FitchRatings

Societe Generale S.A.

Banks
Universal Commercial Banks
France

Key Rating Drivers

Capital, Earnings Drive Ratings: Societe Generale S.A.'s (SG) ratings mainly reflect the group's adequate capitalisation and improving execution, which Fitch Ratings expects to lead to more predictable and structurally higher earnings over the 2023–2026 strategic plan. SG's diversified business profile and tightened risk appetite are relative rating strengths. Asset quality is sound, following gradual improvements and SG's focus on reducing its impaired loans ratio, which, however, remains higher than most similarly rated European peers'.

Diversified Business Profile: SG has a diverse business profile, with strong franchises in key activities. The bank's earnings are more reliant on corporate and investment banking (CIB) businesses than most large French banks. This partly explains its more volatile performance over the past decade, although it is focusing on improving its earnings stability.

SG is the fourth-largest retail and commercial bank in France. Its profitable activities in the Czech Republic and Romania, and its growing car leasing business, provide good earnings diversification. SG's execution has improved since 2020, through the repositioning of its CIB businesses, the merger of its French retail networks, the integration of LeasePlan Corporation N.V., and the ongoing sales of less strategic businesses to focus on its core activities and geographies.

Prudent Risk Appetite: SG has a moderate risk profile, with centralised and robust risk management and controls. It applies conservative underwriting standards for home and consumer loans, and is in line with market practice for corporate loans in France. It has tightened its risk appetite in CIB and international retail banking. Its exposure to traded market risks is material, but lower than at most global trading and universal banks (GTUBs). Recent hedging losses in French retail banking have led SG to strengthen its interest rate risk management.

Moderate Asset-Quality Risks: SG's impaired loans ratio is higher than higher-rated European peers'. However, it has improved materially due to more active impaired loan management and tighter underwriting standards. Fitch forecasts the ratio at about 3% in 2024 and 2025, despite moderate risks from exposure to French SMEs and vulnerable corporate sectors in CIB. The disposal of higher-risk African subsidiaries should benefit SG's asset quality by 2025. We project loan impairment charges (LICs) will remain at 25bp–30bp over the next two years.

Adequate, Improving Underlying Profitability: SG has historically been less profitable than higher-rated peers. We believe, however, that the strategic initiatives will improve earnings generation and stability, as well as cost efficiency, in line with the group's medium-term targets.

Fitch forecasts that SG's operating profit/risk-weighted assets (RWAs) ratio will gradually improve in 2024, reaching around 2% in 2025, materially above its long-term average of 1.5%–1.6%. We expect this to be supported by stronger execution, a rebound of its domestic net interest margin and the disappearance of one-off items that clouded 2023 and 1H24 results.

Adequate Capital Buffers: SG's capitalisation is solid, commensurate with its risk profile, and adequate in relation to its planned growth, shareholder distributions and increased regulatory requirements. Fitch expects SG's common equity Tier 1 (CET1) ratio (end-March 2024: 13.2%) to remain close to 13% by end-2025. Despite further regulatory impacts from the Basel III end-game regime in 2025 and shareholder distributions, our expectation is supported by SG's focus on capital build-up, assets disposals, and recovering internal capital-generation capacity.

Stable Funding and Liquidity: SG has a diversified funding base and well-established market access. Customer deposits represent less than half of the bank's funding, which is a lower proportion than peers', and its large capital markets unit leads to material structural short-term funding needs. However, the bank has a sound liquidity buffer, with cash and high-quality liquid assets covering short-term financing needs, including maturing long-term debt.

Ratings

Foreign Currency	
Long-Term IDR	A-
Short-Term IDR	F1
Derivative Counterparty Rating	A(dcr)
Viability Rating	a-
Government Support Rating	ns
Sovereign Risk (France)	
Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Fitch Affirms Societe Generale at 'A-'; Positive Outlook (June 2024)

Global Economic Outlook (June 2024)

Increased Political Risk May Pressure French Banks' Operating Environment (June 2024)

Large European Banks Quarterly Credit Tracker - June 2024

Major French Banks - Peer Review 2024 (May 2024)

Major French Banks' CRE Risk Should Not Materially Weaken Asset Quality (May 2024)

Large European Banks' Commercial Real Estate: No Outsized Credit Losses Expected (May 2024)

