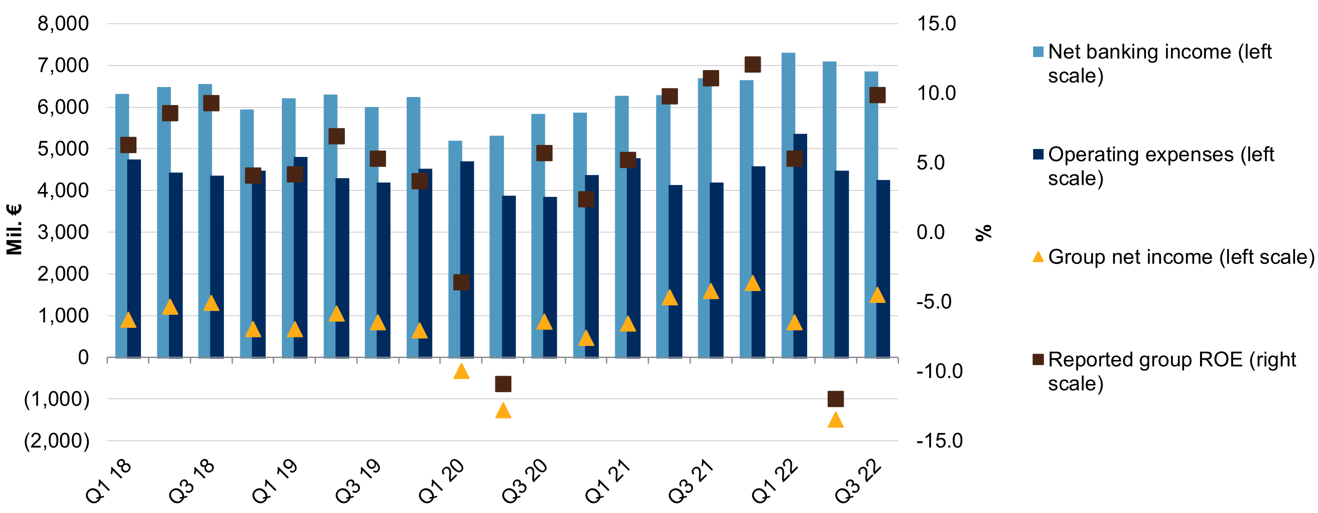
IRB--International Retail Banking. FS--Financial services. Excludes group center costs for restructuring of €749 million. Source: SG, S&P Global Ratings.

The bank posted a €5.6 billion net income in 2021 after a €258 million loss in 2020. Over the first nine months of 2022, the bank stands at a positive €858 million, despite the large loss incurred from the disposal of its Russian subsidiary, Rosbank.

We note therefore a higher volatility at SG compared with peers, which could continue in next years if its strong revenues from market activity are not renewed. Many European banks are facing structural challenges in delivering stable and consistent risk-adjusted profitability in their investment banking divisions, SG included. These challenges include fierce competition from larger, more scalable and truly global U.S. peers, increasing regulatory RWAs, and a high cost base for some. In 2022, SG continued its cost reduction effort initially set at about €450 million for the investment banking division by 2022-2023.

Chart 3

Volatility of Societe Generale's Reported Quarterly Performance



ROE--Return on equity. Source: Société Générale.

SG enjoys a strong French retail and commercial banking franchise and has domestic market shares of about 9% in loans and deposits. However, this segment is not immune from the interest rate environment with housing loans repricing at a slower pace than in other countries, fierce competition from leading mutualists, and the costly ongoing transformation of its business model and branch network. SG's online and digital offering helps the group deal with changing technologies and customer behaviors. Still, the high cost of client acquisition, including from the referral program of ING retail clients, prevents Boursorma (SG's digital bank) from contributing more strongly to the group's profits. Moreover, we understand SG is making good progress on the merger of its two physical retail networks, could streamline its cost base for the segment, but the net effect should only be seen in late 2024 or 2025 as restructuring costs are needed until then. In addition, a strategic challenge for the bank's efficiency improvement in retail banking is to derive more synergies with its insurance, asset management, and private banking businesses. These are relatively smaller than those of French peers, but are essential for cross-selling.

