

Research Update:

Societe Generale 'A/A-1' Ratings Affirmed On Strategic Roadmap Execution; Outlook Stable

June 24, 2025

Overview

- Société Générale (SG) continues to execute its strategy focusing on building its revenue and efficiency to support stronger profitability.
- We project that SG's capitalization, as measured by our risk-adjusted capital (RAC) ratio, will remain stronger, but we consider that its earnings capacity and quality continue to lag behind those of peers.
- We affirmed our 'A' long-term and 'A-1' short-term issuer credit ratings on SG.
- The stable outlook reflects our expectation that SG will maintain its strategic execution and strengthen its performance toward its 2026 targets. That said, we do not expect profitability and efficiency metrics to fully catch up with those of higher-rated European banks, particularly considering potentially more adverse economic conditions.

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Rating Action

On June 24, 2025, S&P Global Ratings affirmed its 'A' long-term and 'A-1' short-term issuer credit ratings on Société Générale. The outlook is stable.

At the same time, we affirmed all ratings on Société Générale's core subsidiaries.

Rationale

SG's core capitalization has strengthened. The bank is on track to maintain higher core capitalization, and we forecast its risk-adjusted capital (RAC) ratio will remain sustainably above our 10% threshold at 10.7%-11.2% over the next two years; it was 10.9 % at year-end 2024. This is supported by SG's aims to maintain its common equity Tier 1 ratio above 13% after the regulatory impact of Basel IV. We assume that SG's risk-weighted assets (RWAs) will increase by only 1%-2% each year, given the modest balance sheet growth target in its 2026 strategic plan.

We still assess capital and earnings as neutral for the rating because, in our view, SG's earnings and financial flexibility metrics do not currently support a stronger outcome. If achieved, the efficiency and profitability targets would narrow the gap versus peers but still put SG at a slight disadvantage to peers with 'a-' group stand-alone credit profiles (SACPs). Its earnings are more reliant on corporate and investment banking businesses than most large French banks. This raises the risk of more cyclical performance over time, although SG aims to improve its earnings stability through reduced risk appetite.

Both revenue and costs are undergoing a transition phase at SG. As a result, its efficiency ratio remained under pressure at 69% in 2024. This compares unfavorably with most of the bank's European peers, which took advantage of higher interest rates to improve their cost-to-income ratios to 50%-60% on average. We note that SG's strategic plan includes a target to reduce cost to income to 60% by year-end 2026. We forecast that SG's revenue will increase in 2025 and 2026, mainly supported by an improvement in net interest income. Revenue suffered under SG's previous interest rate hedging framework, which led SG to strengthen its interest rate risk management. Underperformance in French retail banking still has a significant effect on the overall group return.

Part of the expected improvement in this segment is not tied to business and macroeconomic conditions and is more predictable. It includes a less negative impact of the interest rates derivative that matured in 2024, lower transformation costs (€0.6 billion in 2024, €0.3 billion in 2025, and zero thereafter), and a positive contribution by Boursobank from 2025 onward (equivalent to above €300 million in net income in 2026). However, in our view, progress toward the 2026 targets also depends on the French banking environment, competition, and interest margin trends on credit and savings.

We think that the improvement in profitability will be gradual and will extend well into 2026. Although SG's global banking and investor solution (GBIS) segment had a good start to 2025, we take a prudent approach to future market revenue in our forecasts as we regard it as relatively volatile. Equity derivative revenue, an SG strength, is particularly sensitive to the demand for structured products, volatility, and correlation levels. Finally, we expect underlying growth in mobility and leasing services as Ayvens' restructuring gathers momentum and offsets the impact of the disposal of its equipment finance division (SGEF) to BPCE.

We think SG can maintain asset quality within management's cost of risk guidance of 25-30 basis points (bps). We expect the non-performing loan (NPL) ratio will be about 2.5%-3.0% for the next two years. In March 2025, SG's NPL ratio was broadly flat, at 2.8%. As of March 31, 2025, SG had a stock of provisions for performing loans of € 3.1 billion. This was slightly lower than 12 months earlier, due to asset disposals, mainly its Moroccan units and SGEF, and represented more than twice the bank's 2024 cost of risk.