Sale of SG Equipment Finance to GBPCE Is Neutral for SG, Slightly Positive for GBPCE (April 2024)

Global Trading & Universal Banks Quarterly – April 2024: Promising Start; Awaiting Rate Cuts (April 2024)

SG's 2026 Plan Sets Out a Credible Path to Improve Credit Profile (September 2023)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

We would revise the Outlook on SG's Long-Term Issuer Default Rating (IDR) to Stable if LICs increase more than expected, while the recovery of the group's profitability turns out to be weaker than we forecast, in particular for the French retail banking business. SG's Outlook is also sensitive to a negative revision of our assessment of the French operating environment. A failure to deliver on its strategic initiatives, although not our baseline scenario, could also pressure SG's ratings.

Fitch views a downgrade of SG's ratings as unlikely, as reflected in the Positive Outlook and given SG's comfortable rating headroom. However, the ratings would most likely be downgraded if the CET1 ratio drops below 12% for an extended period with no credible plan to restore it above this level, combined with sustained deterioration in the operating profit/RWAs ratio towards 1%. We believe this could result from sharp asset quality deterioration, or from an erosion of SG's competitive position in some key franchises, which we do not expect.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade would most likely result from a longer record of improved earnings levels and stability, evidenced by an operating profit/RWAs ratio sustainably close to 2%, especially if this reflects good progress on the execution of SG's strategic plan. We would also expect the bank to maintain a moderate risk profile and an impaired loans ratio close to 3% or lower, while keeping a fully-loaded CET1 ratio consistently at or above 13%.

Other Debt and Issuer Ratings

Rating Level	Rating
Deposits	A/F1
Senior preferred debt	A
Senior non-preferred debt	A-
Subordinated Tier 2 debt	BBB
Additional Tier 1 debt	BB+

Source: Fitch Ratings

Short-Term IDR

SG's Short-Term IDR of 'F1' is the higher of two options that map to an 'A-' Long-Term IDR, reflecting our 'a' assessment for funding and liquidity.

Derivative Counterparty Rating, Deposit Ratings and Senior Debt

SG's Derivative Counterparty Rating (DCR), and long-term senior preferred debt and deposit ratings are one notch above the Long-Term IDR due to the protection accruing to these liabilities from the bank's buffers of subordinated and senior non-preferred debt, which we expect to continue to exceed 10% of RWAs on a sustained basis (end-March 2024: 16.5%–17%). For the same reasons, SG's senior non-preferred debt is rated in line with the Long-Term IDR.

