S&P Global Ratings

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Societe Generale

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Table Of Contents

Table Of Contents (cont.)

Societe Generale

Rating Score Snapshot

Global Scale Ratings
Issuer Credit Rating
A/Stable/A-1
Resolution Counterparty Rating
A+/--/A-1

SACP: bbb+ → **Support: +2** → **Additional factors: 0**

SACP: bbb+		
Anchor	bbb+	
Business position	Adequate	0
Capital and earnings	Adequate	0
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support: +2	
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0

Additional factors: 0
Issuer credit rating
A/Stable/A-1
Resolution counterparty rating
A+/A-1

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Globally systemic universal bank with well-diversified revenue by business lines and geographies.	Cost to income at the high end of its peer set, and subject to pressure from the inflationary environment.
Diversified funding profile with good access to wholesale debt markets.	Inherent complexity from some capital market activities.
Comfortable bail-inable debt cushion and a higher regulatory core capital ratio.	Pockets of risk in the loan book, including French and eastern Europe small and midsize enterprises (SMEs).

SG is actively addressing its cost structure in multiple segments at the same time, through its French retail networks merger, Ayvens' Leaseplan integration, GBIS optimization, and head office. The cost structure is also directly affected by disposals. The bank aims to achieve total recurring savings of €1.7 billion by 2026 (compared with 2022). However, the cost of the transformation will weigh on its efficiency for the next 24 months, with the bulk of related expenses occurring in 2024. SG's efficiency, profitability, and overall financial flexibility still weigh on the rating. Nevertheless, the current ratings factor in our expectation that SG will continue to make progress over the next two years and will narrow the performance gap with its peers. Strategic execution remains key to retaining investor confidence, in our view. It also supports the bank's 'bbb+' stand-alone credit profile (SACP).

Société Générale is on track to report higher core capitalization in the near term. The group's risk-adjusted capital (RAC) ratio stood at 10.1% at year-end 2023 and we forecast that it will be close to 10.25%-10.75% by end-2025. SG aims to improve capitalization so that its common equity Tier 1 (CET1) ratio will be 13% after the additional regulatory impact of Basel IV. Our forecast is also supported by our expectation that the group will increase its additional Tier 1 (AT1) layer over the same period.

SG benefits from its solid deposit franchises in France and the Czech Republic and is a well-known issuer in the capital markets. Like its peers, SG relies on market access, especially for its capital market activities. SG has already completed 85% of its 2024 funding requirements and comfortably meets its MREL and TLAC requirements.

We still expect SG to be able to maintain and manage asset quality. We forecast the NPL ratio to remain largely stable and within the 2.5%-3.0% for the next two years. We also project that the cost of risk will be 25–35 basis points (bps) over this period. In our view, this is a normalized loss level for SG.

Outlook

The stable outlook on SG and its core subsidiaries indicates that we expect the group to continue delivering on its strategic plan and making progress toward its 2026 financial targets. Over the next two years, we anticipate that both capitalization and efficiency will improve, but that performance will not catch up with that of higher rated peers. Our projections assume that credit costs will be manageable at 25 bps-35 bps and that SG will maintain a buffer of bail-inable securities that exceeds 6% of its S&P Global Ratings' RWA. This is consistent with maintaining a two-notch additional loss-absorbing capacity (ALAC) uplift above the 'bbb+' group SACP.

Downside scenario

We could lower the ratings if performance does not gradually improve over the next two years, contrary to our current expectations. This would make the bank vulnerable to an unexpected downturn. A downgrade would be the result of the group not sustainably improving its efficiency ratio, gradually trending toward its 2026 target, as a result of missing cost reduction targets; if revenue drops significantly; or if credit losses are materially higher than we currently project.

Although less likely, we could also lower the long-term rating if the bank cannot maintain a sufficient ALAC buffer.

Upside scenario

Although we see an upgrade as unlikely over our two-year ratings horizon, we could raise the rating at a later stage if SG addresses its efficiency and profitability issues and demonstrates its ability to grow and compete in its key segments. This would result in a more-sustainable business model, on par with banks that have an 'a-' SACP.

Key Metrics

Societe Generale--Key ratios and forecasts

	--Fiscal year-ended Dec. 31--				
(%)	2022a	2023a	2024f	2025f	2026f
Growth in operating revenue	8.8	-10.5	3.4-4.1	2.8-3.4	1.9-2.4
Growth in customer loans	1.5	-4.1	1.3-1.6	1.8-2.2	2.2-2.7
Net interest income/average earning assets (NIM)	1.3	1.2	1.2-1.3	1.2-1.4	1.3-1.4
Cost to income ratio	64.1	70.7	68.4-71.9	67.3-70.8	66.9-70.3
Return on average common equity	2.5	3.1	4.5-5.0	5.2-5.7	5.5-6.1
New loan loss provisions/average customer loans	0.3	0.2	0.3-0.3	0.3-0.3	0.3-0.3
Gross nonperforming assets/customer loans	3.1	3.3	3.1-3.4	3.0-3.3	2.9-3.3
Risk-adjusted capital ratio	9.8	10.1	9.9-10.4	10.1-10.6	10.3-10.8

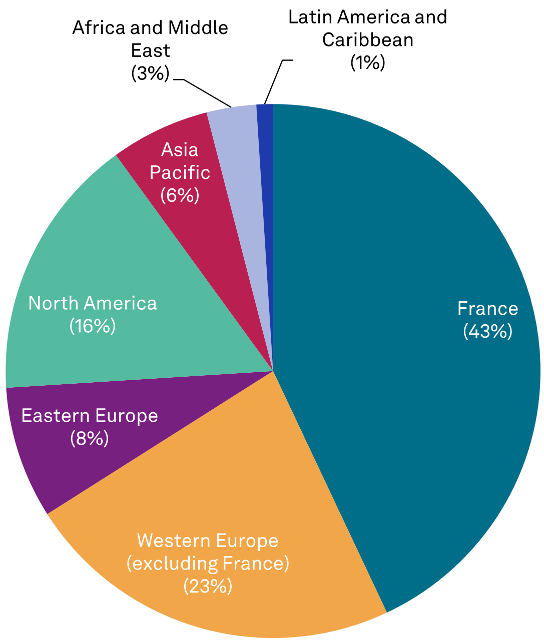
All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb+', Reflecting Geographically Diverse Assets And Industry Risk In The French Banking System

