



NEWS RELEASE

Jul 27, 2023

Rating and Investment Information, Inc. (R&I) has announced the following:

Societe Generale (Sec. Code: -)

[Affirmed]

Issuer Rating: A, Stable

Bond Rating: A

Dated Sub. Bond Rating: A-

TLAC or Similar Debt Rating: A-

RATIONALE:

Societe Generale (SG) is a major financial institution based in France. It offers retail banking, insurance, leasing, investment banking and other businesses in and outside France. SG has a solid franchise in France. SG has exposures to emerging markets in Europe and Africa etc., which are prone to volatility, and its dependence on investment banking revenues is not small. The earnings sources are relatively diverse and there is no problem with the earning capacity. The risk resilience is commensurate with the rating's suggestions. In addition, there is no problem with the liquidity. Based on the said recognition, R&I has affirmed the Issuer Rating of A.

In the January to March period of 2023, SG saw an increase in net income despite the decreased business revenue on a year-on-year basis respectively, while its mainstay businesses recorded revenue growth except for French Retail Banking (RBDF), which saw a decrease in revenue. The revenue of RBDF decreased due to the narrowed net interest margin stemming from the negative impacts of regulated savings and the end of the benefit of the European Central Bank (ECB)'s targeted longer-term refinancing operations, or TLTRO. SG's full-year projection of net interest margin of RBDF in 2023 is a decrease of around 15% to 20% compared to 2022. From 2024 onwards, the net interest margin will likely recover as the negative impact of TLTRO and hedges fades away. Although interest rate hikes will likely place downward pressure on revenue in the short term, R&I believes that it will add to the earning capacity on a medium to long term basis.

There is room for improvement in terms of stability in the asset quality, as it is susceptible to the risks of emerging economies. Geographically, France and Africa & Middle East represent a high percentage in total defaulted assets, with France standing for approximately 50%, followed by approximately 20% of Africa & Middle East as of end-December 2022. The credit cost ratio for the January to March period of 2023 was 13 basis points (bps), a year-on-year decrease of 26 bps. The credit cost ratios of International Retail Banking and Financial Services inclusive of Russian business and Global Banking and Investor Solutions inclusive of Russian-related exposures dropped from 92 bps to 27 bps and from 45 bps to 1 bps, respectively. The full-year projection of credit cost ratio for 2023 is set at the level of under 30 bps, down from the 30 to 35 bps range for 2022.

The risk resilience is commensurate with the rating's suggestions. As of end-March 2023, the Group's Common Equity Tier 1 (CET1) ratio increased by approximately 0.6 percentage points from a year earlier to 13.5%, inclusive of the phase-in of IFRS 9. The rise is attributable to the retained earnings and has absorbed the negative impact resulting from the sale of Russian operations as well as from an increase in unrealized loss related to bonds. SG has already reached the level that exceeds the CET1 target of 12% for 2025.

The loan to deposit ratio is in the 80% range and following a downward path, including an increase in deposits. The average liquidity coverage ratio for the January-March 2023 period has improved by 32 percentage points from a year earlier to 169%. This level is relatively high, especially when compared with the regulatory requirement of 100%. There is no concern about liquidity.

R&I RATINGS:

ISSUER: Societe Generale

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[Affirmed]

Issuer Rating	Rating		Rating Outlook	
	A		Stable	
	Issue Amount	Issue Date	Maturity Date	Rating
Japanese Yen Bonds No.9	JPY 4,100 mn	Jun 3, 2016	Jun 3, 2026	A
Japanese Yen Sub. Bonds No.1	JPY 27,800 mn	Jun 12, 2015	Jun 12, 2025	A-
Japanese Yen Sub. Ft. Rate Bonds No.3	JPY 2,500 mn	Jun 12, 2015	Jun 12, 2025	A-
Japanese Yen Sub. Bonds No.4	JPY 15,000 mn	Jun 3, 2016	Jun 3, 2026	A-
JPY Sub. Callable Notes due 30 June 2031	JPY 7,000 mn	Jun 30, 2021	Jun 30, 2031	A-
JPY Sub. Callable Notes due 20 October 2032	JPY 10,000 mn	Oct 20, 2022	Oct 20, 2032	A-
Japanese Yen Senior Non-Preferred Bonds No.2	JPY 42,400 mn	May 26, 2017	May 26, 2027	A-
Japanese Yen Senior Non-Preferred Bonds No.3	JPY 115,400 mn	Oct 12, 2018	Oct 12, 2023	A-
Japanese Yen Senior Non-Preferred Bonds No.4	JPY 14,500 mn	Oct 12, 2018	Oct 10, 2025	A-
Japanese Yen Senior Non-Preferred Bonds No.5	JPY 30,100 mn	Oct 12, 2018	Oct 12, 2028	A-

Primary rating methodologies applied:

R&I's Basic Methodology for Corporate Credit Ratings [Jun 1, 2021]

Shared Rating Approach for Financial Institutions, etc. [Mar 24, 2023]

Depository Financial Institutions [Apr 4, 2022]

R&I's Analytical Approach to Regulatory Capital Instruments and Financial Institutions [Dec 7, 2022]

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