Retail and commercial operations overseas present typically higher growth potential than French activities but are higher risk. SG holds a dominant position in the Czech Republic via Komercni Banka, one of the most profitable assets of the group. SG also holds a top-tier position in Romania. The group is successful in many other countries, including some in Africa, and has ambitions to develop a long-term growth strategy there. Still, this setup does not yet provide the same strength as operating in multiple strong home markets, like European competitors such as BNP Paribas in Belgium/Italy, UniCredit in Austria/Germany, or ING in Belgium/Germany. In the past few years, SG has disposed of several subscale entities, or entities which offered limited synergies with the rest of the group, notably in smaller Eastern European countries, and including Lyxor, the most recent disposal.

Last, we note the group's new strategic pillar, mobility, which will be reinforced by the acquisition of Leaseplan by ALD. After deal completion, we expect SG will remain the majority owner of ALD, with 51%-53% of controlling shares over the long term. The combination of entities, both already leaders in car leasing and fleet management, will engender a strong contributor to the group's profits.

Capital And Earnings: Adequate Capital Buffers Despite Extraordinary One-Offs

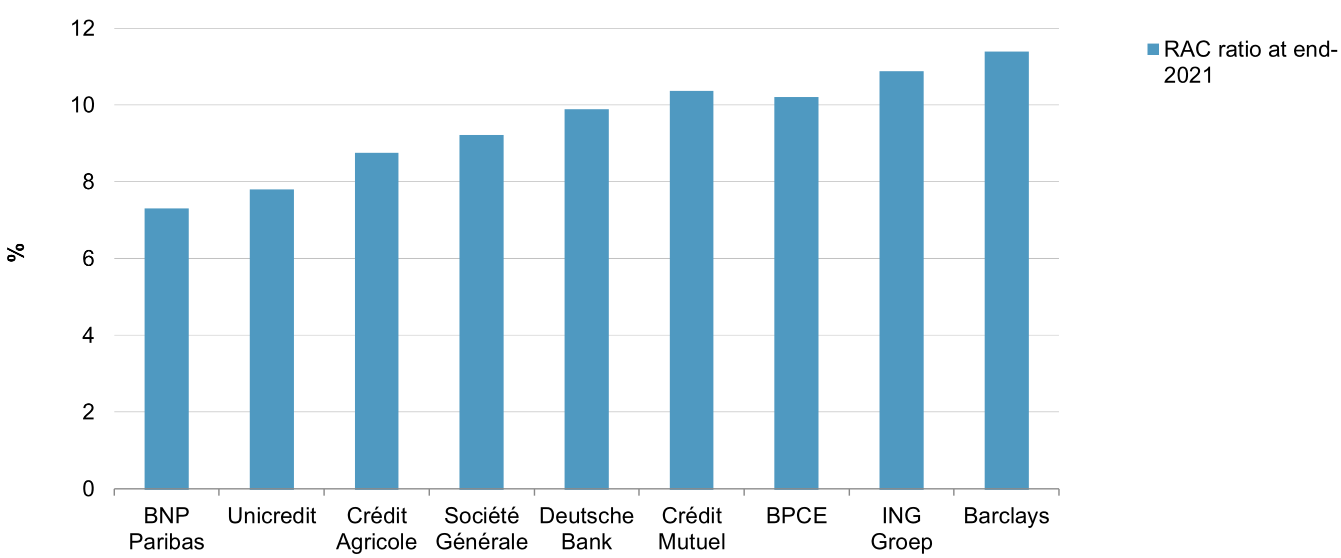
SG's risk-adjusted capital (RAC) ratio increased to 9.2% at year-end 2021. We expect capitalization to remain adequate, well above the 7% threshold, but at a lower level as we project the RAC ratio falling to 8.25%-8.75% by year-end 2024.

In our projections, we assume for 2023 and 2024:

- Growing loan books in all geographies albeit at a slower pace compared with 2021 and 2022, 3%-5%;
- Net interest margins to increase, as corporates and foreign retail books reprice much faster than the French retail one;
- Prudent revenues for market activities considering the excellent performance seen in past two years;
- Cumulative €300 million-€400 million of restructuring costs;
- A 50% distribution policy on underlying net income;
- RWAs to increase marginally faster than the asset base to cater for rising NPLs; and
- And the one-off effect from the acquisition of Leaseplan by ALD.

