Rating Report

Société Générale S.A.

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DBRS

Insight beyond the rating.

Ratings

Issuer	Debt	Rating	Rating Action	Trend
Société Générale S.A.	Senior Unsecured Debt & Deposits	A (high)	May 25, 2016	Stable
Société Générale S.A.	Short-Term Debt & Deposits	R-1 (middle)	May 25, 2016	Stable

See page 12 for full list of ratings

Rating Considerations

Franchise Strength: Well-established as one of the three largest banking groups in France. Strong positions in retail banking, insurance as well as corporate and investment banking.

Earnings Power:	Risk Profile:	Funding and Liquidity:	Capitalisation:
Strong capacity to generate earnings in a low interest rate environment supported by a diversified and international business model.	Broadly diversified portfolio of low risk exposures, and benefiting from the stability of its core markets. Higher risk elements in IRB and capital markets.	Strength stemming from a large deposit base and diversified funding sources. High, albeit improving, reliance on wholesale funding. Strong liquidity buffers.	Société Générale is maintaining its capitalisation at a sound level and is on its way to meet TLAC requirements.

Rating Drivers

Factors with Positive Rating Implications

- Upward pressure on the ratings could arise in the medium term if SG strengthens its earnings, while making progress with regulatory capital and streamlining risk profile.

Factors with Negative Rating Implications

- At the current rating level, further downward pressure is not expected, but could result from significant difficulties in managing volatile markets and some international operations to the extent that it would impact the Group's capitalisation and financial profile.

Financial Information

Société Générale SA **EUR Millions**	**31/12/2015**	**31/12/2014**	**31/12/2013**	**31/12/2012**	**31/12/2011**
Total Assets	1,334,391	1,308,170	1,235,262	1,250,889	1,181,372
Equity	62,675	58,813	54,101	53,551	51,112
Pre-provision operating income (IBPT) as reported	8,746	7,524	6,387	6,692	8,600
Pre-provision operating income (IBPT) [1]	9,096	7,470	6,910	6,952	8,920
Net Income	4,001	2,692	2,175	790	2,385
Net Interest Income / Risk Weighted Assets (%)	2.61%	2.83%	3.20%	3.49%	3.49%
Risk-Weighted Earning Capacity (%) [2]	2.52%	2.32%	2.19%	2.04%	2.66%
Post-provision Risk-Weighted Earning Capacity (%) [3]	1.83%	1.63%	1.08%	0.95%	1.56%
Efficiency Ratio (%) [4]	65.06%	67.02%	69.96%	70.37%	65.74%
Impaired Loans % Gross Loans [5]	5.80%	6.65%	7.29%	6.82%	6.70%
CET1 / Core Tier 1 (As-reported)	10.90%	10.10%	11.30%	10.70%	9.00%

[1] Earnings before tax-impairment losses on goodw ill-cost of risk-net income/expense from other assets-impairment on assets-impairment losses on variable-income securities-long-terme equity investments+net qallocation to other provisions+provisions for dipsutes

[2] Pre-provision operating income%average total risk-w eighted assets; [3] Post-provision operating income%average total risk-w eighted assets

[4] Operating costs/Operating Income; [5] Impaired customer loans, gross of reserves%gross lending to customers

Source: Company Documents, SNL

Issuer Description

With EUR 1.33 trillion of assets at the end of December 2015, Société Générale has broadly diversified activities in retail banking, in France and throughout Europe, including Eastern Europe, in corporate banking and investment banking, asset management, securities services, specialised financing and insurance.

Rating Rationale

DBRS Ratings Limited (DBRS) rates Société Générale, S.A. (SocGen, SG or the Group)'s Senior Unsecured Debt & Deposits rating at A (high) and the Short-Term Debt & Deposits at R-1 (middle). The trend for all ratings is Stable. SG's Intrinsic Assessment (IA) is A (high).

SG's ratings are underpinned by the Group's solid and well diversified franchise, with strong positions in retail and corporate banking in France and certain overseas markets, as well as insurance and investment banking. The Group has maintained a solid earnings profile, despite the current low interest rate environment, and has increased its focus on containing costs. DBRS considers risk to be well managed, whilst recognising the Group has some higher risk lending activities overseas. The funding profile and capitalisation are sound.

DBRS considers the Group's strong position in retail banking in France as an important underpinning of its intrinsic strength. Delivering relatively stable earnings with a low cost of risk, the French Retail Banking (FRB) division, which operates primarily under the well-positioned brands of Société Générale, Crédit du Nord, and Boursorama, typically generates about a third of the Group's earnings. To improve its profitability, SG continues to make progress with its cost reduction programs, which DBRS views as essential to sustain earnings in the current environment, but it is also gaining market share in France in fee generating businesses, helping to offset the negative impact of the low interest rate environment. Another major contributor to SG's earnings, albeit with more volatility, is the Global Banking and Investor Solutions (GBIS) division. In DRBS's view, SG has successfully worked to refocus GBIS on its core strengths, however, the division's results remain subject to market volatility, in Equities in particular. DBRS considers SG's International Banking and Financial Services (IBFS) division as providing an important avenue for growth. In DBRS's view, the diversified presence across various regions enhances earnings resiliency, as illustrated by the upward trend in CEE and Africa that compensates for weaker markets such as Russia. SG's exposure to Russia remains a concern, however in DBRS's view it is manageable given the active management of operating costs and the relatively low cost of risk. DBRS sees SG's Financial Services division which provides services to Corporates & Insurance, as providing an increasingly important cushion as well as enhancing the Group's ability to meet certain product needs across the franchise and extend its geographic reach.

Demonstrating the strength of the Group's franchise and its underlying revenue generation capabilities, SG generated net income group share of EUR 4.0 billion in 2015, well above the EUR 2.7 billion result in 2014. Adjusted for accounting volatility generated by the revaluation of the Group's own financial liabilities, group net income was EUR 3.6 billion in 2015, up 29% from EUR 2.8 billion in 2014 (including the full write down of EUR 0.5 billion goodwill in Russia in 2014).

SG has also significantly improved its funding structure in recent years. SG has put more emphasis on aligning its funding profile with the assets being funded and utilising incentives to drive more efficient use of the Group's balance sheet and liquidity by its business units. In particular, DBRS views positively that SG has improved its liquidity position with a sizeable excess of stable funding and a maximum limit for short-term funding of 10%. The Group's liquidity coverage ratio (LCR) ratio is well above 100%.

SG's risk profile combines the low risk portfolios in its domestic businesses with smaller but higher risk portfolios, principally in the international retail banking activities. The Group's doubtful loan ratio was down to 5.1% at end-2015 from 5.6% as of end-2014 with the coverage ratio up to 63% (excluding collateral). Market risk contributes about 5% of regulatory risk weighted assets (RWA). With experience gained from the market turmoil, DBRS views SG's control of these risks across the Group as having been reinforced. SG is at the lower end of the peer group with regards to litigation costs over the past three years and at end-2015, total collective provisions for litigation totalled EUR 1.7 billion.