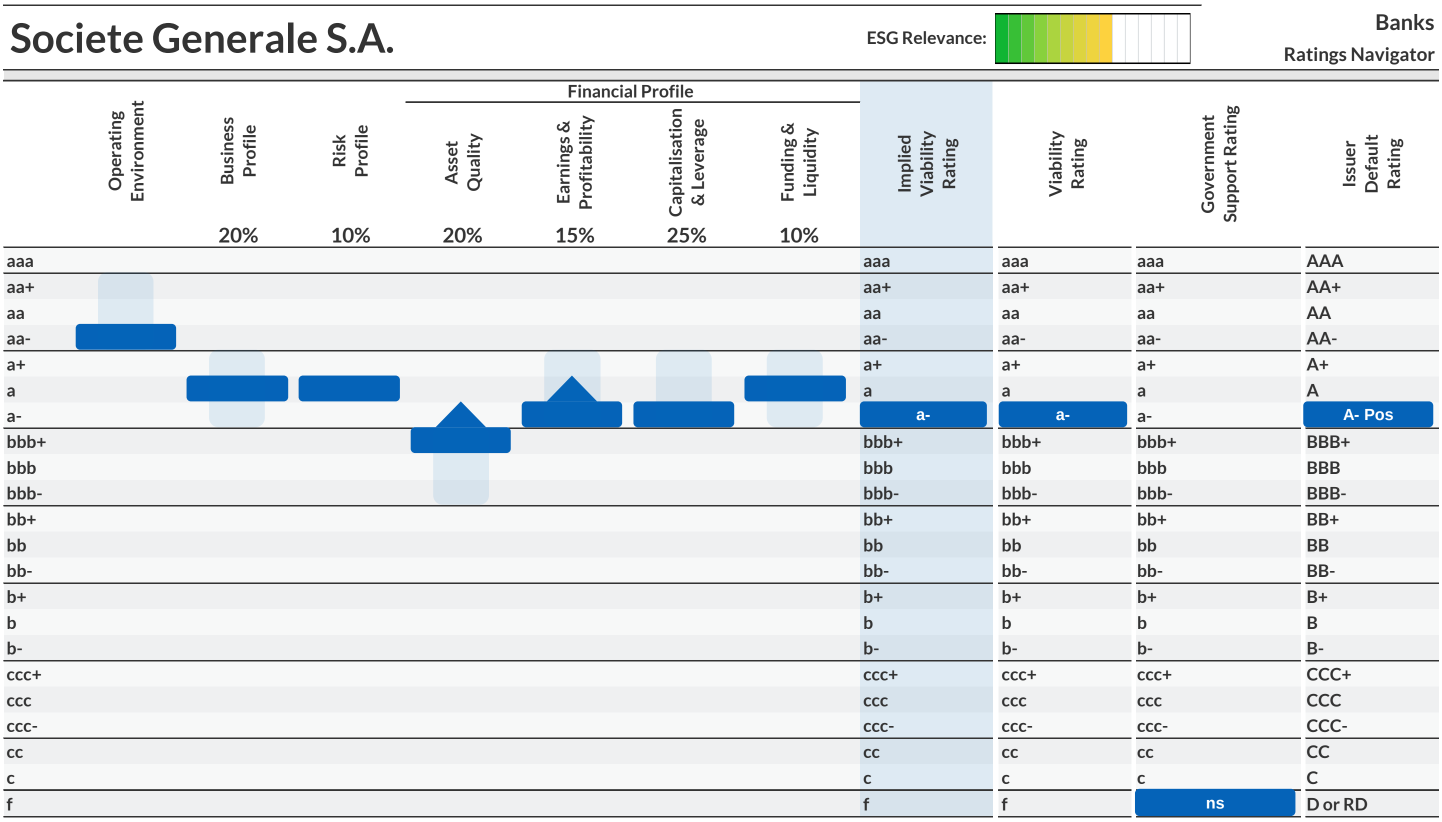
We also expect SG to meet its total minimum requirement for own funds and eligible liabilities (MREL) without recourse to senior preferred debt, although the introduction of full depositor preference in the EU could lead to lower buffers of senior non-preferred debt over the longer term. SG's end-March 2024 MREL ratio equalled 29% of RWAs, excluding senior preferred debt, which is above SG's 2024 total requirement of 27.2%.

Subordinated Debt and Junior Subordinated Debt

Fitch rates SG's subordinated Tier 2 debt at 'BBB', two notches below the bank's Viability Rating (VR), for loss severity, as Fitch expects recoveries to be poor for this type of debt in case of default/non-performance of the bank.

Additional Tier 1 (AT1) debt with fully discretionary coupons is rated four notches below the bank's VR, comprising two notches each for loss-severity and for non-performance risk. Our assessment is based on SG operating with comfortable buffers above coupon-omission points, and on the presence of material distributable items. SG's 4.2% leverage ratio at end-March 2024 is the binding constraint for maximum distributable amounts, with around 60bp over the 3.6% requirement, which we view as sufficient, as it is equivalent to around EUR9 billion.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

Company Summary and Key Qualitative Factors

Business Profile

Diversified Business Model, Material CIB Operations and Growing Appetite for Car Leasing

SG is the third-largest French bank by total assets and the fourth-largest domestic retail and commercial bank by market shares. It serves its French retail clients through its physical branch network, which is undergoing a significant restructuring, and BoursoBank, the leading online bank in France. SG merged its two former French retail networks in 2023 (its own and that of Credit du Nord) and is actively reducing branches and staff, which will result in material cost savings from 2024. SG is among the five largest life insurers in France, and has one of the leading domestic private-banking franchises.

International retail and commercial banking is an important earnings driver for SG and typically represents 15%–20% of its total revenue. SG has sound market shares in the Czech Republic and Romania and in some African countries (mainly in French-speaking Northern and Western Africa) through local subsidiaries. We view the bank's recent decision to dispose of some African subsidiaries as slightly credit-positive as it will refocus its franchise, reduce credit and non-financial risks, and free up management capacity. It owns a leading global multi-brand fleet lessor, Ayvens (BBB+/Positive), which was rebranded following the acquisition of LeasePlan in 2023. We estimate that car-leasing and fleet-management services could represent more than 15% of group revenue and 25% of pre-tax profits by 2025. SG is less active in consumer finance than some of its large French peers and mainly focuses on auto loans, with material franchises in France, Germany and Italy.