Chart 4

Societe Generale's Key Capital Ratios Versus Selected European Peers'



RAC--Risk-adjusted capital. Source: Banks, S&P Global Ratings.

The bank targets a common equity tier 1 (CET1) ratio in excess of 12% by 2025 under revised Basel framework and reported a 12.9% fully loaded ratio under current regulatory rules. We expect SG's capital management will therefore remain broadly unchanged. Moreover, we view SG's regulatory capital ratios as average compared with those of the largest European banks, the CET1 ratio was 380 bps above the maximum distributable amount on the same date, which is a comfortable margin and in line with that of peers. We consider the quality of the group's capital satisfactory; additional tier 1 (AT1) instruments represent about 14% of the total adjusted capital (TAC).

We expect the group's revenue will be supported by higher interest rates going forward, although pressure remains in the French retail market because regulated savings reprice on the liability side while repricing of the long tenure and largely fixed-rate mortgage loan portfolio will take time, and usury caps will change only progressively. Although complex to project, we expect revenues from market activities to remain at good levels on the back of the ongoing uncertainty and consequent volatility, although somewhat lower than during recent extraordinary quarters. At the same time, inflationary pressure will affect personnel and other operating expenses, leaving the cost-to-income in the 65%-70% range.

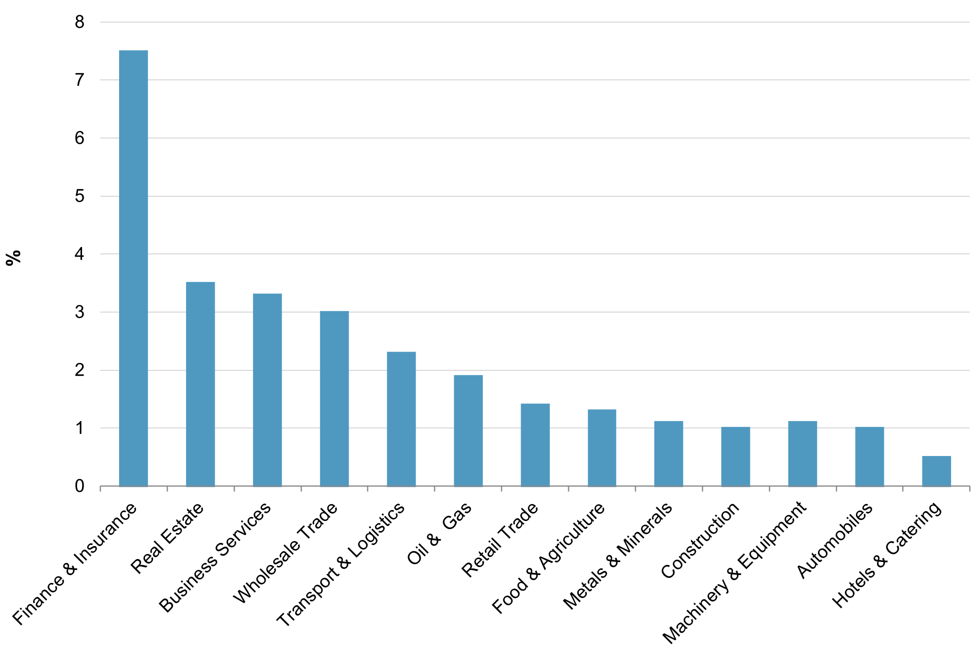
Risk Position: Well-Managed Portfolios With Some Pockets Of Risk

Our analysis reflects the relatively high weighting of capital market activities in SG's business model, the inherent complexity of some of its activities, and some exposure to cyclical sectors in its corporate portfolio. However, we believe that SG's risk management capabilities are sound.