We use our Banking Industry Country Risk Assessment methodology and our economic risk and industry scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. We assess economic risk for SG based on our calculation of the bank's weighted-average credit exposures in the countries and regions in which it operates. We weigh each jurisdiction according to the geographic distribution of its credit exposures (see chart 1). The weighted-average economic risk score for these territories is just below '3.3' on a scale of '1' to '10' ('1' representing the lowest risk and '10' the highest).

Chart 1

Societe Generale's geographical breakdown of credit exposures (on and off balance sheet)



Data as of end-March 2024. Source: Company accounts.

Banks in France benefit from the country's open and diversified economy and higher credit growth than the eurozone average. Persistent inflation and higher interest rates have reduced growth prospects and increased downside risks. For France, we envisage GDP growth of 0.9% in 2024 and 1.4% in 2025, with unemployment still below the 2019 level and stabilizing at 7.6%-7.7% in 2024 and 2025. We project that inflation will continue decreasing after peaking in 2022, at 5.9%, and will drop to 2.7% in 2024, and close to 2.0% thereafter.

We expect French banks' loan growth will decelerate but remain positive at 2.5%-3.0% annually. Real estate market prices have started to decrease. Domestic asset quality is structurally supported by fixed-rate mortgage loans and will not suffer from higher interest rates. While some problem loans could emerge this year and next, asset quality deterioration will likely remain contained. We project domestic nonperforming assets will increase to 2.8% of domestic assets by year-end 2025.

Regarding industry risk, we expect French banks' interest income will benefit from higher interest rates, but only gradually, contrary to some other European banking markets that have already materially benefitted from higher interest income. This notably reflects the pace of repricing in French banks' loan portfolios. Cost efficiency is a weakness for French banks, compared with their European peers, notably due to a still-dense branch network. In a scenario of persistent high inflation, banks' management teams will find it harder to keep operational expenses under control. Banks also face the challenge of streamlining their operations by increasing their digitalization efforts. Finally, most French banks' banking models rely on wholesale resources to some extent, exposing the sector to market shocks.

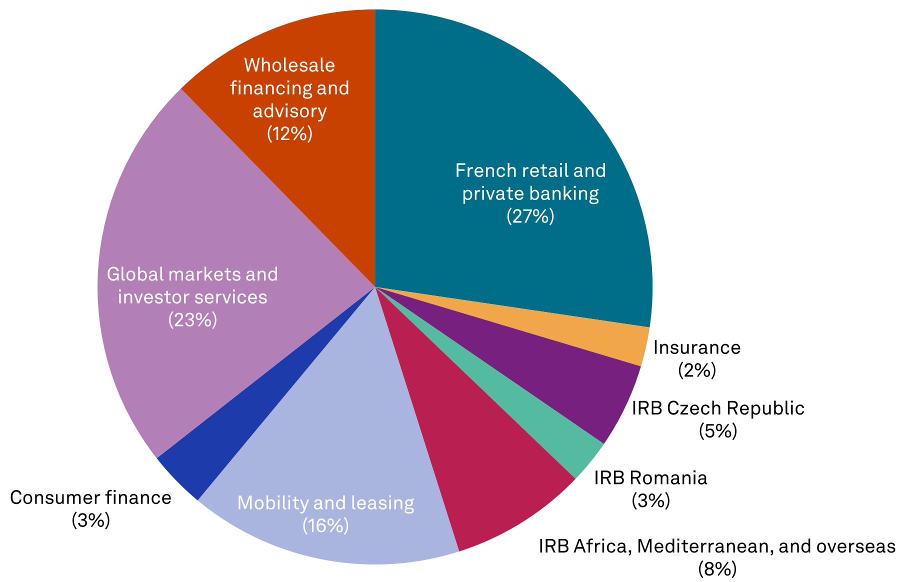
Business Position: Diversified Model But Still Incurring Volatility

Our business position assessment balances SG's strong customer franchises and geographic diversification with its lower efficiency and profitability versus domestic and international peers.

SG is a global, systematically important bank with a large asset base of €1,591 billion at end-March 2024 and ranks among the 10-largest European banks. The group follows a universal banking strategy. It is a leading commercial bank in France and is active in corporate and investment banking internationally. SG has leading positions in financial services to corporations, namely mobility solutions (vehicle leasing and fleet management), where it is a leading player with Ayvens. The group's international retail banking operation is geographically diverse, with a sizable presence in the Czech Republic, Romania, and is still in several countries in Africa despite exiting some markets. However, these strengths have not yet fully translated into resilient earnings, unlike what we typically see for higher rated peers. Insurance makes a more limited contribution to the group's franchise, which is a weakness in the French retail market where cross-selling is essential. That said, with two-thirds of its credit exposures in France or Western Europe, the group is predominantly exposed to low-risk economies. We estimate the share of riskier, but higher, growth in emerging economies to be about 10% of its credit exposures.