The contribution of capital markets activities to SG's revenue is significant (typically at least 20%), although lower than at most GTUBs. SG is a global leader in structured equity derivatives, a subset of the global equities market, and has established franchises and a European focus in broader product lines such as rates, credit and currencies. It also has a well-established franchise in EMEA syndicated loans and holds strong market positions in payments, cash management and trade finance. The recent creation of the joint-venture with Bernstein in cash equities and research will strengthen SG's position in equity league tables in the medium term.

Experienced Management Team, Credit-Positive Strategy

SG's management team has a high degree of depth and experience. The bank's execution record has improved since 2020, as demonstrated by the completion of the merger of its two French retail networks, the repositioning of its CIB, the acquisition of LeasePlan, and the disposal of the equipment finance business and of several African subsidiaries.

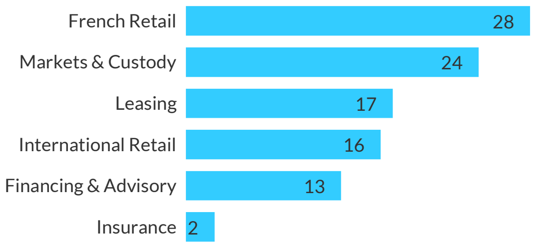
SG announced an updated medium-term plan in September 2023, which focuses on net shareholder value creation and cost efficiency, whilst further supporting capitalisation and maintaining a conservative risk appetite. The group has set a prudent 2026 revenue path amid conservative macroeconomic assumptions. However, SG's 2026 targets for earnings, asset quality and capital are better than Fitch's previous forecasts. As a result, we believe this roadmap could improve the level and consistency of SG's core financial metrics, in line with higher-rated French peers.

Disposal of Less Strategic Businesses

SG is reviewing its global activities portfolio to identify, and possibly dispose of, businesses with subpar profitability and synergies with the rest of the group, or those that are not in line with the group's risk appetite. The bank has already announced the sale of its equipment leasing business and of several African subsidiaries, with Morocco being the most important entity sold so far.

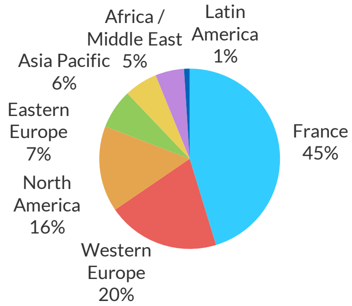
Together with the expected improved operating performance at SG's main divisions over the next two years, this should support SG in achieving its 13% CET1 ratio target. These disposals should help SG refocus on its areas of competitive strengths and with better development prospects, while having only a modest negative impact on profitability and business diversification. It will also be beneficial for the group in terms of asset quality metrics, considering the high rate of impaired loans in the African loan portfolios

Operating Income by Business Line (%)
2023



NB: Corporate Center excluded
Source: Fitch Ratings, Fitch Solutions, SG

Credit Exposure by Geography
End-2023



Source: Fitch Ratings, Fitch Solutions, SG

Risk Profile

Prudent Underwriting Standards

SG's risk management and controls are centralised and robust. The bank's underwriting standards are conservative for home loans and in line with common market practice for consumer lending and loans to businesses in the French networks. Consumer loans in western Europe are of good quality and mainly focus on car finance. Underwriting standards in the Czech Republic are conservative, and they have been significantly tightened in Romania. SG's on-balance-sheet exposures in Africa are significantly riskier (with a Stage 3 exposure ratio of 7%–8% at end-2023, on average), but they represented only about 6% of SG's end-2023 exposure. We expect the group to further tighten its appetite in Africa, in line with the already announced divestment of several entities.

SG is increasingly operating its CIB division under an originate-to-distribute model, whereby it arranges financings that it sells on to third-party investors, while retaining limited residual risk. SG's appetite for riskier asset classes such as leveraged loans is generally below that of GTUB peers, and its securities investments are fairly prudent and focused on liquidity management. We view SG's tolerance for single-name concentration as higher than at other large French banks, although its largest exposures are to highly-rated counterparts.

