

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms Societe Generale's A1 senior unsecured debt and deposit ratings; outlook changed to negative

31 May 2024

All other ratings and assessments affirmed

Paris, May 31, 2024 -- Moody's Ratings (Moody's) today affirmed the A1 long-term senior unsecured debt ratings, deposit ratings and issuer ratings of Societe Generale (SG). The outlooks on these ratings were changed to negative from stable. The rating agency also affirmed SG's baa2 Baseline Credit Assessment (BCA), its short-term deposit and commercial paper ratings of Prime-1 and Other Short Term ratings of (P)Prime-1, its junior senior unsecured debt rating of Baa2, its subordinate debt rating of Baa3, its preferred non-cumulative stock rating of Ba2(hyb), its long-term and short-term Counterparty Risk Ratings of A1 and Prime-1 respectively, and its long-term and short-term Counterparty Risk Assessments of A1(cr) and Prime-1(cr) respectively.

For a full list of all affected ratings, please refer to the end of this press release.

RATINGS RATIONALE

AFFIRMATION OF THE BCA

The affirmation of the baa2 BCA reflects SG's sound solvency that is commensurate with its risk profile. Asset quality is solid, as evidenced by its proven track-record of a contained cost of risk and limited single name and sector concentrations, despite its high exposure to corporates. Moody's also sees capitalization as good, supported by SG's stated intention to increase its target Common Equity Tier 1 (CET1) ratio for 2026 to 13%, from 12% previously.

The bank's profitability remains at the lower end of its peer group including both the global investment banks and European universal banks. Although it has run a variety of businesses and undertaken numerous transformations over the previous five years, the bank's profitability has been impacted by a series of exceptional events such as

the sale of PJSC Rosbank, the cost of restructuring efforts and write-downs of goodwill and deferred tax assets. More recently the hedging strategy deployed to protect its retail franchise's revenue ended up hampering its profitability. Moody's nonetheless expects profitability to increase thanks, amongst other things, to the expected recovery in the performance of the French retail banking business and the end of the contribution to the Single Resolution Fund.

The BCA also takes account of the bank's sound funding and liquidity underpinned by a liability term structure that is adapted to that of its assets, the bank's proven access to funding markets and its ample liquid assets. These mitigate SG's extensive use of wholesale funding and non-operational deposits and the refinancing risks associated with these confidence-sensitive funding sources. This reliance is due to its sizeable capital market activities and other specialized financing activities that generate little or no customer deposits.

SG's business portfolio is well-balanced and diversified both geographically and across different business types. The main businesses are well-established franchises with strong or leading positions in their respective sectors. The acquisition of LeasePlan Corporation N.V. in 2023, which resulted in the largest leasing and fleet management in Europe, further buttressed the group's diversification and helped offset weakness in the French domestic retail business. This spread of activity is reflected in a one-notch positive qualitative adjustment.

The BCA continues to incorporate a one-notch negative qualitative adjustment for "opacity and complexity", reflecting the risks associated with the capital market activities. Notwithstanding an active risk reduction strategy since 2020, these activities continue to contribute to the bank's overall complexity and are more susceptible to volatility compared to the entity's other business areas.

AFFIRMATION OF SENIOR RATINGS

The A1 long-term deposit, senior unsecured debt and issuer ratings reflect (1) the BCA and Adjusted BCA of baa2; (2) an unchanged three-notch uplift resulting from Moody's Advanced Loss Given Failure (LGF) analysis, reflecting an extremely low loss-given-failure; and (3) a one-notch government support uplift reflecting a moderate likelihood of government support for senior creditors.

OUTLOOK

The outlooks on the long-term deposit, senior unsecured debt and issuer ratings are negative. This reflects the rating agency's view that, despite the improvements expected in 2024, the bank's profitability may still fall short of levels consistent with the current BCA.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Although unlikely over the outlook horizon, the BCA could be upgraded in case of (1) a significant and sustainable improvement in the bank's profitability metrics; or (2) a structural improvement in the bank's funding profile through further lengthening of the term structure; or (3) materially higher capitalization. A higher BCA would likely lead to rating upgrades.

The BCA could be downgraded if Moody's assesses that following a further round of restructuring activities, SG continues to face significant challenges in posting higher and more stable profitability. It could also be downgraded if the Tangible Common Equity ratio were to fall significantly below the current level without a prompt recovery; or if its funding and liquidity were to weaken. A lower BCA would likely result in a downgrade of all of SG's ratings.

SG's ratings could also be downgraded in the case of lower debt issuance than expected under its current funding plan, or a more rapid increase in assets than currently expected, which would increase the loss the junior depositors and senior unsecured investors would incur in case of failure.