Chart 2

SG's net banking income distribution by division in 2023
Exclusive corporate center

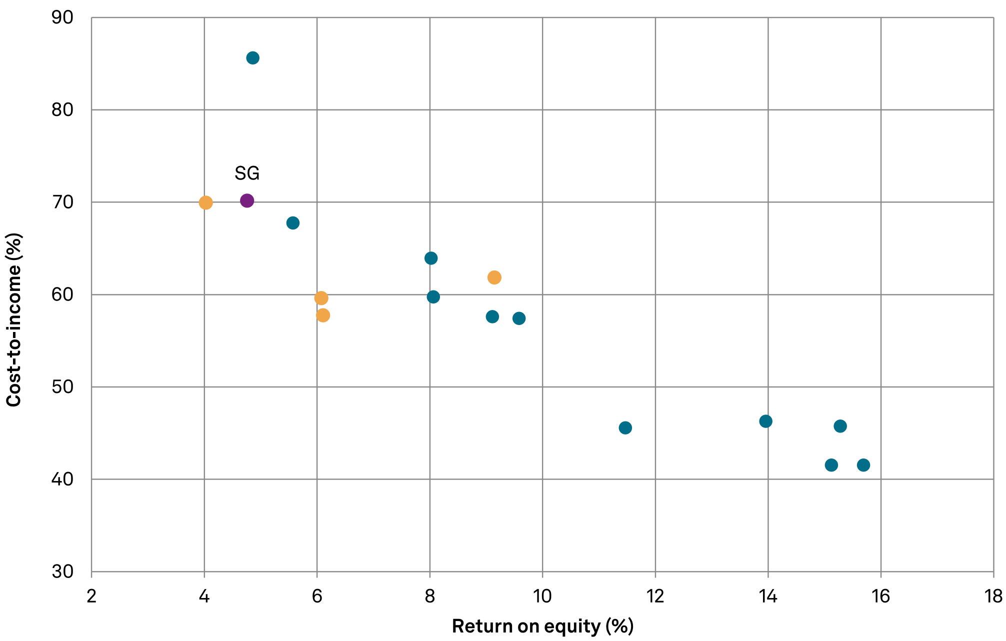


IRB--International retail banking. FS--Financial services. Excludes group center costs for restructuring of €749 million. Sources: SG, S&P Global Ratings.

Despite the gradual improvement in SG's efficiency and financial flexibility, these are forecast to remain in the bottom quartile of SG's peers. Both revenue and costs are undergoing a transition phase at SG. As a result, its efficiency ratio has remained under pressure at over 70% for the past 12 months. This compares unfavorably with most of the bank's European peers, which took advantage of higher interest rates to improve their cost-to-income ratios to 55%-60% in 2023, on average. We note that SG's strategic plan includes a target to reduce cost-to-income to 60% by end-2026.

Chart 3

SG's Efficiency And Profitability Is Expected To Remain Weaker Than Peers



Yellow dots represent French peers, and green dots represent international peers. Data are forecast for 2024. Source: S&P Global Ratings.

SG enjoys a strong French retail and commercial banking franchise and has domestic market shares of about 7%-10% in loans and deposits. However, this segment has seen persistent margin pressure from the repricing of the regulated savings rate in early 2023, with customers switching current account deposits to higher yielding term deposits; fierce competition from leading mutualists; and the costly ongoing transformation of its business model and branch network. SG's online and digital offering helps the group deal with changing technologies and customer behaviors, in particular with its own fully digital subsidiary BoursoBank. Still, the high cost of client acquisition and the group's strategic decision to increase its client intake in the near term will prevent BoursoBank from contributing more strongly to the group's profits at least until 2026.

SG is making good progress on the merger of its two physical retail networks, Crédit du Nord and Societe Generale. It has already rebranded all branches to SG, migrated all of Crédit du Nord's branches to SG's IT systems, and is progressing on branch mergers and back-office adaptations, which it expects will go on until 2025. Any net benefits from this merger will likely be seen only from 2025 onward given current restructuring costs. In addition, a strategic challenge for the bank's efficiency improvement in retail banking is to derive more synergies with its insurance, asset management, and private banking businesses. These are smaller than those of French peers but are essential for cross-selling.

Retail and commercial operations overseas present typically higher growth potential than French activities but are higher risk. SG holds a dominant position in the Czech Republic via Komercni Banka, one of the group's most profitable assets. SG also holds a top-tier position in Romania. Still, this setup has not yet provided the same strength as operating in multiple strong home markets, like European competitors such as BNP Paribas in Belgium/Italy, UniCredit in Austria/Germany, or ING in Belgium/Germany. SG has presence in many countries outside of Europe but is increasingly looking to exit non-viable markets in line with its strategy to streamline this segment. SG has exited a couple of markets in Africa since December 2023 (Congo and Chad) and will exit its subsidiary in Morocco by end-2024. SG is looking to leave a few more countries in Africa over the near term.

Mobility is another strategic pillar on which the group has been making steady progress. Ayvens was created in May 2023 from the merger of ALD and LeasePlan and is a world leader in multi-brand and multi-channel vehicle leasing (excluding captive and finance leasing companies). The LeasePlan integration is progressing well and the group is expected to generate synergies of €440 million by 2026, making this segment a strong contributor to the group's profitability. SG holds a majority 52.6% stake in Ayvens as of end-2023 and we factor into our ratings that it intends to keep at least a 51% stake in the long term.