Credit risk mainly stems from large corporate exposures and to SMEs in France and emerging markets. The leveraged buyout portfolio is relatively small overall, at about €5 billion, and is closely monitored. The quality of the French residential real-estate loans is strong. As for the industry, maturities have lengthened but we consider underwriting practices sound, with strict control of debt-to-income and debt-service ratios. In addition, about 80% of those loans benefit from a guarantee from Credit Logement. We expect that arrears in French retail will remain very low. The consumer finance book is of modest size compared with that of French and some international peers. About two-thirds of the exposures are secured auto loans, and a little less than half in Germany where we consider the credit quality of borrowers to be strong. Exposure to Czech Republic, Romania, and Africa present pockets of risk, although collectively small in a group context.

Chart 5

Societe Generale's Share Of Selected Corporate Sectors In % Of Total Portfolio



The percentages represent the the corporate exposure at default (EAD) in % of total group's EADs at September 2022. Source: SG, S&P Global Ratings.

SG stated its nonperforming loan ratio improved to 2.7% at end-September 2022, from 3.3% at end-2020. However, we expect doubtful loans will increase due to low economic growth, high inflation, increasing refinancing costs, and potential for further downside risks. We anticipate SG will be able to manage this transition thanks to its provision buffers and the ability to add additional provisions in the coming two years. The coverage of stage 2 loans by provisions stands just below 5% while stage 3 is 50%, which we view as adequate. We expect the loan loss rate could increase but remain at an absorbable 30 bps-40 bps by 2024.

SG's level 3 assets are around 30% of the TAC, up from 20% three years ago, which demonstrates its exposure to higher market illiquidity. This is a high level in a global context. Even though we note the efforts to manage down market risks over recent years, SG remains a complex group that engages in derivatives and other traded products, which induces substantial market and counterparty risks. One of the group's objectives was to de-risk part of its equity structured products segment (notably autocalls on riskier assets) and to focus on simpler products. The reported average trading value-at-risk was €18 million in the third quarter of 2022, from a €40 million peak in the second quarter of 2020, reflecting substantial market volatility. The risk controls and framework have improved because the group have learned from past crises and litigation, but the size of capital market activities create inherent volatility, in our view.

We think that the group's diversified and international business profile exposes it to a wide range of nonfinancial risk, notably reputational, compliance (including know your customer procedures), and operational. We have not observed any material conduct or misselling cases among the retail clientele in France, a country with a consumer-friendly legislation, especially regarding consumer loans, or in the Czech Republic.

Funding And Liquidity: Sound Position, But Structural Wholesale Funding Needs Remain

We regard SG's funding as average and its liquidity as adequate. The group relies on wholesale funding markets and is an active borrower in the confidence-sensitive wholesale markets.

In our view, SG's funding structure has several strengths, notably stemming from its loyal and granular retail deposit base in France and the Czech Republic. We expect our measure of net customer loans to deposits will be back to 100% or above in coming quarters as clients start moving their cash balances to more remunerative schemes than current accounts. The sale of structured products and private placements also represents a major competitive advantage. Funding diversity has been regularly enhanced and is now complemented by the issuance of secured bonds and securitization deals.

As typical for a universal bank with capital market activities, SG is a large user of wholesale funding. Short-term wholesale funding typically represents 30%-35% of total funding, which might appear high, but is essentially used to fund short-term assets, in particular non-loan assets (for example securities and reverse repos) from the investment banking platform.

We believe that the group has adequate liquidity management and contingency plans. Its liquid assets buffer stood at €255 billion as of end-September 2022 (including central bank deposits, eligible assets, and high-quality liquid asset securities), and the group reported an average Basel III liquidity coverage ratio of 143% over the third quarter of 2022. Our measure of the group's broad liquid assets to short-term wholesale funding was 1.3x on the same date. Similarly, our stable funding ratio stood at around 100%, which indicates limited maturity mismatch risks.

SG's metrics are broadly in line with those of peers. We note that, generally, French banks display weaker metrics than many European peers. Moreover, a large amount of regulated saving plans (mostly Livret A) collected by French banks are centralized, in part at the public body Caisse Centrale des Dépôts et Consignations. Consequently, we adjust our funding and liquidity metrics to reflect that these deposits are not available for asset financing.