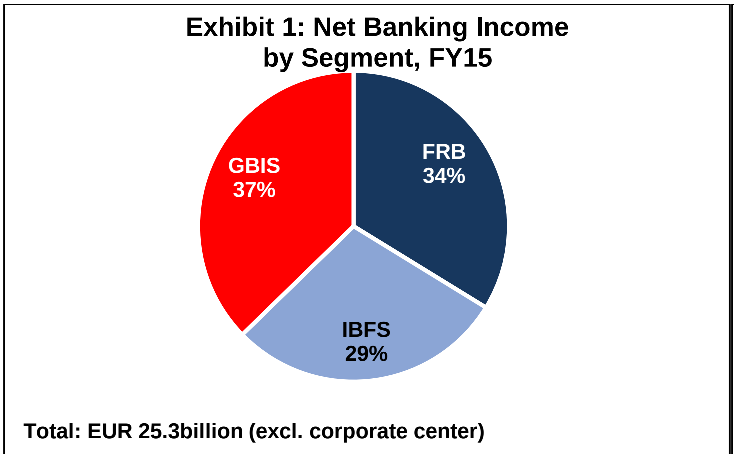
DBRS considers SG regulatory capital level as solid. Under fully loaded Basel 3, SG's common equity tier 1 (CET) ratio was 11.1% at 1Q16, 100 basis points (bps) up from 1Q15.

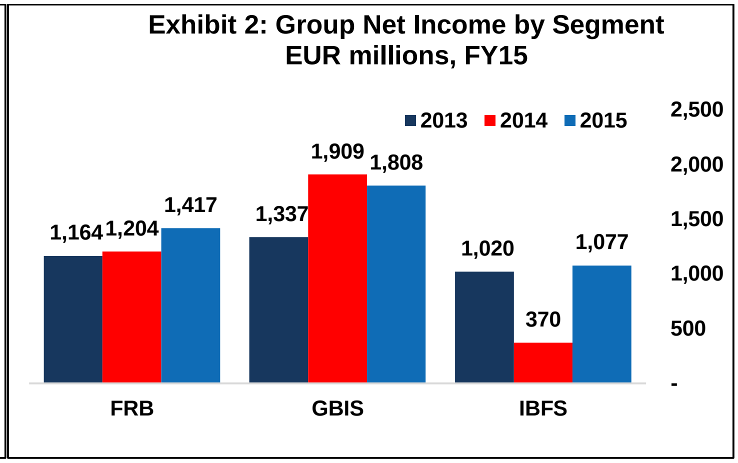
Franchise Strength

Société Générale is a well-established universal bank with a strong market position in France, a broad business mix and a significant international presence. The Group's shareholder structure is primarily free float (88.03%). Since the late 1990s, the Group has expanded considerably and developed its international presence through acquisitions and organic investments.

The Group operates through three business lines: French Retail Banking (FRB), International Retail Banking & Financial Services (IBFS) and Global Banking and Investor Solutions (GBIS). DBRS views SG's revenue generation as well diversified, with roughly a third of revenues typically generated by each of the main business lines (see Exhibit 1). The Group's 2014-2016 strategy concentrates on synergies within and between the three core businesses.

Exhibit 1 & 2:





Source: Company Reports

French Retail Banking (FRB; 2015 IBPT: EUR 3.1 billion):
The Group has a well-established and growing position in French retail banking geared towards corporates and affluent customers. FRB consists of three complementary distribution networks: Société Générale with a nationwide presence, Crédit du Nord, a network of regional banks acquired in 1997 and Boursorama Banque, a leading online bank operating in France, Germany and Spain. These networks are a key component of SG's franchise with strong brand names, generally stable revenue generation, and solid operational capabilities that SG leverages in its international operations and other business lines. Additionally, FRB provides SG with an important retail deposit funding base.

SG enjoys a strong domestic presence underpinned by large, dense branch networks for the SG brand that are situated primarily in urban areas that account for a high proportion of the nation's wealth. Crédit du Nord's network is a valuable complement with its focus on corporates, SMEs and mass affluent customers in wealthy urban areas, where it has a historically strong local presence. SG has the 4th largest branch network in France by number of branches, although electronic devices are gradually becoming important to customers as well; and the third largest network in France by size of revenues. A third of the branches are under the Crédit du Nord Group network and its 8 regional banks totaling 899 branches at end-2015.

At year-end 2015, FRB had a national market share of about 12.5% for non-financial business customer deposits, about 8% for loans and 7% market share overall. More recently, leveraging the affluent profile of its clients, SG has strengthened its private banking operations.

FRB also includes the Group's subsidiary for consumer finance outside the networks, Franfinance as well as Global Transaction and Payment Services (GTPS), the Group's payment specialist, which operates in 50 countries providing among other things cash management, trade, factoring, and foreign exchange services.

International Retail Banking & Financial Services (IBFS; 2015 IBPT: EUR 3.0 billion)
IBFS is one of the Group's three core businesses. This division includes the retail and consumer banking activities of the Group outside of France, as well as two specialized services: "Financial Services to Corporates", and Insurance.

The Group's retail and consumer banking operations outside of France add an important dimension to SG's franchise. Generating EUR 5.0 billion in revenues and EUR 1.8 billion in Income Before Provisions and Taxes (IBPT) at end-2015, these operations extend the Bank's reach into new growing markets and leverage the skills and technological capabilities of its domestic operations. SG maintains three main zones of activity: Europe, Russia, and the "Africa, Asia, the Mediterranean Basin and Overseas" and is well-positioned in most of these international markets. The Group also provides consumer finance services in Germany and Italy. It is a leading bank in Central Eastern Europe (CEE) where it operates in 13 countries. In Russia, SG is the second largest foreign owned retail bank, through its subsidiary Rosbank. It is also among the top banking groups in Africa. Within its international retail banking operations, the loan portfolio is predominantly funded by deposits, except for some specialized financial entities and subsidiaries that have recently become part of the Group.

The Group's insurance business which reported EUR 825 million in revenues and EUR 498 million in IBPT in 2015, both up by 9% year on year (YoY) allows the bank to utilise its expertise as a "bancassureur". It provides the Group's French and international retail networks with non-life insurance, health insurance or personal protection solutions as well as life insurance investments and retirement savings solutions for individual, professional and business customers. Financial Services to Corporates which reported EUR 1.5 billion in revenues and EUR 732 million in IBPT in 2015, respectively up 13% and 20% YoY, relies on two complementary businesses : Société Générale Equipment Finance (leasing solutions and services to professionals) and ALD (vehicle leasing), which are leaders in Europe and worldwide

Global Banking and Investor Solutions (GBIS; 2015 IBPT: EUR 2.5 billion)
GBIS contains the capital markets' oriented businesses of SG: Global Markets, Investor Services, Financing and Advisory, Asset and Wealth management as well as Securities Services and Brokerage. The segment has a significant presence in countries across Europe (c. 68% of GBIS revenues), the Americas (c. 18%) and Asia (c. 14%).

With EUR 6.0 billion in revenues, Global Markets and Investor Services is the main contributor to the segment and comprises the Equity and FICC businesses of the Group as well as the Prime Services and Securities Services. In its Equity business, SG benefits from a strong franchise with a particularly strong position in structured, flow and listed equity derivatives. In FICC, SG is strong in derivatives but has smaller operations in flow fixed income compared to peers. In Securities Services, Société Générale is well positioned in the top ten global custodians and is the 2nd largest European custodian with EUR 3,984 billion of assets under custody. Société Générale Securities Services provides custody & trustee services for 3,555 funds and the valuation of 4,095 funds, representing assets under administration of EUR 589 billion at end-2015. The Group's presence in derivatives is further strengthened by the recent buy out of CA Group's ownership in the jointly owned subsidiary Newedge.