Capital And Earnings: Capital Build-Up Is Improving, But Earnings Remain Subdued

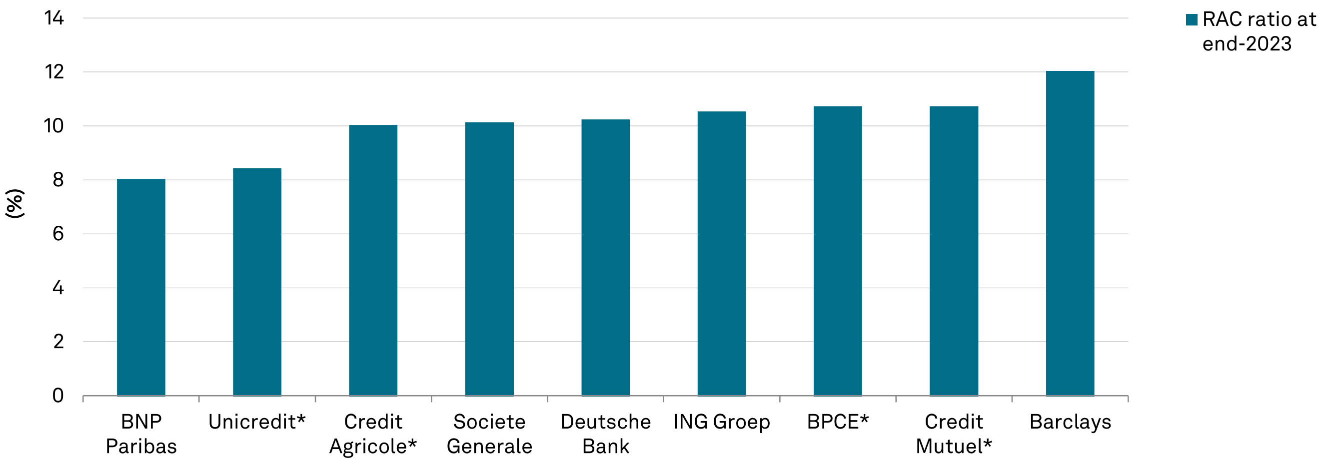
SG's RAC ratio was 10.1% at year-end 2023, a steady increase from 9.8% at end-2022 and 9.2% at end-2021. We attribute the improvement to more active balance-sheet management, through significant risk transfers; stronger capitalization in the insurance business (Sogecap); and regulatory effects that have naturally led to a capital build-up. We expect the RAC ratio to increase more gradually and remain 10.25%-10.75% over the next two years. However, we still assess capital and earnings as ratings neutral because the projected RAC ratio only moderately exceeds our 10% threshold and, in our view, SG's earnings and financial flexibility metrics do not currently support a stronger outcome.

In our projections, we assume for 2024 and 2025:

- Growing loan books in all geographies albeit at a modest pace of 1%-3%, broadly in line with SG's growth targets;
- Net interest margins to increase slightly, following the gradual repricing of French retail to the current high rates;
- Prudent revenues for market activities despite a good start in 2024, considering historic volatility in revenues from this segment;
- Cumulative around €1.0 billion of restructuring costs in line with SG's plan;
- A 40%-45% distribution policy on underlying net income;
- RWAs to increase modestly by 1%-2% given the disposals it has announced and the modest balance-sheet growth target in its 2026 strategic plan; and
- A modest increase in cumulative AT1 stock to support balance sheet growth.

Chart 4

Societe Generale's key capital ratios versus selected European peers'



*RAC estimate as of end-2023. RAC--Risk-adjusted capital. Sources: Banks, S&P Global Ratings.

The bank targets a common equity tier 1 (CET1) ratio in excess of 13% by 2026 under the revised Basel framework and reported a 13.2% fully loaded ratio as of end-March 2024. We expect SG's capital management will therefore continue its prudent approach to cope with higher regulatory risk-weighted assets. Moreover, we view SG's regulatory capital ratios as average compared with those of the largest European banks; the CET1 ratio was about 300 bps above the maximum distributable amount on the same date, which is similar to peers. We consider the quality of the group's capital satisfactory; additional tier 1 (AT1) instruments represent about 13% of total adjusted capital (TAC).

We expect SG's revenues will trend upward in 2024 and 2025, mainly supported by an improvement in net interest income. This had suffered under SG's previous interest rate hedging framework. However, our forecast incorporates flattish noninterest income, even though SG's global banking and investor solution (GBIS) segment had a good start to 2024. We take a prudent approach to future market revenue in our forecasts because we see it as more volatile. In addition, we anticipate that the secondhand car market will normalize further in the next 24 months, which will affect Ayvens. An elevated cost base from the ongoing transformation and integration of LeasePlan will leave the cost-to-income in the 65%-70% range.

Risk Position: Well-Managed Portfolios With Some Pockets Of Risk

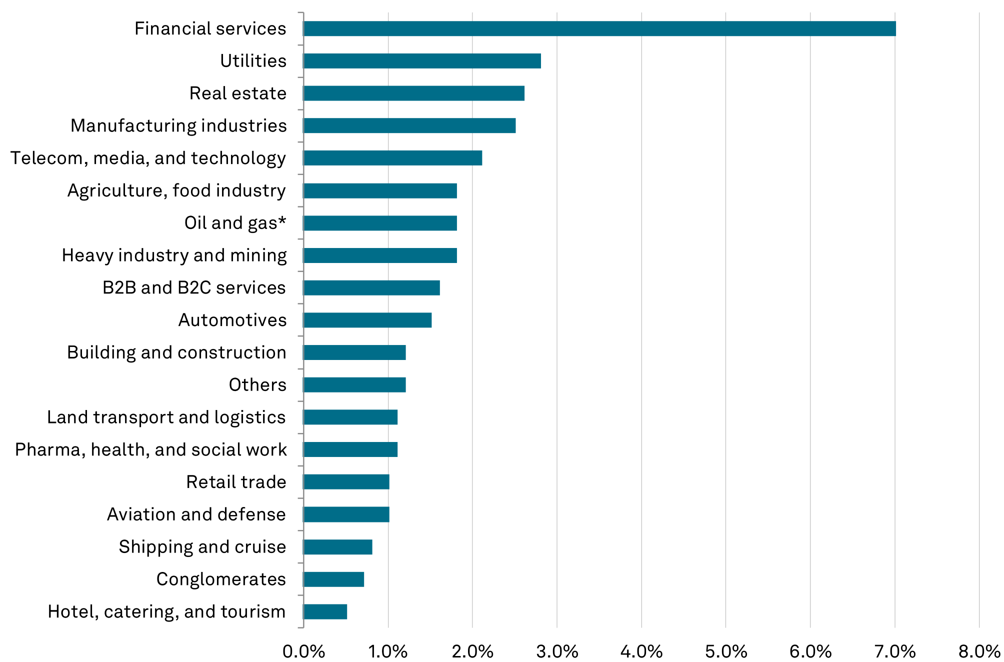
Our analysis reflects the relatively high weighting of capital market activities in SG's business model, the inherent complexity of some of its activities, and some exposure to cyclical sectors in its corporate portfolio. However, we believe that SG's risk management capabilities are sound.