Support: A Sizable Buffer Of Bail-Inable Instruments

We incorporate in our long-term issuer credit rating two notches of ALAC uplift because we estimate that SG's buffer of ALAC eligible instruments stands, and will remain, above 8.0% of RWAs. At end-2021, we estimated the ALAC ratio was 8.5%. We expect that the bank will gradually replace maturing capital instruments, and that future regulatory requirements will lead the group to keep its outstanding bail-inable buffer. SG's 32.3% total loss absorbing capacity ratio (including 2.5% of senior preferred debt) at end-September 2022 is well above the minimum regulatory requirement set at 21.6% for 2022. Similarly, on the same date, SG amply met its 25.2% minimum requirement for own funds and eligible liabilities set for 2022.

We view the French resolution regime as effective under our ALAC criteria because, among other factors, we believe it contains a well-defined bail-in process, under which authorities would permit nonviable systemically important banks to continue critical functions as going concerns, following a bail-in of eligible liabilities. We believe that the prospect of extraordinary government support for the French banking sector is uncertain as a result of the full implementation of the EU Bank Recovery and Resolution Directive, including bail-in powers, since Jan. 1, 2016. We do not completely exclude the possibility of such support, but we believe the French government's ability and willingness to provide the support is lower and less predictable under the enhanced resolution framework.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

The group is exposed to a range of nonfinancial risks, notably reputational, compliance, and operational. Most of these risks lie in the markets and asset-gathering operations. SG, like many large European and U.S. banks, in the past decade has not been immune to large-scale litigations. These mainly stemmed from shortcomings in control/monitoring, but also from a historically high-risk appetite in certain investment banking activities. We note the decisive steps taken in 2018 leading to the settlement of the most recent large litigation cases, eliminating this material risk. We also note SG's exposure to markets where governance practices could be weaker than in France. This can expose the bank more to know-your-customer or compliance risks. So far, SG has managed these risks well.

Furthermore, one of SG's main social challenges is the management of its large branch network, which is likely to continue to reduce over time. We will monitor how the group manages adapting its workforce to a more digitally advanced model, while remaining customer centric. We have not observed any material conduct cases or misselling with the retail clientele in France, but we are closely monitoring how the group maintains high underwriting standards, including consumer loans, to avoid any emerging social risks.

Like any global bank with a large corporate book, SG lends to and invests in carbon-intensive industries and, as such, has to manage energy transition risks emanating from climate change in its portfolio. Even though SG has well-advanced policies to reduce or restrict its financing to sectors with elevated greenhouse gas emissions, the magnitude of changes needed over time to rebalance the portfolios and adjust lending criteria (and pricing), both in the retail and corporate sectors, are significant. Another activity sensitive to evolving environmental norms and customer preferences is SG's leading position in car leasing and fleet management, through its majority owned subsidiary ALD S.A.

Rated Subsidiaries

We equalize our long-term issuer credit rating on Komercni Banka A.S., the group's Czech operations, with that on parent SG, given the bank's core status within the Société Générale group. Komercni Banka is a key subsidiary given its strong profitability. We view Komercni Banka as integral and strategic to SG's objectives and consider that SG would be willing to provide support to the bank under all foreseeable circumstances and in a timely manner.

We regard the insurance subsidiary Sogécap S.A. as a core entity. Therefore, we equalize the long-term issuer credit rating and insurer financial strength ratings on Sogécap with our 'bbb+' assessment of the group SACP on SG. A resolution of Sogécap would be separate from SG, meaning that any outstanding bail-inable instruments at the group level would not be available for insurance operations. SG's insurance activities (life insurance, personal protection, and property and casualty) contribute indirectly to the fee revenue of the French retail networks, which distributes its insurance products. The direct contribution of the insurance segment to the group's net income is structurally close to 10%. SG intends to develop its franchise in this sector, increasing intragroup synergies in revenue through its bancassurance model.