In Financing and Advisory, SG has a good franchise in structured financing in particular in the energy and natural resources sectors for project and export finance. In DCM/ECM, SG is well positioned in Europe but is less active than peers in M&A apart from France and geographies where it can benefit from its international retail network such as CEE and Africa.

The Asset and Wealth Management business line of SG consists of the Group's Private Banking and assets management activities. In asset management, SG operates through Lyxor a multi-product asset manager with EUR 104 billion under management and is active in ETFs, Active Quantitative as well as alternative investment funds. In Private Banking, SG operates in 14 countries, has a strong presence in France and the UK and has EUR 113 billion in assets under management (AuM).

On November 11, 2015, SG and Crédit Agricole launched the initial public offering of their joint subsidiary, Amundi. As a consequence, SG disposed of its 20% stake in Amundi which generated an after-tax capital gain of EUR 147 million and had a positive impact of 24 bps on the CET 1 ratio. SG also announced in March 2016, the acquisition of Kleinwort Benson, a wealth management company based in London with the intention of merging with its UK private bank, SG Hambros. The resulting entity is expected to have over EUR 18 billion in AuM.

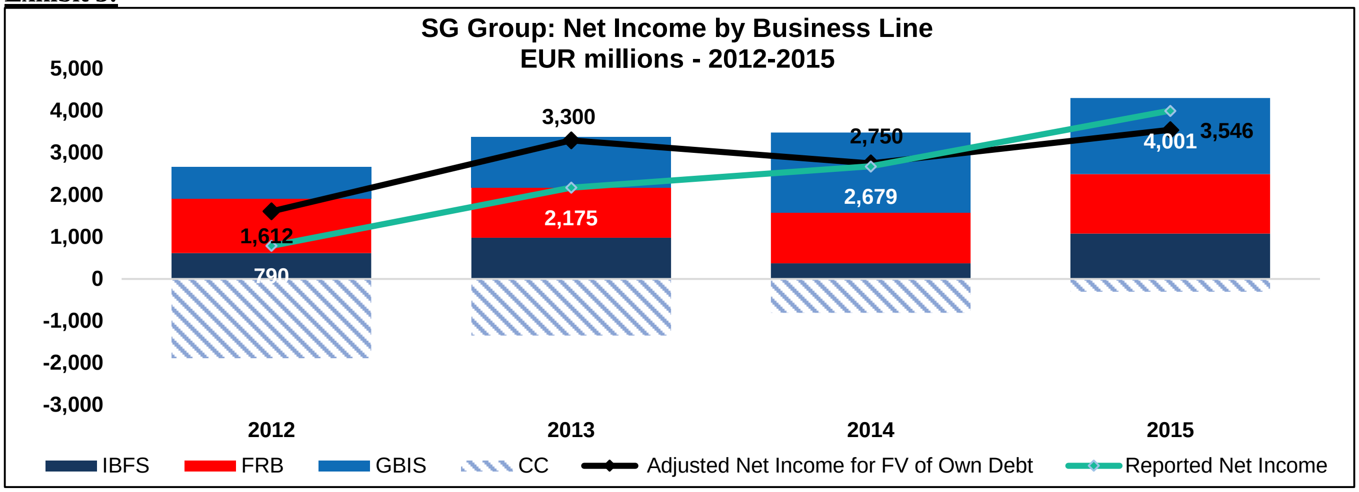
Corporate Center (C/C):
The Corporate Center includes the Group's real estate portfolio, industrial and bank equity portfolios, Group treasury functions, and some costs of cross-business projects. Exceptional net revenues may be included in the C/C that can distort the perspective on the contributions by business segment over time.

Earnings Power

The Group generates strong, resilient earnings power from its diversified mix of businesses. The past years have tested the resiliency of this earnings power, as SG has had to cope with write-downs, elevated credit costs outside France and other impacts such as higher funding costs and liquidity needs. The Group has nonetheless achieved structural changes, while maintaining a satisfactory level of earnings.

Results for 2015 show the benefits of the business and geographic diversity of SG's franchise. The Group generated net income of EUR 4.0 billion in 2015 up from EUR 2.7 billion in 2014. Adjusting for the revaluation of the Group's own debt, Group net income was EUR 3.6 billion in 2015 up from EUR 2.8 billion in 2014, and EUR 1.6 billion in 2012 (See exhibit 3). Excluding the capital gain from the disposal of Amundi (EUR 147 million) in 2015 and the full write-down of the goodwill of EUR 525 million on Russia in 2014, net income was up 3.8% in 2015.

Exhibit 3:



Source: Company Reports

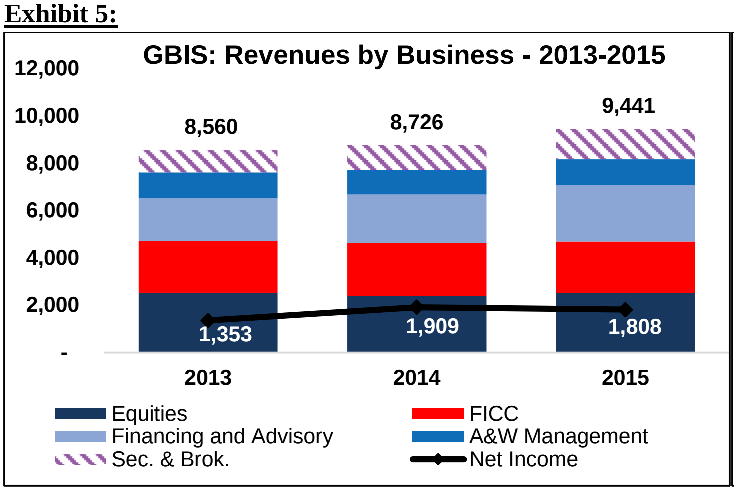
Across the difficult environment of recent years, the French Network continued to make a steady contribution to overall group net income (GNI), rising to EUR 1.4 billion in 2015 (35% of GNI) from EUR 1.2 billion in 2014 (45% of GNI). FRB's net income increased by 18% in 2015 driven mainly by an improvement of net interest income (up 3.1%) on the back of strong loan production (EUR 26 billion in 2015 vs. EUR 13 billion in 2014) and sound deposit growth offsetting the pressure of low interest rates. Fee generating businesses also contributed well to this performance with high net inflows in Insurance as well as in Private Banking. Furthermore, SG's cost of risk declined to 43 bps in 2015 compared to 56 bps in 2014, supporting net income.