Material Market Risk Exposure

SG's exposure to market risk and complex financial instruments is material, but the bank has generally lower appetite for traded risk than most GTUBs. Market dislocation and a lack of business diversification compared to other European GTUBs led to large equity derivatives losses in 1H20. This activity has, however, rebounded strongly due to supportive market conditions, and we view the completion of the bank's simplification and risk-reduction measures as positive for SG's risk profile. Over the past two years, SG's stressed value at risk (1-day, 99%) remained within EUR20 million–EUR60 million.

Non-trading-related market risk mainly arises from interest-rate risk in the banking book, notably from long-term fixed-rate home loans in France. SG has been more affected than peers from the sharp rise in interest rates, largely due to the negative carry of its hedging swap portfolio, which had a EUR0.9 billion negative impact on the 2023 result, as the swift rise in interest rates was at odds with the expectations underpinning the bank's modelling done in 2021–1H22. This prompted the bank to review and strengthen its approach to interest-rate risk management. The bank's revised stress scenarios now include more severe and sudden interest rate shocks, and its asset-liability management models have been refined to better account for depositors' behaviour in this context. The asset-liability management governance has also been overhauled to become more accountable, collaborative and centralised.

At end-2023, SG estimated that a 200bp upward parallel shift in interest rates would have a positive impact of about EUR0.6 billion on its revenue (or 6% of 2023 net interest income) and a moderate negative impact on the net asset value of the banking book, resulting in a decrease of its Tier 1 capital ratio by 45bp–50bp, which is lower than typically seen at other large French banks. Unrealised losses on SG's EUR21 billion bond portfolio booked at amortised cost are very low (less than 10bp of its CET1 ratio at end-2023).

Financial Profile

Asset Quality

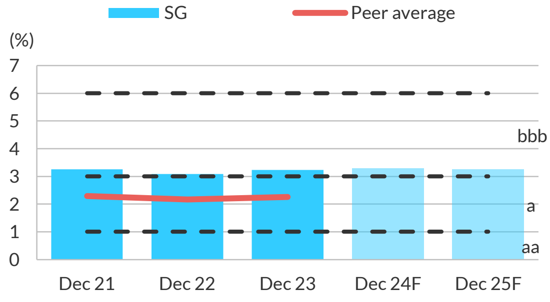
Moderate Asset-Quality Risks, Controlled LICs

SG's fairly low LICs of 22bp in 2023 were in line with the average for European peers. We expect LICs to be within SG's revised guidance of 25bp–30bp in 2024. The modest spike in 1Q24 (27bp) was largely explained by a few large corporate exposures, while the rest of the loan portfolio showed limited signs of deterioration. SG has some exposure to vulnerable corporate sectors, some of which could also contribute to a moderate deterioration in SG's impaired loans ratio (construction and retail, notably). SG's satisfactory loan loss allowance coverage (end-2023: 64% of impaired loans) is slightly above the European peer average and provides a reasonable buffer. Stage 1 and 2 provisions of EUR3.6 billion (0.7% of gross loans at end-2023) should also help cover the expected mild increase in Stage 3 loans in 2024.

SG's commercial real estate exposure was about 2% of total group exposure at default at end-March 2024 (around 50% of CET1 capital), construction was about 1% (about 25% of CET1 capital) and retail distribution was about 0.5% (about 12% of CET1 capital). While SG's sector exposure is well diversified, it has higher exposure than peers to non-bank financial institutions (7% of group exposure at default), although these are of investment-grade credit quality. The remaining exposure to Russia was a low EUR0.7 billion at end-March 2024 (down by about EUR1 billion yoy), and the bank disposed of its last onshore exposure (LeasePlan Russia) in February 2024.