SG benefits from its solid deposit franchises in France and the Czech Republic, and is a well-known issuer in capital markets. Like its peers, SG relies on market access, especially for its capital market activities. We understand SG has already completed more than half of its €17 billion funding plan for 2025. Most of the remaining issuance will be senior instruments, with a limited amount of Tier 2 debt, if market conditions allow. SG's issuance plan should maintain its comfortable additional loss-absorbing capacity (ALAC) buffer of about 950 bps through the end of 2026; this is well above our 600 bps threshold to retain two notches of ratings uplift. We expect SG's long-term funding program to remain at about €20 billion in 2026, given its stable funding mix and limited refinancing needs. SG will only need to refinance its maturing

instruments to comply with its minimum requirement for own funds and eligible liabilities (MREL) and total loss absorbency requirement (TLAC).

Outlook

The stable outlook on SG and its core subsidiaries indicates our expectation that the group will continue delivering on its strategic plan and making progress toward its 2026 financial targets. Over the next two years, we anticipate that both profitability and efficiency will improve, but that performance will not catch up with that of higher-rated peers. Our projections assume that the bank's asset quality will remain robust amid slow economic growth and geopolitical upheaval, with sound capital and liquidity ratios in line with management's guidance, and a buffer of bail-inable securities consistent with maintaining a two-notch ALAC uplift above the 'bbb+' group SACP.

Downside scenario

We could lower the ratings if SG fails to deliver stronger and more consistent performance, which would make the bank vulnerable to an unexpected downturn. More adverse operating conditions, including in France, could also pressure the ratings if they significantly weaken the bank's prospective asset quality and earnings.

Although less likely, we could also lower the long-term rating if the bank cannot maintain a sufficient ALAC buffer.

Upside scenario

We could raise the ratings if we assess that SG's creditworthiness is closer to that of peers with 'a-' group SACPs. We would look for SG to close its efficiency and profitability gap to higher-rated peers while maintaining its stronger capitalization, as well as to demonstrate its ability to grow and compete in its key segments, with balanced divisional earnings contributions.

Rating Component Scores

Societe Generale 'A/A-1' Ratings Affirmed On Strategic Roadmap Execution; Outlook Stable

Rating Component Scores

Issuer Credit Rating	A/Stable/A-1
SACP	bbb+
Anchor	bbb+
Business position	Adequate (0)
Capital and earnings	Adequate (0)
Risk position	Adequate (0)
Funding and liquidity	Adequate and Adequate (0)
Comparable ratings analysis	0
Support	2
ALAC support	2
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0
SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.	

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Feb. 10, 2025
- [Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#), Dec. 9, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Guarantee Criteria](#), Oct. 21, 2016
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021

Related Research

- [French Bank Ratings Unchanged After Sovereign Outlook Revision Amid Weakening Economic Resilience](#), March 3, 2025

Ratings List

Societe Generale 'A/A-1' Ratings Affirmed On Strategic Roadmap Execution; Outlook Stable

Ratings list

Ratings Affirmed

Societe Generale

Certificate Of Deposit

Foreign Currency A

Local Currency A/A-1

Foreign Currency A

SG Americas Securities LLC

Resolution Counterparty Rating A/--/A-1

Foreign Currency A/--/A-1

Societe Generale

SG Americas Securities LLC

Societe Generale (New York Branch)

Societe Generale Luxembourg S.A.

Issuer Credit Rating A/Stable/A-1

Foreign Currency A/Stable/A-1

Societe Generale

Societe Generale (New York Branch)

Societe Generale Luxembourg S.A.

Resolution Counterparty Rating A+/--/A-1

Foreign Currency A+/--/A-1

Sogecap S.A.

Issuer Credit Rating

Local Currency A-/Stable/--

Financial Strength Rating

Local Currency A-/Stable/--

Societe Generale

Senior Subordinated BBB

Subordinated BBB-

Junior Subordinated BB

Commercial Paper A

SG Issuer

Resolution Counterparty Liability A+

Short-Term Secured Debt A-1

Short-Term Debt A-1

Societe Generale (Canada)

Commercial Paper A-1(MID)

Societe Generale

SG Issuer

SG Structured Products Inc.

Senior Unsecured Ap

Societe Generale

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Ratings list

<u>SG Issuer</u>		
<u>SG Structured Products Inc.</u>		
<u>SGA Societe Generale Acceptance N.V.</u>		
Senior Unsecured		A
<u>Societe Generale</u>		
<u>Societe Generale (Canada)</u>		
<u>Societe Generale N.A. Inc.</u>		
Commercial Paper		A-1
<u>Sogecap S.A.</u>		
Subordinated		BBB

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