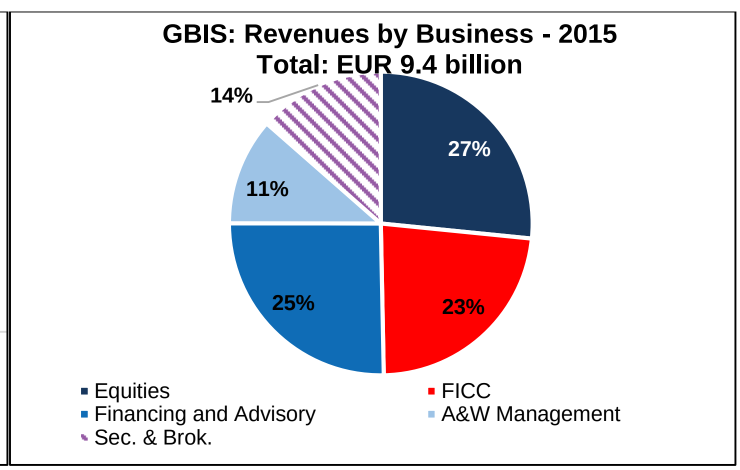
DBRS sees the emerging markets as an important component of SG's strategy and considers that its diversified presence across various regions enhances earnings resiliency over time. Overall, International Retail Banking (IRB) reported net income of EUR 349 million in 2015 compared to a loss of EUR 317 million in 2014, mainly reflecting stabilisation in Romania together with good performance in Africa. SG has managed to contain losses in Russia in 2015 and in 1Q16 on the back of a stabilization of the cost of risk to post a loss of EUR 8 million in 4Q15 and of EUR 18 million in 1Q16 vs. a loss of EUR 91 million in 1Q15.

DBRS notes the good performance in Financial Services to Corporates and Insurance. In 2015, revenues in Insurance were up 9.8% and net income up 9.9% to EUR 337 million. Revenues in Financial Services to Corporates were also up, by 12.8%, and net income up 20.2% to EUR 474 million.

SG has delivered a solid performance in GBIS over 2013-2015. At constant scope and exchange rate, total revenues improved in 2015 (+8% YoY) as GBIS remains fairly well diversified (see Exhibit 5). This trend reflects improved revenues in Financial and Advisory as well as Asset & Wealth Management, compensating for the decrease in Global Markets and Investment Services.

Exhibit 5:





Source: Company Reports

Expenses & Efficiency

SG's strategy is focusing on improving efficiency which, along with other French banks, remains relatively weak compared to the strongest global peers. The Group has achieved the targeted EUR 900 million of its 2013-2015 cost savings plan, mainly through the re-sizing of Rosbank, the full integration of Newedge (synergies), improvement on IT costs based on team relocation and infrastructure resource rationalisation, as well as a strong digitalization process aimed at transforming French Retail Banking (development of Boursorama and acquisition of Fiduceo in 2015). However, operating expenses in 2015 were up 5.3% YoY because of structural and foreign exchanges effects, higher regulatory taxes and costs (notably the contribution to the Single Resolution Fund) as well as increased legal costs. Adjusted for all these items, the increase in costs was contained at 1.4% vs. 2014. Despite continuing cost control, the Group cost-to-income ratio has changed little in the 2012-2015 period (see Exhibit 6). Nonetheless, DBRS views positively that SG remains committed to reducing operating costs, as illustrated by the new cost-cutting plan focusing on GBIS to achieve EUR 220 million reduction by end-2017 on top of the previously announced EUR 850 million plan for the 2015-2017 period. DBRS also notes that there are EUR 160 million transformation costs associated to the new cost-cutting plan to be booked mainly in 2016.

Exhibit 6:

Cost-to-Income Ratio by Division	2015	2014	2013	2012	Estimations for 2017
French Retail Banking	64%	65%	64%	65%	61%
IBFS	59%	57%	56%	58%	56%
GBIS	74%	72%	72%	73%	70%
Group	66%	68%	67%	67%	64%

Note: Revenues not adjusted for own credit adjustments and DVA.

Source: Company Reports, Note: C/I ratio is excluding revaluation of Group's own debt

Capacity to Absorb Credit Costs

DBRS views SG as having the earnings power to absorb sizeable credit costs, as indicated by its ability to cope with elevated credit costs in time of crisis and the degree of resiliency in its underlying earnings.

The pace of provisioning at Group level has stabilised. In 2015, provisions absorbed 35% of interest before provisions and taxes (IBPT), below the 39% in 2014. In 1Q16, provisions were down 14.5% vs. 1Q15 to EUR 0.5 billion and absorbed only 28% of IBPT.

At 52 bps in 2015 and 46 bps in 1Q16, SG's cost of risk was below the 2015 quarterly run rate of 52 bps and the Group's internal target of 50-55 bps. In its 2014-2016 plan, SG anticipated a Group cost of risk at 55-60 bps by 2016 – which in DBRS view was realistic given the anticipated rebound of the French economy. While economic growth remains modest, the cost of risk has been supported by low interest rates.

Risk Profile

Overall, the Group has a broadly diversified portfolio of exposures, whose risk profile DBRS views as benefiting from the low risk and greater stability of its businesses in its home market, as well as in other developed European countries, offset, to some degree, by higher risk elements in the IRB and capital markets' revenues. DBRS views positively the Group's targeted response in disposing of assets when they were deemed non-core, but still sees SG facing the risk of deterioration in some areas of exposure such as the politically challenging market of Russia.

Low Risk Profile with Riskier Components

The Group's risk exposures are primarily credit driven, but SG also is exposed to material market and operational risk, as has been evident in the last few years. The distribution of regulatory risk weighted assets (RWA) provides one indicator of the mix of these risks and their trends. Under Basel 3, credit risk, with EUR 293 billion of RWA (up from EUR 285 billion in 2014), accounted for the bulk of SG's EUR 357 billion in RWA at year-end 2015. Operational risk was EUR 44 billion (stable from 2014), predominantly in GBIS (c. EUR 28 billion). Market risk was EUR 19 billion (down from EUR 24 billion in 2014), also predominantly in GBIS.

The Group's generally low risk profile with its higher risk elements is also evident in the geographic distribution of its exposures. At end-2015, SG's on- and off-balance sheet exposures at default (EAD) to corporates and individuals was EUR 781 billion, of which EUR 615 billion were on balance sheet. The majority of SG's on-balance and off-balance sheet exposure is in France (46%), and Western and Eastern Europe within the E.U. (29%), with less in North America (11%). Exposure elsewhere is relatively lower, including Central & Eastern Europe outside the E.U. (4%), Africa & Middle East (4%), Asia-Pacific (5%) and Latin America and the Caribbean (1%).

Corporate loans are a significant portion of SG's overall exposures with EUR 312 billion in EADs broadly distributed across industries. SG shows a lower risk component with approximately 64% of this rated corporate exposure in investment grade. SG reported EUR 23.5 billion exposure to the Oil & Gas sector representing 3% of the Group's EAD of which 2/3 are investment grade. In 2015, due to increased provisioning on counterparties exposed to the Oil & Gas sector and a substantial provision on a defaulting corporate, the net cost of risk for the GBIS core activities was down to 27 bps of the loan book compared to 10 bps in 2014.

Retail exposure is also sizeable with EUR 190 billion in EADs, of which EUR 108 billion is in relatively low risk residential mortgages or 13.8% of total portfolio. About 14% of total retail is in exposure to very small enterprises and self-employed, which typically has a higher cost of risk than mortgages.

Credit Risk Under Control

The Group's overall doubtful loans excluding legacy assets was down to 5.1% at end-2015 compared to 5.6% in 2014 with an improved coverage ratio of 64% (excluding collateral). This was mainly achieved through a reduction in the cost of risk in FRB to 43 bps vs 56 bps in 2014 and in IBFS down to 102 bps vs 123 bps in 2014, with a general improvement in Europe (particularly Romania), Africa as well as a stabilisation in Russia. In DBRS's view, the Group now faces less economic weakness and political uncertainty in Central and Eastern Europe through its international retail network, but Russia remains affected.