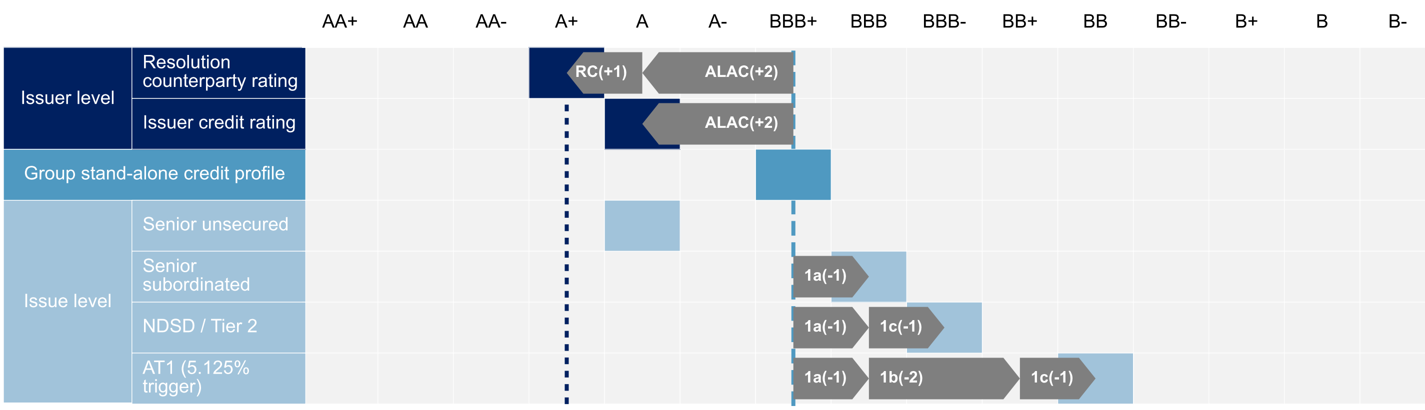
We regard ALD, a global leader in car leasing and fleet management company, as a strategically important subsidiary, given its absolute contribution to the group's results, but also to diversification by geography and alternative sources of revenue in the current low-interest-rate environment. The ongoing acquisition of Leaseplan would further enhance its market position and increase revenue contribution to the overall group. Moreover, SG added mobility as the third pillar of its strategy, which could give a route to a higher strategic importance under our methodology after a successful integration.

Rating of Hybrid Instruments

We rate the bank's senior nonpreferred (SNP) and subordinated debts by notching down from SG's 'bbb+' group SACP. Specifically:

- Our 'BBB' rating on the bank's SNP notes is one notch lower than our assessment of the group SACP, owing to our view that such notes are subordinated (although not labelled as such) to the more senior obligations, and do not carry additional default risk relative to that represented by the group SACP. We believe that SNP notes would be subject to a possible conversion or write-down only in resolution.
- Our 'BBB-' ratings on SG's non-deferrable Tier 2 instruments are two notches below the group SACP. This reflects the deduction of one notch for subordination and one notch because we believe these instruments would absorb losses through principal in application of a mandatory contingent capital clause (be it contractual or statutory).
- Our 'BB' ratings on the bank's AT1 instruments reflects the deduction of two more notches to reflect the instruments' standard risk of coupon nonpayment and considering their regulatory tiering. This issue rating factors in our expectation that the group will maintain enough buffer against the trigger for potential regulatory restrictions on paying coupon on AT1 instruments (maximum distributable amount).

Société Générale: Notching



Key to notching

-----	Group stand-alone credit profile
------	Issuer credit rating
RC	Resolution counterpartyliabilities (senior secured debt)
ALAC	Additional loss-absorbing capacity buffer
1a	Contractual subordination
1b	Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
1c	Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt.

Resolution Counterparty Ratings (RCRs)

We have assigned RCRs to core banking entities within the group as we assess the resolution regime to be effective in France and consider the bank as likely to be subject to a resolution that entails a bail-in if it reaches nonviability. We notably have 'A+/A-1' RCRs on SG, Komercni Banka, and Société Générale Bank and Trust, and 'A/A-1' RCRs on U.S. based SG Americas Securities LLC. An RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default through an effective bail-in resolution process for the issuing financial institution. We position the long-term RCR up to one notch above the long-term issuer credit rating when the rating ranges from 'BBB-' to 'A+'.