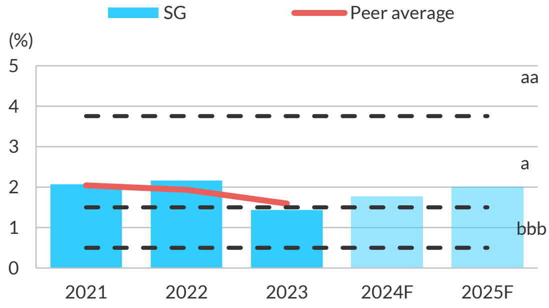
SG's banking book securities portfolio is of good quality (mostly rated 'A' or above) and primarily consists of sovereign bond holdings. Exposure to smaller and lower-rated sovereigns is limited.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Improved Underlying Profitability, Credible Medium-Term Targets

SG's underlying profitability has been consistently higher than its long-term average following the 2020 trough, thanks to improved performance across divisions, most notably in the capital markets and leasing and fleet-management units. The bank's 2023 results were, however, negatively affected by temporary pressure on its domestic net interest margin. Its French retail banking revenue was weak in 1Q24, but the net interest margin improved on a quarterly basis, and we believe that the recovery will accelerate later in 2024. We expect that SG will reach an operating profit/RWAs ratio of about 1.8% in 2024 and 2% in 2025.

SG's weak annualised 1Q24 operating profit/RWAs ratio (1.3%) resulted from continuing margin compression in French retail banking, but also from the negative carry of the bank's short-term hedges (EUR270 million, in line with the bank's guidance). The remaining impact of this trade will have resulted in an additional EUR150 million loss in 2Q24. One-off restructuring costs also negatively affected earnings, in line with expectations. However, SG's operating profit/RWAs ratio of 1.8% was in line with our 2024 forecast, when annualising one-off items front-loaded in 1Q24.

SG's guidance for 2024 is credible with revenue up by at least 5%, a cost/income ratio under 71%, and a return on tangible equity (ROTE) above 6%. Lower resolution fund costs will support the earnings improvement. This sets a path for the group to reach its updated medium-term financial targets (revenue growth of 3%–4% per year from 2023, a cost/income ratio below 60%, and ROTE close to 10%), which would bring SG closer to its European peers' averages.

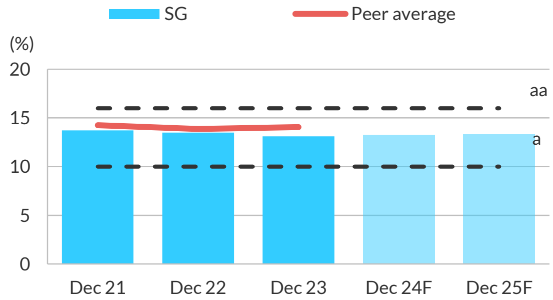
Capital and Leverage

Adequate Capitalisation, Focus on Capital Build-Up

SG's fully loaded CET1 ratio (end-March 2024: 13.2%; up 10bp qoq) is adequate, albeit below the median for large European banks (14%–14.5%). The updated capital trajectory is credit-positive, as the bank is targeting slightly higher capital buffers than previously, with a CET1 ratio of 13% in 2026. SG will adopt a strict RWA management, with no RWA growth outside BoursoBank and Ayvens, which are expanding rapidly. We believe this new capital discipline and the disposal of less strategic businesses will support the group's capital trajectory, while helping SG to absorb the cost of the implementation of the Basel III endgame rules (estimated at about 85bp by the bank). We estimate that SG will maintain a buffer of at least 250bp above its capital requirements throughout the next two years.

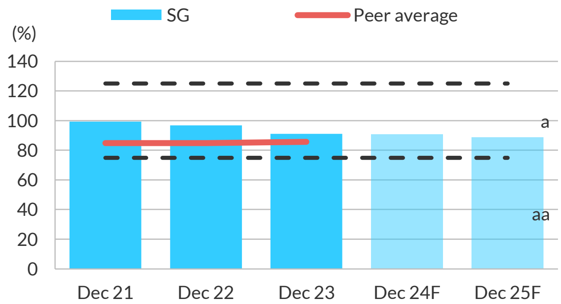
SG's leverage ratio was adequate at 4.2% at end-March 2024, although this remains at the low end of large European banks. The bank comfortably meets its total loss absorbing capacity (TLAC) and total MREL. Its MREL ratio of about 29%, excluding senior preferred debt, is above the 27.2% requirement for 2024. However, we believe that ratio might decline over the longer term in light of the upcoming introduction of full depositor preference in the EU.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Stable and Diversified Funding, Well-Established Market Access

Customer deposits account for about 45% of SG's total funding, which is lower than for most French and GTUB peers, but SG's deposit base has been resilient also during periods of stress. More than 60% of deposits come from SG's retail banking activities, while the rest mainly pertains to corporates, financial institutions and public-sector entities. SG's loans/deposits ratio further improved to 91% at end-2023 (down by more than 15pp over the past four years). It benefitted from sustained retail and corporate deposit inflows, and from the contraction of the loan portfolio in 2023.