Legacy Assets

SG actively managed the legacy asset portfolio down over the 2012-2013 period, and at end-2015, these assets were down to EUR 2.7 billion from EUR 4.0 billion in 2014, but well below the much higher level of EUR 32.8 billion at year-end 2010 thanks to an accelerated deleveraging that took place in 2012-2013.

Market Risk

Market risk contributes about 5% of regulatory risk weighted assets vs. 6.8% in 2014 and 8.3% in 2013, as SG has scaled back its activities that incur market risk with its focus on flow business and less retention of risk. With experience gained from the market turmoil, DBRS views SG's control of these risks across the Group as having been reinforced. In 2015, SG's average trading Value-at-Risk (VaR) was EUR 21.5 million compared to EUR 24 million in 2014. The Group also utilises a "decennial approach" to stress test market risk as it looks at potential loss based on the largest market fluctuations over a ten-year period. In addition, SG maintains limits around sensitivities, nominal exposures, and holding periods to control risks only partially detected by VaR models or stress tests.

Operational Risk/Conduct Risk

Operational risk is becoming more significant in recent years through financial and reputational cost of regulatory investigations, litigation and conduct charges. At the same time, DBRS recognizes that SG is at on the lower end of the peer group in terms of conduct charges. The Kerviel incident led to increased regulatory scrutiny and generally tighter controls. At end-2015, the Group had EUR 1.9 billion in provisions for litigation, up EUR 548 million since end-2014.

Funding and Liquidity

SG's funding profile combines a sizeable, diversified deposit base with significant usage of wholesale funding that is typical of universal banks that combine retail banking with significant corporate and investment banking businesses. SG, like other universal banks, has taken measures to reduce its usage of wholesale funding, particularly USD funding when this source came under pressure in 2011, and improve the alignment between its wholesale funding and the characteristics of its funding needs.

Deposit Funding

SG's strong banking franchise provides an important source of stable funding through its customer deposits, which provide about 60% of its funded balance sheet of EUR 706 billion, excluding equity, at year-end 2015, up from 57% at end-2014 (the funded balance-sheet gives a representation of the Group's balance-sheet excluding the contribution of insurance subsidiaries and after netting derivatives, repurchase agreements and accruals). The Group reported its loan-to-deposit ratio at 95% at end-2015, compared to 116% at end-2012 and a higher 130% at end-2011. This currently compares well to SG's European peers at Group level.

Customer deposits were significantly up by EUR 45 billion vs. end-2014 to EUR 422 billion at end- 2015. Indicative of SG's strength in its home market, the French Networks (FN) continue to grow deposits by 5.3% in 2015 vs. 2014, while reducing the FN's loan-to-deposit ratio to 105% down from and a high 141% at year-end 2009.

Wholesale Funding

DBRS views positively that SG has improved its liquidity position and reduced its reliance on wholesale funding in recent years. The Group is complying with impending short-term regulatory requirements with an LCR ratio largely above 100% for several quarters. Appropriately, SG has put more emphasis on aligning its funding profile with the assets being funded and utilising incentives to drive more efficient use of the Group's balance sheet and liquidity by its business units, which DBRS views positively.

The gap between customer loans and deposits has been managed down through deposit growth. Going forward, even with more loans demand, DBRS expects the balance-sheet structure to remain stable in 2016, and views positively that the Group's funding is more balanced towards long-term debt and deposits. In addition, it remains well diversified in terms of instruments, currencies, type and geography of investors. As of 22 April 2016, SG had issued EUR 10.9 billion of long-term funding in 2016, which represented approximately 32% of SG's LT funding programme for the year (EUR 34 billion).

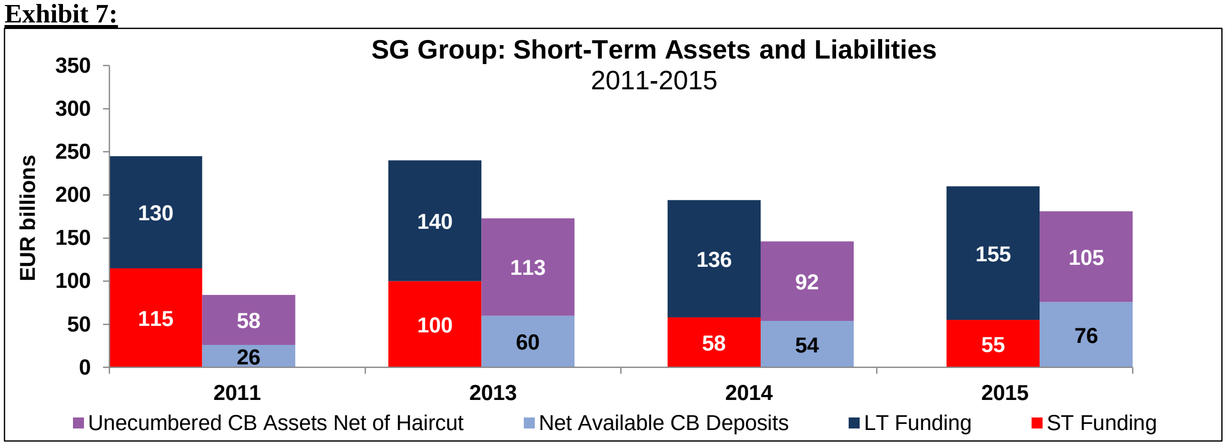
The Group has been working to reduce its reliance on short-term (ST) wholesale funding. SG uses secured funding sources, such as repos and securities lending, which are typically ST in tenor, to fund relatively liquid assets, such as in its trading businesses. Within its capital markets businesses, DBRS notes that the Group's substantial reliance on short-term funding is generally aligned with its largely liquid asset mix. With the Group more focused on flow business going forward, these businesses are expected to face less risk of funding the type of assets that get stalled on the balance sheet for an extended period of time, reducing the potential for liquidity stress on the balance sheet.

Contingency liquidity

The Group has significantly strengthened its liquidity profile in recent years. At year-end 2015, it has an unencumbered liquid asset buffer of EUR 167 billion (EUR 64 billion of net available central bank deposits + EUR 105 billion of unencumbered assets) covering more than three times the ST needs. This contrasts to 2011 when the usage of ST funding was much higher than the available liquid buffer (see exhibit 7).

DBRS views the continued strengthening of liquidity resources and improvements in the alignment of funding with assets being funded as important, as an extreme environment, while unlikely, could result in curtailment of lending and a reduction in activity, which could impact SG's franchise and earnings.