Credit risk mainly stems from exposures to large corporates and to SMEs in France and emerging markets. The leveraged buyout portfolio is relatively small overall, at about €5 billion, and is closely monitored. The quality of the

French residential real-estate loans is strong. As for the industry, mortgage rates are expected to have peaked in first-quarter 2024 and volumes are expected to gradually increase following a decline in rates. We also consider the underwriting practices sound, with strict control of debt-to-income and debt-service ratios. About 80% of these loans benefit from a guarantee from Credit Logement. We expect that arrears in French retail will remain very low. The consumer finance book is of modest size compared with that of French and some international peers. Exposures to Czech Republic, Romania, and Africa present pockets of risk, although they are collectively small in a group context.

Chart 5

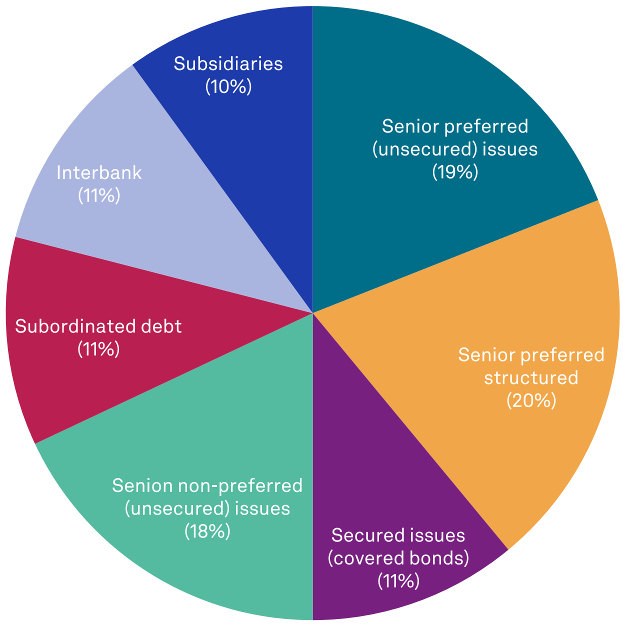
SG's share of selected corporate sectors as % of total portfolio, at end-March 2024



*Including trading activities. The percentages represent the corporate exposure at default (EAD) in % of total group's EADs. Sources: SG, S&P Global Ratings.

Chart 6

Societe Generale's breakdown of long-term wholesale funding at end-March 2024



Data as of end-March 2024. Source: Company accounts

SG has commercial real estate (CRE) exposures of €27 billion, which is around 2% of group's EAD as of end-March 2024. More than three-quarters of this exposure is in Europe and is well managed with an average LTV of 50% and a low stage 3 ratio of 1.7% as of the same period. The somewhat stressed segment of this portfolio--exposure to U.S. office space--stood at €1.2 billion or just 2% of the group's TAC. Given its modest exposure to U.S. office CRE, we believe SG is well positioned to cushion any stress in this subsegment within its current earnings capacity.

SG's nonperforming loan ratio remained broadly stable at 3.2% as of end-March 2024 (2.9% excluding announced disposals). We expect the NPL ratio to be about 2.5%-3.0% for the next two years. Despite higher provisioning in the first quarter of 2024, based on a few specific distressed corporates in France, we also project that the cost of risk will be 25–35 bps over this period, in line with SG's normalized loss level.

We estimate that SG's level III assets within the banking book will remain at around 20%-25% of TAC, which demonstrates its exposure to higher market illiquidity. This is high in a global context. Even though SG has made efforts to manage market risks in recent years, it remains a complex group that engages in derivatives and other traded products, which induces substantial market and counterparty risks. Reported average trading value-at-risk slightly increased to €24 million in the first quarter of 2024, up from €17 million in the fourth quarter of 2023, and is at higher end of quarterly averages since 2022, reflecting substantial market volatility. The risk controls and framework have improved because the group has learned from past crises and litigation but the size of its capital market activities creates inherent volatility, in our view.

We think that the group's diversified and international business profile exposes it to a wide range of nonfinancial risk, notably reputational, compliance (including know-your-customer procedures), and operational. We have not observed any material conduct or misselling cases among the retail clientele in France, a country with consumer-friendly legislation, especially regarding consumer loans, nor have we seen this in the Czech Republic.

Funding And Liquidity: Sound, But Structural Wholesale Funding Needs Remain

We regard SG's funding as average and its liquidity as adequate. The group relies on wholesale funding markets and is an active borrower in the confidence-sensitive wholesale markets.

In our view, SG's funding structure has several strengths, notably stemming from its loyal and granular retail deposit base in France and the Czech Republic. Our measure of the group's net-customer-loans-to-deposits ratio has been improving steadily and stood at 94% as of end-2023 (99% in 2022), supported by a steady inflow of customer deposits while the loan book decreased due to disposals and subdued production in French retail. Funding diversity has been regularly enhanced and is complemented by the issuance of secured bonds and securitization deals. The sale of structured products and private placements also represents a major competitive advantage.

As is typical for a universal bank engaging in capital markets activities, SG is a large user of wholesale funding. Short-term wholesale funding typically represents 30%-35% of total funding, which might appear high, but is essentially used to fund short-term assets, in particular non-loan assets (for example securities and reverse repos) from the investment banking platform.

