

Oct 25, 2018

## R&I Affirms A, Stable: Societe Generale

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

**ISSUER:** Societe Generale  
**Issuer Rating:** A, Affirmed  
**Rating Outlook:** Stable

### RATIONALE:

Societe Generale is a large financial institution in France. Based on a universal banking model, it is engaged in retail banking, insurance, leasing, investment banking and other businesses in and outside France. Its franchise is solid in the domestic market. Although there is room for improvement in risk resilience compared to what the rating suggests, concerns about asset quality and liquidity are small. In consideration of such factors, R&I has affirmed the Issuer Rating.

In the year ended December 2017, the geographical breakdown of credit risk exposure showed that France represented 44% and emerging markets 11%. The Group's major emerging markets include Czech Republic, Romania, Africa and Russia. Emerging markets accounted for a high percentage of total net banking income, representing approximately 25%. As evidenced by the fact that about 37% of total net banking income was derived from Global Banking & Investor Solutions (GBIS), reliance on income from investment banking is not insignificant.

Its new strategic plan, Transform to Grow, announced in 2017 calls for a revenue compound annual growth rate of more than 3% between 2016 and 2020. The Group aims to rein in an increase in costs and achieve a cost to income ratio of less than 63% and a cost base of EUR 17.8 billion or lower by 2020. Investments in information technology systems are increasing, reflecting accelerated transformation of its businesses, particularly in digital. In French Retail Banking, a review of the branch network will proceed, including a headcount reduction. The Group also plans to sell or close businesses, the impact of which is estimated to be equivalent to up to approximately 5% of its risk weighted assets. R&I will focus on whether the Group is able to steadily implement the cost saving plan and bolster its earning capacity.

As of end-June 2018, the gross non performing loans ratio dropped year on year to 3.9%. The credit cost ratio also improved. The Group's fully loaded Common Equity Tier 1 (CET1) ratio under Capital Requirements Directive (CRD) 4 rules was 11.1%, which the Group will work to raise to 12% or higher by end-2020. The leverage ratio as of end-June 2018 stood at 4.1%, above the minimum required level of 3%, while the target ratio is 4-4.5% for end-2020. Regulatory capital ratios are on an improving trend. R&I will pay attention to whether the Group is able to strengthen its risk resilience further amid concerns over some risks, such as an increase in regulatory costs and those associated with emerging markets.

As of end-June 2018, the Group's loan to deposit ratio was slightly higher than 100%. The CRD4-based liquidity coverage ratio was 124% on average for 2Q (April-June) 2018, vs. 140% at end-December 2017 but well above 2018 fully loaded regulatory requirements of 100%. Liquidity concern is small.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings", "Shared Rating Approach for Financial Institutions, etc.", "Depository Financial Institutions", "R&I's Analytical Approach to Financial Groups" and "R&I's Analytical Approach to Regulatory Capital Instruments and Financial Institutions". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

[https://www.r-i.co.jp/en/rating/about/rating\\_method.html](https://www.r-i.co.jp/en/rating/about/rating_method.html)

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# NEWS RELEASE

## R&I RATINGS:

**ISSUER:** Societe Generale  
**Issuer Rating**  
**RATING:** A, Affirmed  
**RATING OUTLOOK:** Stable

**Japanese Yen Callable Sub. Bonds No.2**      **Issue Date**      **Maturity Date**      **Issue Amount (mn)**

Jun 12, 2015      Jun 12, 2025      JPY 13,300

**RATING:** A-, Affirmed

**Japanese Yen Sub. Bonds No.1**      **Issue Date**      **Maturity Date**      **Issue Amount (mn)**

Jun 12, 2015      Jun 12, 2025      JPY 27,800

**RATING:** A-, Affirmed

**Japanese Yen Sub. Flt. Rate Bonds No.3**      **Issue Date**      **Maturity Date**      **Issue Amount (mn)**

Jun 12, 2015      Jun 12, 2025      JPY 2,500

**RATING:** A-, Affirmed

**Japanese Yen Bonds No.7**      **Issue Date**      **Maturity Date**      **Issue Amount (mn)**

Jun 03, 2016      Jun 03, 2021      JPY 19,500

**RATING:** A, Affirmed

**Japanese Yen Bonds No.8**      **Issue Date**      **Maturity Date**      **Issue Amount (mn)**

Jun 03, 2016      Jun 02, 2023      JPY 53,700

**RATING:** A, Affirmed

**Japanese Yen Callable Sub. Bonds No.5**      **Issue Date**      **Maturity Date**      **Issue Amount (mn)**

Jun 03, 2016      Jun 03, 2026      JPY 27,700

**RATING:** A-, Affirmed

**Japanese Yen Sub. Bonds No.4**      **Issue Date**      **Maturity Date**      **Issue Amount (mn)**

Jun 03, 2016      Jun 03, 2026      JPY 15,000

**RATING:** A-, Affirmed

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# NEWS RELEASE

<b>Japanese Yen Bonds No.9</b>	<b>Issue Date</b> Jun 03, 2016	<b>Maturity Date</b> Jun 03, 2026	<b>Issue Amount (mn)</b> JPY 4,100
<b>RATING:</b>	<b>A, Affirmed</b>		
<b>Japanese Yen Senior Non-Preferred Bonds No.1</b>	<b>Issue Date</b> May 26, 2017	<b>Maturity Date</b> May 26, 2022	<b>Issue Amount (mn)</b> JPY 37,600
<b>RATING:</b>	<b>A-, Affirmed</b>		
<b>Japanese Yen Senior Non-Preferred Bonds No.2</b>	<b>Issue Date</b> May 26, 2017	<b>Maturity Date</b> May 26, 2027	<b>Issue Amount (mn)</b> JPY 42,400
<b>RATING:</b>	<b>A-, Affirmed</b>		
<b>Japanese Yen Senior Non-Preferred Bonds No.3</b>	<b>Issue Date</b> Oct 12, 2018	<b>Maturity Date</b> Oct 12, 2023	<b>Issue Amount (mn)</b> JPY 115,400
<b>RATING:</b>	<b>A-, Affirmed</b>		
<b>Japanese Yen Senior Non-Preferred Bonds No.4</b>	<b>Issue Date</b> Oct 12, 2018	<b>Maturity Date</b> Oct 10, 2025	<b>Issue Amount (mn)</b> JPY 14,500
<b>RATING:</b>	<b>A-, Affirmed</b>		
<b>Japanese Yen Senior Non-Preferred Bonds No.5</b>	<b>Issue Date</b> Oct 12, 2018	<b>Maturity Date</b> Oct 12, 2028	<b>Issue Amount (mn)</b> JPY 30,100
<b>RATING:</b>	<b>A-, Affirmed</b>		

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