Exhibit 7:



Source: Company Reports

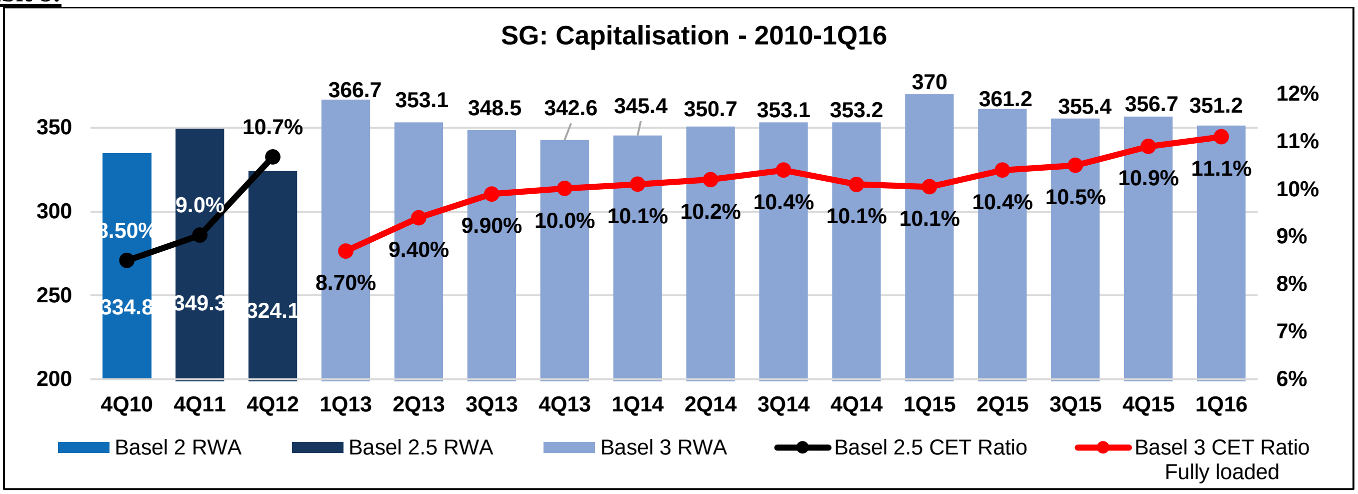
Capitalisation

Given the ongoing developments in regulatory capital requirements, DBRS views positively that SG continued to strengthen its capital levels in 2015, mainly through its ability to generate and retain earnings. The Group has kept its common equity tier 1 (CET 1) ratio at a solid level in a changing regulatory environment whilst investing in its franchise as illustrated by the growth in RWA. Since 2009, and in contrast to some European peers, the Group has not raised equity apart from limited amounts reserved for employees.

The Group's Basel III fully loaded CET 1 ratio improved to 10.9% at end-2015, up 80 bps from 10.1% at end-2014, mainly through internal capital generation (78 bps) but also non organic items such as the Group's disposal of its stake in Amundi (see Exhibit 9). Through solid capital generation, the Group further increased its payout ratio (50% for 2015 vs. 40% in 2014)), offset prudential adjustments and provision for disputes, and strengthened its franchise through organic growth. At the end of March 2016, SG's CET1 ratio increased to 11.1%.

In terms of quality of SG's CET 1, DBRS notes the limited impact of unrealised gains on asset for sales and the absence of Deferred Tax Assets (DTAs). Furthermore, DBRS views as positive SG's ability to maintain a buffer of 100 bps to 150 bps above the regulatory minimum. ECB's SREP requirements for SG in 2016 is 9.75%. The Group's Basel III fully loaded CRD IV leverage ratio increased by 20 bps to 4.0%.

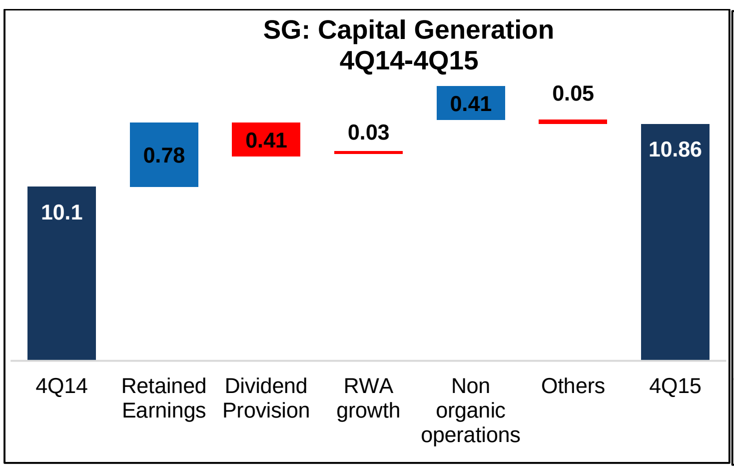
Exhibit 8:

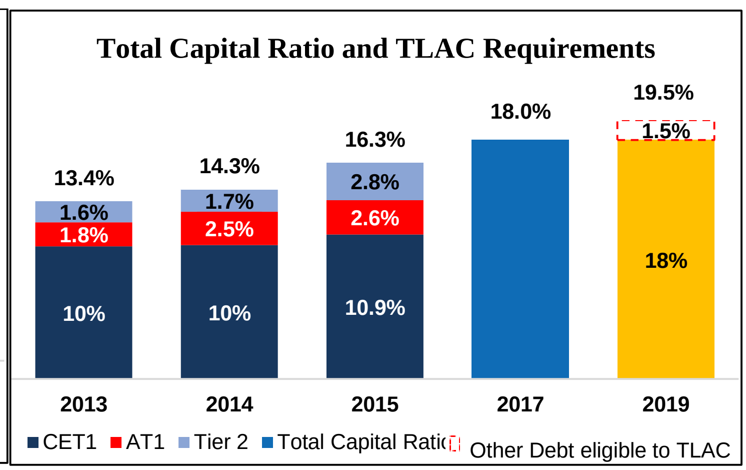


Source: Company Reports

Société Générale will need to comply with the final 18% TLAC requirement by 2019, and DBRS notes that the Group increased its Total Capital ratio by 200 bps to 16.3% from 14.3% at end-2014. DBRS views SG as being able to be compliant with the requirement as the Group plans to bolster regulatory capital through issuances of Additional Tier 1 (AT 1) of EUR 3 billion and Tier 2 of EUR 4 to 6 billion by 2017 as well as TLAC eligible instruments of EUR 8 billion by 2019.

Exhibits 9 & 10:





Société Générale SA	2015Y		2014Y		2013Y		2012Y		2011Y	
	31/12/2015		31/12/2014		31/12/2013		31/12/2012		31/12/2011	
	EUR		EUR		EUR		EUR		EUR	
EUR Millions	IFRS		IFRS		IFRS		IFRS		IFRS	
Balance Sheet										
Cash and deposits with central banks	78,565	5.89%	57,065	4.36%	66,602	5.39%	67,591	5.40%	43,963	3.72%
Lending to/deposits with credit institutions	71,682	5.37%	80,709	6.17%	84,842	6.87%	77,204	6.17%	86,440	7.32%
Financial Securities*	469,235	35.16%	468,847	35.84%	457,284	37.02%	394,802	31.56%	306,951	25.98%
- Trading portfolio	274,446	20.57%	279,120	21.34%	283,945	22.99%	226,717	18.12%	147,546	12.49%
- At fair value	56,558	4.24%	41,637	3.18%	37,786	3.06%	39,185	3.13%	33,214	2.81%
- Available for sale	134,187	10.06%	143,722	10.99%	134,564	10.89%	127,714	10.21%	124,738	10.56%
- Held-to-maturity	4,044	0.30%	4,368	0.33%	989	0.08%	1,186	0.09%	1,453	0.12%
- Other	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Financial derivatives instruments	207,590	15.56%	232,587	17.78%	177,185	14.34%	238,460	19.06%	257,730	21.82%
- Fair Value Hedging Derivatives	19,261	1.44%	22,808	1.74%	14,530	1.18%	20,336	1.63%	15,996	1.35%
- Mark to Market Derivatives	188,329	14.11%	209,779	16.04%	162,655	13.17%	218,124	17.44%	241,734	20.46%
Gross lending to customers	420,618	31.52%	386,381	29.54%	377,992	30.60%	394,832	31.56%	413,605	35.01%
- Loan loss provisions	15,366	1.15%	16,014	1.22%	16,716	1.35%	15,846	1.27%	16,763	1.42%
Insurance assets	NA	-	NA	-	NA	-	NA	-	2,235	0.19%
Investments in associates/subsidiaries	1,352	0.10%	2,796	0.21%	2,129	0.17%	2,119	0.17%	2,014	0.17%
Fixed assets	17,801	1.33%	16,326	1.25%	15,991	1.29%	15,539	1.24%	15,158	1.28%
Goodwill and other intangible assets	5,978	0.45%	5,922	0.45%	6,605	0.53%	6,971	0.56%	8,652	0.73%
Other assets	76,936	5.77%	73,551	5.62%	63,348	5.13%	69,217	5.53%	61,387	5.20%
Total assets	**1,334,391**	**100.00%**	**1,308,170**	**100.00%**	**1,235,262**	**100.00%**	**1,250,889**	**100.00%**	**1,181,372**	**100.00%**
Total assets (USD)	1,449,322		1,583,549		1,701,932		1,649,596		1,534,249	
Loans and deposits from credit institutions	102,403	7.67%	95,897	7.33%	94,664	7.66%	124,447	9.95%	112,245	9.50%
Repo Agreements in Deposits from Customers	19,453	1.46%	21,971	1.68%	24,270	1.96%	32,077	2.56%	51,056	4.32%
Deposits from customers	360,178	26.99%	327,764	25.06%	320,417	25.94%	305,153	24.39%	289,116	24.47%
- Demand	184,853	13.85%	157,343	12.03%	146,703	11.88%	144,048	11.52%	136,061	11.52%
- Time and savings	174,336	13.06%	169,010	12.92%	172,180	13.94%	158,762	12.69%	151,283	12.81%
Issued debt securities	213,257	15.98%	225,813	17.26%	287,278	23.26%	242,991	19.43%	188,982	16.00%
Financial derivatives instruments	207,816	15.57%	236,300	18.06%	179,599	14.54%	236,583	18.91%	256,414	21.70%
- Fair Value Hedging Derivatives	17,588	1.32%	21,068	1.61%	13,525	1.09%	20,483	1.64%	17,017	1.44%
- Other	190,228	14.26%	215,232	16.45%	166,074	13.44%	216,100	17.28%	239,397	20.26%
Insurance liabilities	107,257	8.04%	103,298	7.90%	97,167	7.87%	90,831	7.26%	82,998	7.03%
Other liabilities	248,306	18.61%	229,480	17.54%	170,371	13.79%	158,204	12.65%	138,908	11.76%
- Financial liabilities at fair value through P/L	54,050	4.05%	44,280	3.38%	30,719	2.49%	20,458	1.64%	17,564	1.49%
Subordinated debt	13,046	0.98%	8,834	0.68%	7,395	0.60%	7,052	0.56%	10,541	0.89%
Hybrid Capital	NA	-	NA	-	NA	-	NA	-	NA	-
Equity	62,675	4.70%	58,813	4.50%	54,101	4.38%	53,551	4.28%	51,112	4.33%
Total liabilities and equity funds	**1,334,391**	**100.00%**	**1,308,170**	**100.00%**	**1,235,262**	**100.00%**	**1,250,889**	**100.00%**	**1,181,372**	**100.00%**
Income Statement										
Interest income	25,431		24,532		27,271		29,904		32,389	
Interest expenses	16,125		14,533		17,181		18,592		20,182	
Net interest income and credit commissions	9,306	35.75%	9,999	42.05%	10,090	43.86%	11,312	48.21%	12,207	46.88%
Net fees and commissions	6,678	25.65%	6,475	27.23%	6,507	28.29%	6,977	29.74%	7,179	27.57%
Trading / FX Income	5,152	19.79%	6,200	26.07%	3,138	13.64%	2,697	11.49%	5,790	22.24%
Net realised results on investment securities (available for sale)	353	1.36%	339	1.43%	302	1.31%	834	3.55%	306	1.18%
Net results from other financial instruments at fair value	1,879	7.22%	-2,415	-10.16%	912	3.96%	-740	-3.15%	-1,075	-4.13%
Net income from insurance operations	212	0.81%	428	1.80%	499	2.17%	166	0.71%	NA	-
Results from associates/subsidiaries accounted by the equity method	231	0.89%	213	0.90%	153	0.67%	154	0.66%	94	0.36%
Other operating income (incl. dividends)	2,221	8.53%	2,542	10.69%	1,403	6.10%	2,063	8.79%	1,537	5.90%
Total operating income	26,032	100.00%	23,781	100.00%	23,004	100.00%	23,463	100.00%	26,038	100.00%
Staff costs	9,476	55.95%	9,049	56.78%	9,225	57.32%	9,493	57.50%	9,666	56.47%
Other operating costs	6,581	38.86%	6,032	37.85%	5,974	37.12%	6,092	36.90%	6,521	38.09%
Depreciation/amortisation	879	5.19%	856	5.37%	895	5.56%	926	5.61%	931	5.44%
Total operating expenses	16,936	100.00%	15,937	100.00%	16,094	100.00%	16,511	100.00%	17,118	100.00%
Pre-provision operating income	**9,096**		**7,844**		**6,910**		**6,952**		**8,920**	
Loan loss provisions**	2,487		2,628		3,505		3,720		3,676	
Post-provision operating income	6,609		5,216		3,405		3,232		5,244	
Impairment on tangible assets	61		51		19		-5		-12	
Impairment on intangible assets	0		525		57		846		267	
Other non-operating items***	-439		-265		-271		-826		-878	
Pre-tax income	6,109		4,375		3,058		1,565		4,111	
(-)Taxes	1,714		1,384		533		341		1,323	
(-)Other After-tax Items (Reported)	0		0		0		0		0	
(+)Discontinued Operations (Reported)	0		0		0		0		0	
(-)Minority interest	394		299		350		434		403	
Net income	**4,001**		**2,692**		**2,175**		**790**		**2,385**	
Net income (USD)	4,441		3,576		2,889		1,016		3,320	

*Includes derivatives when breakdown unavailable, **LLP includes Impairments on financial assets, ***Incl. Other Provisions