SG's market access is well-established, and its wholesale funding is diversified by tenor, currency and instrument type. Funding through short-term debt and repos is material (about 25% of total funding) and primarily linked to the capital markets business, whose assets are short-term.

Like many large European peers, SG's liquidity metrics, including its regulatory liquidity coverage ratio (end-March 2024: 159%), are gradually reverting to lower structural levels, following the repayment of the ECB's targeted longer-term refinancing operations (with about EUR17 billion remaining at end-March 2024). SG's liquid asset buffer fully covers its short-term financing needs, including maturing long-term debt.

SG had executed about 85% of its annual wholesale funding plan (excluding structured debt) by April 2024. Its issuance of structured debt products has also been strong over the same period (EUR11 billion out of a EUR25 billion programme), demonstrating SG's good market access and ability to capitalise on favourable market conditions.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

The dashed lines represent boundaries for indicative ranges and implied scores for Fitch's core financial metrics for banks operating in environments scored in the 'aa' category. The light-blue columns represent Fitch's forecasts. The peer averages include BNP Paribas SA (VR: a+), Credit Agricole (a+), Groupe BPCE (a), Banco Santander, S.A. (a-), Barclays plc (a), UBS Group AG (a), Deutsche Bank AG (a-), Citigroup Inc. (a), Standard Chartered PLC (a). Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report.

Financials

Financial Statements

	31 Mar 24		31 Dec 23	31 Dec 22	31 Dec 21
	1st quarter (USDm) Unaudited	1st quarter (EURm) Unaudited	12 months (EURm) Audited – unqualified	12 months (EURm) Audited – unqualified	12 months (EURm) Audited – unqualified
Summary income statement					
Net interest and dividend income	n.a.	n.a.	10,310	11,385	10,831
Net fees and commissions	n.a.	n.a.	5,588	5,174	5,320
Other operating income	7,149	6,651	9,230	11,515	9,653
Total operating income	7,149	6,651	25,128	28,074	25,804
Operating costs	5,353	4,980	18,524	18,630	17,590
Pre-impairment operating profit	1,796	1,671	6,604	9,444	8,214
Loan and other impairment charges	430	400	1,025	1,647	700
Operating profit	1,366	1,271	5,579	7,797	7,514
Other non-operating items (net)	-86	-80	-451	-3,290	521
Tax	295	274	1,679	1,560	1,697
Net income	986	917	3,449	2,947	6,338
Other comprehensive income	n.a.	n.a.	-343	428	1,121
Fitch comprehensive income	986	917	3,106	3,375	7,459
Summary balance sheet					
Assets					
Gross loans	n.a.	n.a.	486,022	507,004	499,313
– Of which impaired	n.a.	n.a.	15,711	15,687	16,261
Loan loss allowances	n.a.	n.a.	10,070	10,634	10,980
Net loans	n.a.	n.a.	475,952	496,370	488,333
Interbank	89,195	82,980	53,257	49,233	45,788
Derivatives	9,112	8,477	93,687	106,522	113,725
Other securities and earning assets	698,753	650,063	566,935	498,797	503,200
Total earning assets	1,290,712	1,200,774	1,189,831	1,150,922	1,151,046
Cash and due from banks	234,035	217,727	223,048	207,013	179,969
Other assets	184,947	172,060	141,166	128,883	133,434
Total assets	1,709,694	1,590,561	1,554,045	1,486,818	1,464,449
Liabilities					
Customer deposits	570,715	530,947	533,842	523,867	502,395
Interbank and other short-term funding	133,125	123,849	402,985	309,112	337,699
Other long-term funding	196,078	182,415	142,716	156,701	113,899
Trading liabilities and derivatives	441,365	410,610	154,534	168,678	171,572
Total funding and derivatives	1,341,283	1,247,821	1,234,077	1,158,358	1,125,565
Other liabilities	284,802	264,957	243,721	255,678	268,021
Preference shares and hybrid capital	10,585	9,847	10,224	9,936	8,334
Total equity	73,024	67,936	66,023	62,846	62,529
Total liabilities and equity	1,709,694	1,590,561	1,554,045	1,486,818	1,464,449
Exchange rate		USD1 = EUR0.930319	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Note: SG publishes less detailed quarterly data at end-March. Consequently, some figures were not available at that date.
Source: Fitch Ratings, Fitch Solutions, SG