Key Statistics

Table 1

Societe Generale--Key Figures

	--Year ended Dec. 31--				
(Mil. €)	**2022***	**2021**	**2020**	**2019**	**2018**
Adjusted assets	1,369,537.0	1,260,277.0	1,272,370.0	1,169,875.0	1,141,510.0
Customer loans (gross)	508,657.0	499,313.0	451,923.0	441,430.0	432,586.0
Adjusted common equity	46,811.6	47,251.6	42,988.4	44,187.0	41,336.0
Operating revenues	14,350.0	25,804.0	22,116.0	24,542.0	25,261.0
Noninterest expenses	9,485.0	17,211.0	16,504.0	17,411.0	17,595.0
Core earnings	2,231.0	5,627.1	481.0	3,685.0	4,209.7

*Data as of June 30.

Table 2

Societe Generale--Business Position

	--Year ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Total revenues from business line (currency in millions)	14,350.0	26,439.0	22,116.0	24,542.0	25,261.0
Commercial banking/total revenues from business line	21.1	19.2	19.4	18.0	17.8
Retail banking/total revenues from business line	49.2	48.5	55.2	54.3	53.3
Commercial & retail banking/total revenues from business line	70.3	67.7	74.6	72.4	71.1
Trading and sales income/total revenues from business line	25.8	21.3	18.8	21.2	20.6
Insurance activities/total revenues from business line	3.5	3.6	4.0	3.7	3.5
Asset management/total revenues from business line	N/A	3.6	4.1	3.9	3.8
Other revenues/total revenues from business line	0.4	3.7	(1.5)	(1.1)	0.9
Investment banking/total revenues from business line	25.8	21.3	18.8	21.2	20.6
Return on average common equity	(3.2)	9.1	(1.6)	4.7	6.1

*Data as of June 30. N/A--Not applicable.

Table 3

Societe Generale--Capital And Earnings

	--Year ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Tier 1 capital ratio	15.2	15.9	16.0	15.1	13.4
S&P Global Ratings' RAC ratio before diversification	N/A	9.2	9.1	9.1	8.0
S&P Global Ratings' RAC ratio after diversification	N/A	11.1	10.9	11.0	9.4
Adjusted common equity/total adjusted capital	86.1	86.2	84.2	85.0	84.0
Net interest income/operating revenues	37.7	41.5	47.4	45.6	43.6

Table 3

Societe Generale--Capital And Earnings (cont.)					
	--Year ended Dec. 31--				
(%)	2022*	2021	2020	2019	2018
Fee income/operating revenues	18.2	20.6	22.2	21.4	21.9
Market-sensitive income/operating revenues	30.6	22.2	12.9	18.0	20.4
Cost to income ratio	66.1	66.7	74.6	70.9	69.7
Preprovision operating income/average assets	0.6	0.6	0.4	0.5	0.6
Core earnings/average managed assets	0.3	0.4	0.0	0.3	0.3

*Data as of June 30. N/A--Not applicable.

Table 4

Societe Generale--Risk-Adjusted Capital Framework Data					
(Mil. €)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	321,048.2	10,374.9	3.2	7,252.4	2.3
Of which regional governments and local authorities	20,387.4	1,467.2	7.2	1,054.0	5.2
Institutions and CCPs	181,364.3	19,112.6	10.5	41,823.9	23.1
Corporate	341,117.2	155,092.0	45.5	263,383.2	77.2
Retail	143,809.8	53,263.5	37.0	89,466.2	62.2
Of which mortgage	45,935.4	12,753.1	27.8	16,357.2	35.6
Securitization§	44,086.1	6,368.5	14.4	30,837.0	69.9
Other assets†	36,205.3	29,412.5	81.2	57,466.1	158.7
Total credit risk	1,067,630.9	273,624.0	25.6	490,228.8	45.9
Credit valuation adjustment					
Total credit valuation adjustment	--	3,187.5	--	8,857.8	--
Market Risk					
Equity in the banking book	2,325.3	1,609.9	69.2	19,733.1	848.6
Trading book market risk	--	11,650.0	--	19,930.0	--
Total market risk	--	13,259.9	--	39,663.2	--
Operational risk					
Total operational risk	--	46,812.5	--	57,821.2	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	363,370.9	--	596,571.0	100.0
Total diversification/ concentration adjustments	--	--	--	(102,742.1)	(17.2)
RWA after diversification	--	363,370.9	--	493,828.9	82.8
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					

Table 4

Societe Generale--Risk-Adjusted Capital Framework Data (cont.)				
Capital ratio before adjustments	57,907.0	15.9	54,785.6	9.2
Capital ratio after adjustments‡	57,907.0	15.9	54,785.6	11.1

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CCPs--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2021, S&P Global Ratings.