LIST OF AFFECTED RATINGS

Issuer: Societe Generale

..Affirmations:

.... LT Counterparty Risk Rating (Foreign Currency), Affirmed A1

.... LT Counterparty Risk Rating (Local Currency), Affirmed A1

.... ST Counterparty Risk Rating (Foreign Currency), Affirmed P-1

.... ST Counterparty Risk Rating (Local Currency), Affirmed P-1

.... LT Bank Deposits (Foreign Currency), Affirmed A1, outlook changed to NEG from STA

.... LT Bank Deposits (Local Currency), Affirmed A1, outlook changed to NEG from STA

.... ST Bank Deposits (Foreign Currency), Affirmed P-1

.... ST Bank Deposits (Local Currency), Affirmed P-1

.... LT Counterparty Risk Assessment, Affirmed A1(cr)

.... ST Counterparty Risk Assessment, Affirmed P-1(cr)

.... LT Issuer Rating (Foreign Currency), Affirmed A1, outlook changed to NEG from STA

... LT Issuer Rating (Local Currency), Affirmed A1, outlook changed to NEG from STA

... Baseline Credit Assessment, Affirmed baa2

... Adjusted Baseline Credit Assessment, Affirmed baa2

... Senior Unsecured (Foreign Currency), Affirmed A1, outlook changed to NEG from STA

... Senior Unsecured (Local Currency), Affirmed A1, outlook changed to NEG from STA

... Backed Senior Unsecured (Foreign Currency), Affirmed A1, outlook changed to NEG from STA

... Senior Unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)A1

... Senior Unsecured Medium-Term Note Program, Affirmed (P)A1

... Senior Unsecured Medium-Term Note Program (Local Currency), Affirmed (P)A1

... Backed Senior Unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)A1

... Junior Senior Unsecured (Foreign Currency), Affirmed Baa2

... Junior Senior Unsecured (Local Currency), Affirmed Baa2

... Junior Senior Unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)Baa2

... Junior Senior Unsecured Medium-Term Note Program (Local Currency), Affirmed (P)Baa2

... Backed Junior Senior Unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)Baa2

... Subordinate (Foreign Currency), Affirmed Baa3

... Subordinate (Local Currency), Affirmed Baa3

... Subordinate Medium-Term Note Program (Local Currency), Affirmed (P)Baa3

... Backed Subordinate Medium-Term Note Program (Foreign Currency), Affirmed (P)Baa3

.... Junior Subordinated Medium-Term Note Program (Local Currency), Affirmed (P)Ba1

.... Preferred Stock Non-cumulative (Foreign Currency), Affirmed Ba2 (hyb)

.... Preferred Stock Non-cumulative (Local Currency), Affirmed Ba2 (hyb)

.... Commercial Paper (Foreign Currency), Affirmed P-1

.... Commercial Paper (Local Currency), Affirmed P-1

.... Other Short Term (Foreign Currency), Affirmed (P)P-1

.... Other Short Term, Affirmed (P)P-1

.... Other Short Term (Local Currency), Affirmed (P)P-1

.... Backed Other Short Term (Foreign Currency), Affirmed (P)P-1

..Outlook Actions:

....Outlook, Changed to Negative From Stable

Issuer: Parsifal Limited

..Affirmations:

.... Backed Senior Unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)A1

.... Backed Subordinate Medium-Term Note Program (Foreign Currency), Affirmed (P)Baa3

.... Backed Other Short Term (Foreign Currency), Affirmed (P)P-1

..Outlook Actions:

....Outlook, Changed to Negative From Stable

Issuer: SG Option Europe

..Affirmations:

.... Backed Senior Unsecured (Foreign Currency), Affirmed A1, outlook changed to NEG from STA

.... Backed Senior Unsecured Medium-Term Note Program (Local Currency), Affirmed (P)A1

.... Backed Subordinate Medium-Term Note Program (Local Currency), Affirmed (P)Baa3

.... Backed Junior Subordinated Medium-Term Note Program (Local Currency), Affirmed (P)Ba1

.... Backed Other Short Term (Local Currency), Affirmed (P)P-1

..Outlook Actions:

....Outlook, Changed to Negative From Stable

Issuer: SGA Societe Generale Acceptance N.V.

..Affirmations:

.... Backed Senior Unsecured (Foreign Currency), Affirmed A1, outlook changed to NEG from STA

..Outlook Actions:

....Outlook, Changed to Negative From Stable

Issuer: Societe Generale Australia Branch

..Affirmations:

.... LT Counterparty Risk Rating (Foreign Currency), Affirmed A1

.... LT Counterparty Risk Rating (Local Currency), Affirmed A1

.... ST Counterparty Risk Rating (Foreign Currency), Affirmed P-1

.... ST Counterparty Risk Rating (Local Currency), Affirmed P-1

.... LT Counterparty Risk Assessment, Affirmed A1(cr)

.... ST Counterparty Risk Assessment, Affirmed P-1(cr)

.... Senior Unsecured (Local Currency), Affirmed A1, outlook changed to NEG from STA

.... Senior Unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)A1

.... Senior Unsecured Medium-Term Note Program (Local Currency), Affirmed (P)A1

.... Junior Senior Unsecured Medium-Term Note Program (Foreign Currency),

Affirmed (P)Baa2

... Junior Senior Unsecured Medium-Term Note Program (Local Currency), Affirmed (P)Baa2

... Commercial Paper (Foreign Currency), Affirmed P-1

... Other Short Term (Foreign Currency), Affirmed (P)P-1

... Other Short Term (Local Currency), Affirmed (P)P-1

..Outlook Actions:

...Outlook, Changed to Negative From Stable

Issuer: Societe Generale Commodities Products LLC

..Affirmations:

... Backed Senior Unsecured (Local Currency), Affirmed A1, outlook changed to NEG from STA

..Outlook Actions:

...Outlook, Changed to Negative From Stable

Issuer: Societe Generale North America, Inc.

..Affirmations:

... Backed Commercial Paper (Local Currency), Affirmed P-1

..Outlook: NOO

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/409852>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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