We believe that the group has adequate liquidity management and contingency plans. Its liquid assets buffer stood at €316 billion as of end-March 2024 (including central bank deposits, eligible assets, and high-quality liquid asset securities) and it reported average Basel III liquidity coverage of 167% for first-quarter 2024. Our measure of the group's broad liquid assets to short-term wholesale funding was 1.4x as of end-2023. Similarly, our stable funding ratio stood at around 109% as of the same date, which indicates limited maturity mismatch risks.

SG's metrics are broadly in line with those of peers. We note that, generally, French banks display weaker metrics than many European peers. Moreover, a large amount of regulated saving plans (mostly Livret A) collected by French banks are centralized, in part at the public body Caisse Centrale des Dépôts et Consignations. Consequently, we adjust our funding and liquidity metrics to reflect that these deposits are not available for asset financing.

Support: A Sizable Buffer Of Bail-Inable Instruments

We incorporate into our long-term issuer credit rating two notches of ALAC uplift because we estimate that SG's buffer of ALAC eligible instruments is, and will remain, comfortably above our 600 bps threshold for retaining two notches of ratings uplift. At end-2023, we estimated the ALAC ratio was 8.2% of S&P Global Ratings RWAs. We expect that SG only needs to refinance its maturing instruments to comply with its minimum requirement for own funds and eligible liabilities (MREL) and total loss absorbency requirement (TLAC). SG's 32.5% TLAC ratio (including 3.5% of senior preferred debt) at end-March 2024 is well above the minimum regulatory requirement set at 22.3% for 2024. Similarly, on the same date, SG's MREL ratio of 34.2% (including 5.3% of senior preferred debt) comfortably met its 27.2% requirement set for 2024.

Environmental, Social, And Governance

We view ESG credit factors for SG as broadly in line with those for the industry and its domestic peers. The group is exposed to a range of nonfinancial risks, notably reputational, compliance, and operational. Most of these risks lie in the markets and asset-gathering operations. SG, like many large European and U.S. banks, in the past decade has not been immune to large-scale litigations. These mainly stemmed from shortcomings in control/monitoring, but also from a historically high risk appetite in certain investment banking activities. We note the decisive steps taken in 2018 leading to the settlement of the most recent large litigation cases, eliminating this material risk. We also note SG's exposure to markets where governance practices could be weaker than in France. This can expose the bank more to know-your-customer or compliance risks. So far, SG has managed these risks well.

Furthermore, one of SG's main social challenges is the management of its large branch network, which is likely to continue to reduce over time. We will monitor how the group manages adapting its workforce to a more digitally advanced model, while remaining customer-centric. We have not observed any material conduct cases or misselling with retail clientele in France, but we are closely monitoring how the group maintains high underwriting standards, including consumer loans, to avoid any emerging social risks.

Like any global bank with a large corporate book, SG lends to and invests in carbon-intensive industries and, as such, has to manage energy transition risks emanating from climate change in its portfolio. Even though SG has well-advanced policies to reduce or restrict its financing to sectors with elevated greenhouse gas emissions, the magnitude of changes needed over time to rebalance the portfolios and adjust lending criteria (and pricing), both in the retail and corporate sectors, are significant. Another activity sensitive to evolving environmental norms and customer preferences is SG's leading position in car leasing and fleet management, through its majority owned subsidiary Ayvens, although it is leading European peers in this space by increasing EVs in its fleet.

Group Structure, Rated Subsidiaries, And Hybrids

We equalize our long-term issuer credit rating on Komercni Banka A.S., the group's Czech operations, with that on parent SG, given the bank's core status within the Société Générale group. Komercni Banka is a key subsidiary given its strong profitability. We view Komercni Banka as integral and strategic to SG's objectives and consider that SG would be willing to provide support to the bank under all foreseeable circumstances and in a timely manner.

We regard the insurance subsidiary Sogécap S.A. as a core entity. Therefore, we equalize the long-term issuer credit rating and insurer financial strength ratings on Sogécap with our 'bbb+' assessment of the group SACP on SG. A resolution of Sogécap would be separate from SG, meaning that any outstanding bail-inable instruments at the group level would not be available for insurance operations.

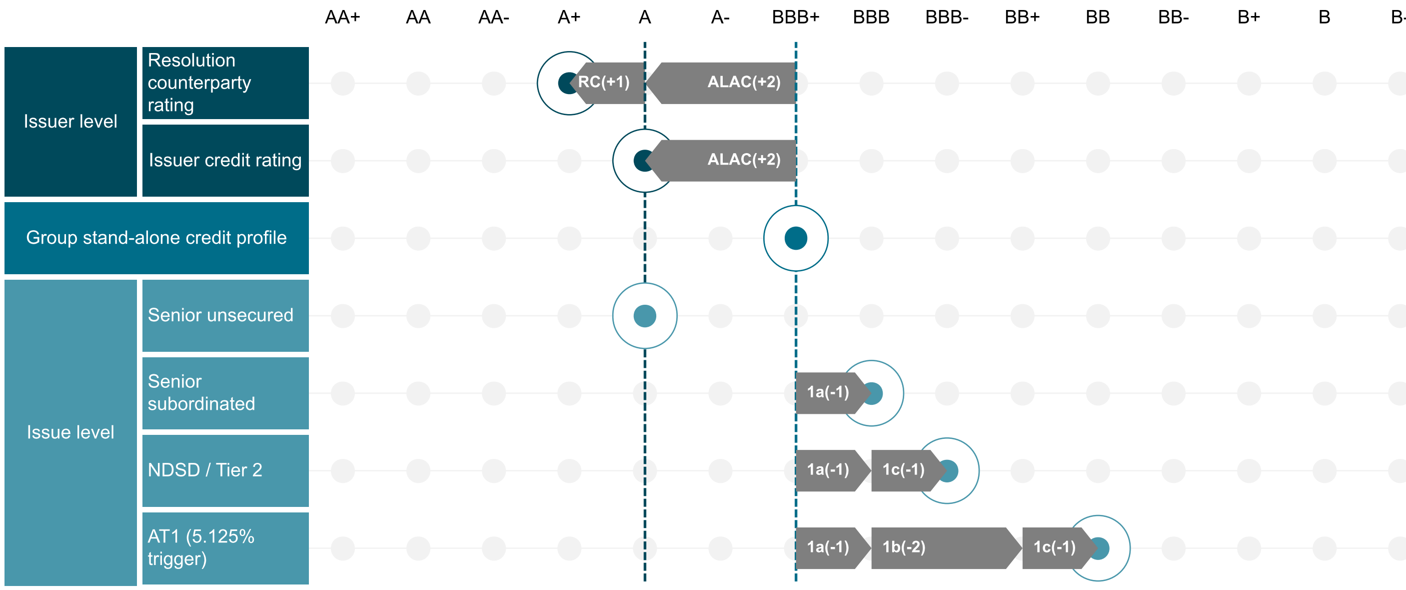
We regard Ayvens, a global leader in car leasing and fleet management company, as a strategically important subsidiary, given its absolute contribution to the group's results, but also to diversification by geography and alternative sources of revenue. On completion of the Leaseplan integration the group is expected to generated material synergies of €440 million by 2026, which would support an improvement in the group's overall efficiency.