Key Ratios

	31 Mar 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.3	1.4	2.2	2.1
Net interest income/average earning assets	n.a.	0.9	1.0	0.9
Non-interest expense/gross revenue	n.a.	73.8	66.4	68.2
Net income/average equity	5.5	5.3	4.7	10.6
Asset quality				
Impaired loans ratio	n.a.	3.2	3.1	3.3
Growth in gross loans	n.a.	-4.1	1.5	10.5
Loan loss allowances/impaired loans	n.a.	64.1	67.8	67.5
Loan impairment charges/average gross loans	0.3	0.2	0.3	0.2
Capitalisation				
Common equity Tier 1 ratio	13.2	13.1	13.5	13.7
Fully loaded common equity Tier 1 ratio	13.2	13.1	13.3	13.6
Tangible common equity/tangible assets	4.0	3.6	3.7	3.7
Basel leverage ratio	4.2	4.3	4.4	4.9
Net impaired loans/common equity Tier 1	n.a.	11.0	10.4	10.6
Funding and liquidity				
Gross loans/customer deposits	n.a.	91.0	96.8	99.4
Liquidity coverage ratio	159.0	160.0	141.0	129.0
Customer deposits/total non-equity funding	42.6	46.8	49.4	49.5
Net stable funding ratio	117.0	119.0	114.0	110.0

Note: SG publishes less detailed quarterly data at end-March. Consequently, some figures were not available at that date.
Source: Fitch Ratings, Fitch Solutions, SG

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a or a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AA-/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

SG's Government Support Rating of 'no support' reflects Fitch's view that, although possible, sovereign support cannot be relied on. In our view, legislative, regulatory and policy initiatives (including the implementation of the EU's Bank Recovery and Resolution Directive) have substantially reduced the likelihood of sovereign support for EU commercial banks in general.

Subsidiaries and Affiliates

Subsidiary Ratings

Rating level	Compagnie Generale de Location d'Equipements S.A.	Franfinance S.A.	Komercni Banka a.s.	BRD-Groupe Societe Generale S.A.
Long-Term IDR	A-/Positive	A-/Positive	A/Stable	BBB+/Stable
Short-Term IDR	F1	F1	F1	F2
Shareholder Support Rating	a-	a-	a-	bbb+

Source: Fitch Ratings

The Shareholder Support Ratings and IDRs of SG's subsidiaries, Compagnie Generale de Location d'Equipements S.A. (CGLE) and Franfinance S.A., are based on support from SG.

CGLE's and Franfinance's IDRs are equalised with those of SG, and their Positive Outlooks mirror the Positive Outlook on SG. This is because we view both entities as having a key role within the group, as providers of car and boat financing (CGLE), and consumer finance and equipment leases (Franfinance) in France. The subsidiaries are well-integrated within the group, and SG provides almost all of their funding.

We rate CGLE's short-term senior preferred debt in line with CGLE's Short-Term IDR.

Komercni Banka a.s.'s (KB) Long-Term IDR of 'A' and VR of 'a' consider the bank's strong business and risk profile and sound financial profile. KB is rated one notch above SG, its parent, reflecting the potential for modest contagion risk from the parent in case of a marked deterioration in SG's credit profile.

BRD-Groupe Societe Generale S.A.'s (BRD) support-driven Long-Term IDR is constrained by Fitch's assessment of country risks, in particular transfer and convertibility risks, as reflected by Romania's Country Ceiling of 'BBB+'. BRD's Long-Term IDR is currently at the level of Romania's Country Ceiling, while the Stable Outlook reflects that on the Romanian sovereign rating (BBB-/Stable).

Environmental, Social and Governance Considerations

FitchRatings **Societe Generale S.A.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Societe Generale S.A. has 5 ESG potential rating drivers

- Societe Generale S.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
not a rating driver	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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