Table 5

Societe Generale--Risk Position

	--Year ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Growth in customer loans	3.7	10.5	2.4	2.0	3.8
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(17.2)	(16.3)	(17.2)	(15.8)
Total managed assets/adjusted common equity (x)	32.9	31.0	34.0	30.7	31.7
New loan loss provisions/average customer loans	0.3	0.1	0.7	0.3	0.2
Net charge-offs/average customer loans	0.0	0.0	0.0	0.0	0.0
Gross nonperforming assets/customer loans + other real estate owned	3.2	3.3	3.8	3.9	4.4
Loan loss reserves/gross nonperforming assets	65.7	66.6	68.6	61.7	60.0

*Data as of June 30. N/A--Not applicable.

Table 6

Societe Generale--Funding And Liquidity

	--Year ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Core deposits/funding base	48.0	48.8	44.9	44.6	44.2
Customer loans (net)/customer deposits	97.2	101.0	101.3	108.9	109.4
Long-term funding ratio	67.7	69.7	70.2	68.4	69.1
Stable funding ratio	99.2	102.1	110.4	97.7	100.3
Short-term wholesale funding/funding base	34.2	32.3	31.6	33.7	32.9
Regulatory net stable funding ratio	112.0	110.4	N/A	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	1.3	1.4	1.5	1.2	1.3
Broad liquid assets/total assets	31.4	30.3	31.7	27.2	29.2
Broad liquid assets/customer deposits	94.2	91.9	106.6	93.3	99.1
Net broad liquid assets/short-term customer deposits	24.1	27.0	38.0	19.0	27.9
Regulatory liquidity coverage ratio (LCR) (x)	140.0	129.0	N/A	N/A	N/A
Short-term wholesale funding/total wholesale funding	64.8	62.1	56.5	59.9	58.1
Narrow liquid assets/3-month wholesale funding (x)	2.4	1.6	2.0	1.5	1.7

*Data as of June 30. N/A--Not applicable.

Société Générale--Rating Component Scores

Issuer Credit Rating	**A/Stable/A-1**
SACP	bbb+
Anchor	bbb+

Société Générale--Rating Component Scores (cont.)	
Issuer Credit Rating	**A/Stable/A-1**
Economic risk	3
Industry risk	4
Business position	Adequate
Capital and earnings	Adequate
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+2
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | Financial Institutions Rating Methodology Dec. 9 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Financial Institutions | Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (As Of December 14, 2022)*	
Societe Generale	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	
Foreign Currency	A/A-1

Ratings Detail (As Of December 14, 2022)*(cont.)	
Local Currency	A-1
Junior Subordinated	BB
Junior Subordinated	BB+
Senior Subordinated	BBB
Senior Unsecured	A
Senior Unsecured	A-1
Subordinated	BBB-
Issuer Credit Ratings History	
24-Jun-2021	A/Stable/A-1
15-May-2020	A/Negative/A-1
03-Apr-2020	A/Stable/A-1
23-Oct-2018	A/Positive/A-1
Sovereign Rating	
France	AA/Negative/A-1+
Related Entities	
ALD S.A.	
Issuer Credit Rating	BBB/Watch Pos/A-2
Senior Unsecured	BBB/Watch Pos
Short-Term Debt	A-2
Komercni Banka A.S.	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
SG Americas Securities LLC	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A/--/A-1
Societe Generale Luxembourg S.A.	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Societe Generale (New York Branch)	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Societe Generale SCF	
Senior Secured	AAA/Stable
Short-Term Secured Debt	A-1+
Societe Generale (Sydney Branch)	
Senior Unsecured	A
Societe Generale, Taipei Branch	
Issuer Credit Rating	
Taiwan National Scale	twAA+/Stable/twA-1+
Sogecap S.A.	
Financial Strength Rating	
Local Currency	BBB+/Stable/--

Ratings Detail (As Of December 14, 2022)*(cont.)	
Issuer Credit Rating	
Local Currency	BBB+/Stable/--
Subordinated	BBB-

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.