Rating of Hybrid Instruments

We rate the bank's senior nonpreferred (SNP) and subordinated debts by notching down from SG's 'bbb+' group SACP. Specifically:

- Our 'BBB' rating on the bank's SNP notes is one notch lower than our assessment of the group SACP because we view such notes as subordinated (although not labelled as such) to the more senior obligations, and as not carrying additional default risk relative to that represented by the group SACP. We believe that the SNP notes would be subject to a possible conversion or write-down only in resolution.
- Our 'BBB-' ratings on SG's non-deferrable Tier 2 instruments are two notches below the group SACP. This reflects the deduction of one notch for subordination and one notch because we believe these instruments would absorb losses through principal in application of a mandatory contingent capital clause (be it contractual or statutory).
- Our 'BB' ratings on the bank's AT1 instruments reflects the deduction of two more notches to reflect the instruments' standard risk of coupon nonpayment and considering their regulatory tiering. This issue rating factors in our expectation that the group will maintain enough buffer against the trigger for potential regulatory restrictions on paying coupon on AT1 instruments (maximum distributable amount).

Société Générale: Notching



Key to notching

---- Issuer credit rating
----- Group stand-alone credit profile

RC	Resolution counterparty liabilities (senior secured debt)
ALAC	Additional loss-absorbing capacity buffer
1a	Contractual subordination
1b	Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
1c	Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt.

Resolution Counterparty Ratings (RCRs)

We have 'A+/A-1' RCRs on SG, Komercni Banka, and Société Générale Bank and Trust, and 'A/A-1' RCRs on U.S. based SG Americas Securities LLC.

Key Statistics

Table 1

Societe Generale--Key figures

	--Year-ended Dec. 31--				
(Mil. €)	**2023**	**2022**	**2021**	**2020**	**2019**
Adjusted assets	1,345,536	1,298,540	1,260,277	1,272,370	1,169,875
Customer loans (gross)	486,106	507,004	499,313	451,923	441,430
Adjusted common equity	51,414	49,987	47,252	42,988	44,187

Table 1

Societe Generale--Key figures (cont.)

	--Year-ended Dec. 31--				
(Mil. €)	**2023**	**2022**	**2021**	**2020**	**2019**
Operating revenues	25,128	28,074	25,804	22,116	24,542
Noninterest expenses	17,759	17,991	17,211	16,504	17,411
Core earnings	3,644	4,935	5,627	481	3,685

Table 2

Societe Generale--Business position

	--Year-ended Dec. 31--				
(%)	**2023**	**2022**	**2021**	**2020**	**2019**
Total revenues from business line (currency in millions)	25,128.0	28,074.0	26,439.0	22,116.0	24,542.0
Commercial banking/total revenues from business line	13.3	22.6	19.2	19.4	18.0
Retail banking/total revenues from business line	63.4	50.1	48.5	55.2	54.3
Commercial & retail banking/total revenues from business line	76.7	72.7	67.7	74.6	72.4
Trading and sales income/total revenues from business line	25.1	23.9	21.3	18.8	21.2
Insurance activities/total revenues from business line	2.5	3.6	3.6	4.0	3.7
Asset management/total revenues from business line	N/A	N/A	3.6	4.1	3.9
Other revenues/total revenues from business line	(4.2)	(0.2)	3.7	(1.5)	(1.1)
Investment banking/total revenues from business line	25.1	23.9	21.3	18.8	21.2
Return on average common equity	3.1	2.5	9.1	(1.6)	4.7

N/A--Not applicable.

Table 3

Societe Generale--Capital and earnings

	--Year-ended Dec. 31--				
(%)	**2023**	**2022**	**2021**	**2020**	**2019**
Tier 1 capital ratio	15.6	16.3	15.9	16.0	15.1
S&P Global Ratings' RAC ratio before diversification	N/A	9.8	9.2	9.1	9.1
S&P Global Ratings' RAC ratio after diversification	N/A	11.7	11.1	10.9	11.0
Adjusted common equity/total adjusted capital	86.6	86.6	86.2	84.2	85.0
Net interest income/operating revenues	41.0	40.2	41.5	47.4	45.6
Fee income/operating revenues	22.2	18.4	20.6	22.2	21.4
Market-sensitive income/operating revenues	41.0	23.8	22.2	12.9	18.0
Cost to income ratio	70.7	64.1	66.7	74.6	70.9
Preprovision operating income/average assets	0.5	0.7	0.6	0.4	0.5
Core earnings/average managed assets	0.2	0.3	0.4	0.0	0.3

N/A--Not applicable.

