

Jul 22, 2016

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, liquidity concern is small with improved asset quality. In consideration of such factors, R&I has affirmed the Issuer Rating. The Rating Outlook is Stable.

The geographical breakdown of credit risk exposure at end-December 2015 shows that France represents 43% and emerging markets 12%. Of the emerging markets, 34% is accounted for by European countries, including Czech Republic and Romania, 24% by Africa and 16% by Russia. Emerging markets also represent 19% of total net banking income. Market risk is limited, but reliance on income from investment banking is not insignificant. In fact, 37% of total net banking income was derived from Global Banking & Investor Solutions in 2015.

Credit costs are decreasing, reflecting a sharp drop for corporate customers in France and a steady decline at International Retail Banking. In International Retail Banking, credit costs are falling in Romania and other Eastern European countries and showing signs of improvement in Russia as well. Meanwhile, an increase in credit costs is noted for the oil and gas sector primarily in North America. Nevertheless, the Group's exposure to the oil and gas sector represents only 3% of its exposure at default. Based on a stress test on this exposure, with an oil price at US\$30 per barrel, the Group does not anticipate any significant impact with regard to keeping the commercial cost of risk targets.

As of end-March 2016, the Group's fully loaded Common Equity Tier 1 ratio under Capital Requirements Directive (CRD) 4 rules was 11.1%, already above the minimum required level. The total capital ratio was 16.4%, as compared to a target of 18% for end-2017. In 2019, the Group aims to achieve a total loss absorbing capacity (TLAC) ratio of 20.5-21%, a measure calculated by adding TLAC-eligible instruments to total capital. Its leverage ratio at end-March 2016 amounted to 4%, suggesting that the Group achieved a target of 4-4.5% for end-2016 ahead of plan. Even so, R&I will pay attention to whether the Group is able to improve its risk resilience further amid concerns over an increase in regulatory and litigation costs, as well as over the risk posed to International Retail Banking associated with an economic slowdown in emerging markets.

As of end-March 2016, the Group's adjusted loan to deposit ratio was decreasing, standing at less than 100%. The CRD4-based liquidity coverage ratio was 139%. Its liquidity reserve is accumulating, and reliance on short-term funding is declining. Liquidity concern is thus 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, etc." The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/cfp/about/methodology/index.html>

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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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|--------------------------------|--------------------|----------------------|--------------------------|
| Japanese Yen Bonds No.9 | Issue Date | Maturity Date | Issue Amount (mn) |
| | Jun 03, 2016 | Jun 03, 2026 | JPY 4,100 |
| RATING: | A, Affirmed | | |

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