

Oct 23, 2017

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. The Rating Outlook is Stable.

The geographical breakdown of credit risk exposure at end-December 2016 shows that France represents 42% and emerging markets 11%. The Group's major emerging markets are European countries such as Czech Republic and Romania, Africa and Russia. Emerging markets also represent approximately 25% of total net banking income. As evidenced by the fact that about 37% of total net banking income was derived from Global Banking & Investor Solutions (GBIS) in 2016, reliance on income from investment banking is not insignificant.

The 2015-2017 cost saving plan initially called for savings of EUR 850 million. By adding GBIS planned savings of EUR 220 million in 2016, the Group subsequently revised the target to EUR 1,070 million. Costs incurred from the 2015-2017 cost saving plan are estimated to be EUR 610 million. R&I will focus on whether the Group is able to bolster its earning capacity by steadily implementing the plan and creating more synergies between businesses.

As of end-June 2017, the gross non performing loans ratio dropped year on year to 4.6%. The credit cost ratio also declined. Moreover, the Group's fully loaded Common Equity Tier 1 (CET1) ratio under Capital Requirements Directive (CRD) 4 rules was 11.7%, already above the target CET1 ratio of 11.5-12% for end-2017. The leverage ratio stood at 4.2%, above the minimum required level of 3%. With a level of 21.9% of risk-weighted assets and 6.4% of leveraged exposure, the Group's total loss absorbing capacity ratio is already above 2019 regulatory requirements. Although the regulatory capital ratios are rising, R&I will pay attention to whether the Group is able to improve its risk resilience further amid concerns over some risks, such as an increase in regulatory and litigation costs and those associated with emerging markets.

As of end-March 2017, the Group's adjusted loan to deposit ratio fell below 100%. The CRD4-based liquidity coverage ratio was 123% at end-June 2017, vs. 142% at end-December 2016 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

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NEWS RELEASE

R&I RATINGS:

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

Japanese Yen Callable Sub. Bonds No.2	Issue Date	Maturity Date	Issue Amount (mn)
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Jun 12, 2015	Jun 12, 2025	JPY 13,300
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RATING:	A-, Affirmed
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Japanese Yen Sub. Bonds No.1	Issue Date	Maturity Date	Issue Amount (mn)
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Jun 12, 2015	Jun 12, 2025	JPY 27,800
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RATING:	A-, Affirmed
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Japanese Yen Sub. Flt. Rate Bonds No.3	Issue Date	Maturity Date	Issue Amount (mn)
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Jun 12, 2015	Jun 12, 2025	JPY 2,500
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RATING:	A-, Affirmed
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Japanese Yen Bonds No.7	Issue Date	Maturity Date	Issue Amount (mn)
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Jun 03, 2016	Jun 03, 2021	JPY 19,500
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RATING:	A, Affirmed
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Japanese Yen Bonds No.8	Issue Date	Maturity Date	Issue Amount (mn)
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Jun 03, 2016	Jun 02, 2023	JPY 53,700
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RATING:	A, Affirmed
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Japanese Yen Callable Sub. Bonds No.5	Issue Date	Maturity Date	Issue Amount (mn)
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Jun 03, 2016	Jun 03, 2026	JPY 27,700
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RATING:	A-, Affirmed
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Japanese Yen Sub. Bonds No.4	Issue Date	Maturity Date	Issue Amount (mn)
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Jun 03, 2016	Jun 03, 2026	JPY 15,000
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RATING:	A-, Affirmed
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NEWS RELEASE

Japanese Yen Bonds No.9	Issue Date	Maturity Date	Issue Amount (mn)
	Jun 03, 2016	Jun 03, 2026	JPY 4,100

RATING: **A, Affirmed**

Japanese Yen Senior Non-Preferred Bonds No.1	Issue Date	Maturity Date	Issue Amount (mn)
	May 26, 2017	May 26, 2022	JPY 37,600

RATING: **A-, Affirmed**

Japanese Yen Senior Non-Preferred Bonds No.2	Issue Date	Maturity Date	Issue Amount (mn)
	May 26, 2017	May 26, 2027	JPY 42,400

RATING: **A-, Affirmed**

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