Table 4

Societe Generale RACF [Risk-Adjusted Capital Framework] Data

(Mil. €)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	369,919	9,386	3	6,930	2
Of which regional governments and local authorities	20,460	1,455	7	1,019	5
Institutions and CCPs	172,443	20,006	12	39,565	23
Corporate	361,450	166,333	46	272,452	75
Retail	131,515	53,302	41	79,303	60
Of which mortgage	42,014	10,849	26	13,714	33
Securitization§	55,908	7,450	13	12,031	22
Other assets†	52,645	39,329	75	61,259	116
Total credit risk	1,143,879	295,805	26	471,540	41
Credit valuation adjustment					
Total credit valuation adjustment	'--	3,013	'--	8,171	'--
Market Risk					
Equity in the banking book	2,512	3,625	144	21,369	851
Trading book market risk	'--	12,513	'--	19,723	'--
Total market risk	'--	16,138	'--	41,092	'--
Operational risk					
Total operational risk	'--	50,125	'--	64,888	'--
(Mil. €)	**Exposure**	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global RWA**	**% of S&P Global RWA**
Diversification adjustments					
RWA before diversification	'--	365,080	'--	585,691	100
Total Diversification/ Concentration Adjustments	'--	'--	'--	-95,531	-16
RWA after diversification	'--	365,080	'--	490,160	84
(Mil. €)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global RAC ratio (%)**
Capital ratio		Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA
Capital ratio before adjustments		60,510	16.6	59,394	10.1
Capital ratio after adjustments‡		60,510	15.6	59,394	12.1

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of 'Dec. 31 2023', S&P Global Ratings.

Table 5

Societe Generale--Risk position

	--Year-ended Dec. 31--				
(%)	**2023**	**2022**	**2021**	**2020**	**2019**
Growth in customer loans	(4.1)	1.5	10.5	2.4	2.0
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(16.0)	(17.2)	(16.3)	(17.2)
Total managed assets/adjusted common equity (x)	30.2	29.7	31.0	34.0	30.7
New loan loss provisions/average customer loans	0.2	0.3	0.1	0.7	0.3
Net charge-offs/average customer loans	0.0	0.0	0.0	0.0	0.0
Gross nonperforming assets/customer loans + other real estate owned	3.3	3.1	3.3	3.8	3.9
Loan loss reserves/gross nonperforming assets	62.5	66.9	66.6	68.6	61.7

N/A--Not applicable.

Table 6

Societe Generale Funding And Liquidity

	--Year-ended Dec. 31--				
(%)	**2023**	**2022**	**2021**	**2020**	**2019**
Core deposits/funding base	45.7	48.6	48.8	44.9	44.6
Customer loans (net)/customer deposits	94.0	99.1	101.0	101.3	108.9
Long-term funding ratio	67.7	70.3	69.7	70.2	68.4
Stable funding ratio	109.4	105.0	99.9	110.4	97.7
Short-term wholesale funding/funding base	34.2	31.6	32.3	31.6	33.7
Regulatory net stable funding ratio	119.0	113.6	110.4	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	1.4	1.5	1.3	1.5	1.2
Broad liquid assets/total assets	35.1	32.3	29.3	31.7	27.2
Broad liquid assets/customer deposits	107.7	95.8	88.6	106.6	93.3
Net broad liquid assets/short-term customer deposits	34.1	32.3	23.6	38.0	19.0
Regulatory liquidity coverage ratio (LCR) (%)	1.6	1.4	1.3	N/A	N/A
Short-term wholesale funding/total wholesale funding	62.2	60.5	62.1	56.5	59.9
Narrow liquid assets/3-month wholesale funding (x)	2.0	2.1	1.5	2.0	1.5

N/A--Not applicable.

Société Générale--Rating component scores	
Issuer credit rating	A/Stable/A-1
SACP	bbb+
Anchor	bbb+
Economic risk	3
Industry risk	4
Business position	Adequate
Capital and earnings	Adequate
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0

Société Générale--Rating component scores

Support	+2
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- French Banks Face Increased Volatility Amid Policy Uncertainty, July 10, 2024
- Banking Industry Country Risk Assessment: France, July 10, 2024
- Societe Generale's Delivery On Updated Earnings Ambitions Will Be An Important Ratings Factor, Sept. 20, 2023

Ratings Detail (As Of August 8, 2024)*	
Societe Generale	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	
Foreign Currency	A/A-1
Local Currency	A-1
Junior Subordinated	BB
Junior Subordinated	BB+
Senior Subordinated	BBB
Senior Unsecured	A

Ratings Detail (As Of August 8, 2024)*(cont.)	
Senior Unsecured	A-1
Subordinated	BBB-
Issuer Credit Ratings History	
24-Jun-2021	A/Stable/A-1
15-May-2020	A/Negative/A-1
03-Apr-2020	A/Stable/A-1
Sovereign Rating	
France	AA-/Stable/A-1+
Related Entities	
Ayvens	
Issuer Credit Rating	A-/Stable/A-2
Senior Unsecured	A-
Short-Term Debt	A-2
Komercni Banka A.S.	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
LeasePlan Corp. N.V.	
Issuer Credit Rating	A-/Stable/A-2
Junior Subordinated	BB-
Senior Unsecured	A-
SG Americas Securities LLC	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A/--/A-1
Societe Generale Luxembourg S.A.	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Societe Generale (New York Branch)	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Societe Generale SCF	
Senior Secured	AAA/Stable
Short-Term Secured Debt	A-1+
Societe Generale (Sydney Branch)	
Senior Unsecured	A
Societe Generale, Taipei Branch	
Issuer Credit Rating	
Taiwan National Scale	twAA+/Stable/twA-1+
Sogecap S.A.	
Financial Strength Rating	
Local Currency	A-/Stable/--
Issuer Credit Rating	
Local Currency	A-/Stable/--
Subordinated	BBB

Ratings Detail (As Of August 8, 2024)*(cont.)

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.