Société Générale SA EUR Millions	31/12/2015 EUR IFRS	31/12/2014 EUR IFRS	31/12/2013 EUR IFRS	31/12/2012 EUR IFRS	31/12/2011 EUR IFRS
Off-balance sheet and other items					
Asset under management	217,000	192,000	164,000	161,000	175,700
Derivatives (notional amount)	19,667,607	20,835,014	20,045,460	19,230,915	20,309,335
BIS Risk-weighted assets (RWA)	356,725	353,600	315,496	324,093	349,275
No. of employees (end-period)	131,572	136,223	148,324	154,009	159,616
Earnings and Expenses					
Earnings					
Net interest margin [1]	0.80%	0.87%	0.91%	1.02%	1.16%
Yield on average earning assets	2.07%	2.09%	2.38%	2.64%	3.00%
Cost of interest bearing liabilities	2.34%	2.24%	2.45%	2.76%	3.42%
Pre-provision earning capacity (total assets basis) [2]	0.67%	0.61%	0.55%	0.56%	0.76%
Pre-provision earning capacity (risk-weighted basis) [3]	2.52%	NA	2.19%	2.04%	2.66%
Net Interest Income / Risk Weighted Assets	2.61%	2.83%	3.20%	3.49%	3.49%
Non-Interest Income / Total Revenues	64.25%	57.95%	56.14%	51.79%	53.12%
Post-provision earning capacity (risk-weighted basis)	1.83%	NA	1.08%	0.95%	1.56%
Expenses					
Efficiency ratio (operating expenses / operating income)	65.06%	67.02%	69.96%	70.37%	65.74%
All inclusive costs to revenues [4]	66.41%	67.99%	71.92%	73.30%	69.08%
Operating expenses by employee	128,720	116,992	108,506	107,208	107,245
Loan loss provision / pre-provision operating income	27.34%	33.50%	50.72%	53.51%	41.21%
Provision coverage by net interest income	374.19%	380.48%	287.87%	304.09%	332.07%
Profitability Returns					
Pre-tax return on Tier 1 (excl. hybrids)	14.09%	10.58%	7.61%	3.27%	11.75%
Return on equity	6.78%	4.88%	4.26%	1.60%	5.07%
Return on average total assets	0.29%	0.21%	0.17%	0.06%	0.20%
Return on average risk-weighted assets	1.11%	NA	0.69%	0.23%	0.71%
Dividend payout ratio [5]	23.90%	29.17%	16.06%	0.00%	54.81%
Internal capital generation [6]	5.17%	3.52%	3.41%	1.55%	2.11%
Growth					
Loans	9.42%	2.77%	-4.67%	-4.50%	-1.04%
Deposits	8.55%	4.66%	2.21%	-0.86%	0.81%
Net interest income	-6.93%	-0.90%	-10.80%	-7.33%	1.98%
Fees and commissions	3.14%	-0.49%	-6.74%	-2.81%	-4.09%
Expenses	6.13%	-0.98%	-2.53%	-3.55%	3.26%
Pre-provision earning capacity	16.27%	13.52%	-0.60%	-22.06%	-12.35%
Loan-loss provisions	-5.37%	-25.02%	-5.78%	1.20%	-15.32%
Net income	49.35%	23.77%	175.32%	-66.88%	-39.11%
Risks					
RWA% total assets	26.73%	27.03%	25.54%	25.91%	29.57%
Credit Risks					
Impaired loans % gross loans	5.80%	6.65%	7.29%	6.82%	6.70%
Loss loan provisions % impaired loans	62.95%	62.34%	60.64%	58.84%	60.49%
Impaired loans (net of LLPs) % pre-provision operating income [7]	114.70%	139.35%	174.57%	175.75%	137.20%
Impaired loans (net of LLPs) % equity	16.65%	18.59%	22.30%	22.82%	23.94%
Liquidity and Funding					
Customer deposits % total funding	52.28%	49.79%	45.14%	44.90%	48.12%
Total wholesale funding % total funding [8]	47.72%	50.21%	54.86%	55.10%	51.88%
- Interbank % total funding	14.87%	14.57%	13.34%	18.31%	18.68%
- Debt securities % total funding	30.96%	34.30%	40.48%	35.75%	31.45%
- Subordinated debt % total funding	1.89%	1.34%	1.04%	1.04%	1.75%
Short-term wholesale funding % total wholesale funding	46.88%	47.08%	42.08%	55.75%	54.54%
Liquid assets % total assets	46.42%	46.37%	49.28%	43.14%	37.02%
Net short-term wholesale funding reliance [9]	-65.10%	-64.29%	-71.01%	-46.51%	-35.93%
Adjusted net short-term wholesale funding reliance [10]	-84.63%	-84.60%	-71.01%	-46.51%	-35.93%
Customer deposits % gross loans	85.63%	84.83%	84.77%	77.29%	69.90%
Capital [11]					
Tier 1	14.00%	13.40%	13.42%	12.50%	10.73%
Tier 1 excl. All Hybrids	11.37%	10.90%	11.27%	10.68%	9.03%
Core Tier 1 (As-reported)	11.42%	10.91%	11.30%	10.70%	9.00%
Tangible Common Equity / Tangible Assets	3.33%	3.09%	3.04%	2.86%	2.74%
Total Capital	16.80%	15.04%	14.70%	12.75%	11.86%
Retained earnings % Tier 1	96.37%	95.60%	104.06%	104.00%	112.51%

[1] (Net interest income + dividends)% average interest earning assets.
[2] Pre-provision operating income % average total assets.
[3] Pre-provision operating income % average total risk-weighted assets.
[4] (Operating & non-op. costs) % (op. & non-op. revenues)
[5] Paid dividend % net income.
[6] (Net income - dividends) % shareholders' equity at t-1.
[7] We take into account the stock of LLPs in this ratio.
[8] Whole funding excludes corporate deposits.
[9] (Short-term wholesale funding - liquid assets) % illiquid assets
[10] (Short-term wholesale funding - liquid assets- loans maturing within 1 year) % illiquid assets
[11] Capital ratios of Interim results exclude profits for the year
* Interim information is annualised where needed.

Methodologies

Methodology and criteria: The principal applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (December 2015). Other applicable methodologies include the DBRS Criteria – Support Assessments for Banks and Banking Organisations (March 2016), DBRS Criteria: Rating Bank Capital Securities – Subordinated, Hybrid, Preferred & Contingent Capital Securities (February 2016) and DBRS Criteria: Critical Obligations Rating (February 2016).

Ratings

Issuer	Debt	Rating Action	Rating	Trend
Société Générale, S.A.	Senior Unsecured Debt & Deposits	Confirmed	A (high)	Stable
Société Générale, S.A.	Short-Term Debt & Deposits	Confirmed	R-1 (middle)	Stable
Société Générale, S.A.	Long Term Critical Obligations Rating	New Rating	AA	Stable
Société Générale, S.A.	Short Term Critical Obligations Rating	New Rating	R-1 (high)	Stable

Rating History

	Current	2015	2014	2013	2012	2011
Société Générale, S.A.	A (high)	A (high)	AA (low)	AA (low)	-	-
Société Générale, S.A.	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)	-	-
Société Générale, S.A.	AA	-	-	-	-	-
Société Générale, S.A.	R-1 (high)	-	-	-	-	-

Previous Action

- February 4, 2016: DBRS Assigns Critical Obligations Ratings to 33 European Banking Groups

Related Research

- May 10, 2016: DBRS: SG Solid 1Q16 on Resilient Revenues, Cost Control and Lower Provisions
- April 7, 2016: DBRS Comments: Market Challenges to Impact European Capital Markets Participants in 1Q16
- March 22, 2016: DBRS Releases Commentary on French Banks’ FY 15 Results
- February 17, 2016: DBRS: SG's Results Improved in 2015, But Pressured in 4Q By Higher Costs & Provisions
- February 10, 2016: DBRS Comments on Challenges Facing European Capital Markets Institutions

Previous Report

- Société Générale, Rating Report, July 3, 2015

Notes:
All figures are in Euros unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.