Société Générale (SG)

Full Rating Report

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Viability Rating	a–
Support Rating	1
Support Rating Floor	A
Sovereign Risk	
Foreign-Currency Long-Term IDR	AA+
Local-Currency Long-Term IDR	AA+

Outlook

Foreign-Currency Long-Term IDR	Negative

Watches

Sovereign Foreign-Currency Long-Term IDR	Negative
Sovereign Local-Currency Long-Term IDR	Negative

Financial Data

Société Générale (SG)

	30 Jun	31 Dec
Total assets (USDm)	1,806,360	1,703,575
Total assets (EURm)	1,322,617	1,235,262
Total equity (EURm)	46,818	47,026
Operating profit (EURm)	2,757	5,076
Published net income (EURm)	1,504	2,525
Operating ROAA (%)	0.44	0.41
Operating ROAE (%)	11.25	10.16
Internal capital generation (%)	2.07	3.14
Fitch core capital/	9.84	10.38
Fully applied Basel III CET1 ratio (%)	10.2	10.0

Related Research

Société Générale (SG) – Ratings Navigator (April 2014)

Global Trading and Universal Banks: Periodic Review (September 2014)

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Key Rating Drivers

IDRs Reflect Sovereign Support: Société Générale's (SG) Long-Term IDR is at its Support Rating Floor (SRF) and is therefore based on sovereign support. The Negative Outlook reflects Fitch Ratings' view that there is a clear intention to reduce implicit state support for banks in the EU. We expect to revise SG's SRF to 'No Floor' and to downgrade its IDR to the level of its Viability Rating (VR), most likely by end-June 2015.

Solid Franchises: SG's VR reflects its solid and well-performing franchises in selected businesses, including French retail banking, commercial banking, euro-denominated bond activity and equity derivatives. However, we do not believe that SG's franchises as a whole have the breadth or global reach of those of many of its higher-rated global trading and universal bank (GTUB) peers in their chosen areas.

Exposure to Volatile Markets: The VR also factors in SG's significant exposure to risk in CEE/Russia, where we believe it will take time to generate adequate profitability. In addition, we consider earnings from the global markets business to be inherently more volatile than those from commercial banking, although the former is less important to SG's business model than at many of its GTUB peers (28% of pre-tax profit excluding the corporate centre in 1H14).

Profitability Improving: SG's underlying profitability has improved since 2012 due to cost cutting and de-risking measures. Net profitability could be hit by litigation costs as SG, like its peers, remains exposed to operational and conduct risk.

Sound Capital and Liquidity: A key positive driver for the VR is management's focus on strengthening its balance sheet in terms of liquidity and capital, which have improved materially during the past two years and now look solid. SG's fully applied Basel III common equity Tier 1 (CET1) ratio was 10.2% at end-1H14, its loans/customer deposits ratio was 113%, and its liquidity coverage ratio was above 100%.

High Impaired Loans Ratio: SG's high gross impaired loans ratio (7.6% at end-1H14) is a negative rating driver, although the 62% coverage by loan impairment allowances appears adequate. Except for Russia, where economic and political uncertainties could weigh on asset quality, we do not expect any material deterioration in most of SG's markets. Loan impairment charges (LICs) remain fairly high, but fell in 1H14.

Rating Sensitivities

BRRD and SRM Implementation: SG's support-driven IDRs are sensitive to progress in the implementation of the Banking Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (SRM). Once these are operational, we believe the likelihood of SG's senior creditors receiving full support from the state if required will diminish substantially.

Business Diversification: Continued improvement in the balance of risk in SG's business model and earnings diversification could lead to a VR upgrade. In particular, we would look for further improvement in SG's international retail banking business, which might be manifested in the franchise becoming a stronger and less volatile pillar of the bank's profitability.

Negative pressure on the VR could come from significant erosion in asset quality or if the bank fails to maintain sound capital ratios in line with similarly rated peers. A VR downgrade could also arise if the bank adds to the fragmentation of its business mix and indicates a lack of strategic focus, which we do not expect.

Support

IDRs Based on Sovereign Support

SG's IDRs, SR and SRF reflect our view that support from the French authorities would be extremely likely at present, if needed, given the group's systemic importance. This reflects SG's size, material deposit market shares and its franchise as a core provider of credit and other key financial services to the French economy.

France's strong financial flexibility as a large eurozone country is indicated by its 'AA+' Long-Term IDR, despite the Rating Watch Negative, given that a downgrade is likely to be limited to one notch. Financial flexibility is a positive factor regarding potential support to French banks. Fitch believes the French authorities' willingness to support domestic banks remains high in the short-term. Nevertheless, as a member of the EU, France is part of the changing regulatory and legal framework at EU level (Bank Recovery and Resolution Directive). We view the progress towards bank resolution as an increasingly negative factor for Support Ratings (SRs) and Support Rating Floors (SRFs) in France.

The Negative Outlook on SG's Long-Term IDR reflects Fitch's view that there is a clear intention to ultimately reduce implicit state support for financial institutions in the EU, as demonstrated by a series of legislative, regulatory and policy initiatives. The BRRD will be implemented at national level on 1 January 2015, and the SRM for eurozone banks will come into place on 1 January 2016. These two developments will, in our view, dilute the influence France has in deciding how French banks are resolved and increase the likelihood of senior debt losses in its banks. Therefore, Fitch expects to downgrade SG's Support Rating to '5' and revise down its SRF to 'No Floor', most likely by the end of 1H15.

A revision of the SRF to 'No Floor' would mean that SG's Long-Term IDR would likely be revised to the level of its VR, which, as it currently stands, would mean a one-notch downgrade to 'A−'.

Company Profile

Company Profile has High Influence on VR

SG is the 11th-largest bank in the eurozone and the fourth-largest French bank by equity. Its operations are concentrated in Europe, but the group has activities outside Europe, where it concentrates on businesses and regions where it sees good earnings prospects. SG's activities are organised around three businesses (see Figure 5): French retail banking, global banking and investor solutions (GBIS), and international retail banking and financial services (IRBFS).

French Retail Banking: 31% of Operating Profit in 1H14 (Excluding Corporate Centre)

SG's domestic retail banking market shares range from 7% to 11% depending on business segment. This is materially lower than at most of the cooperative banking groups that dominate the domestic market with shares of over 20%. Nonetheless, SG's franchise is well positioned and generates high revenue per customer as it concentrates on France's wealthier urban areas. SG provides retail banking services to about 11 million individual customers and more than 624,000 businesses and professionals through its own network (nationwide franchise with 2,246 branches) and those of its fully owned subsidiary Crédit du Nord (A/Negative/bbb+), which has 915 branches, and its 79.5%-owned online banking subsidiary, Boursorama.

GBIS: 42% of Operating Profit in 1H14 (Excluding Corporate Centre)

The division is composed of four business lines: global markets, financing and advisory, securities services and brokerage, and asset and wealth management (see Figure 1).

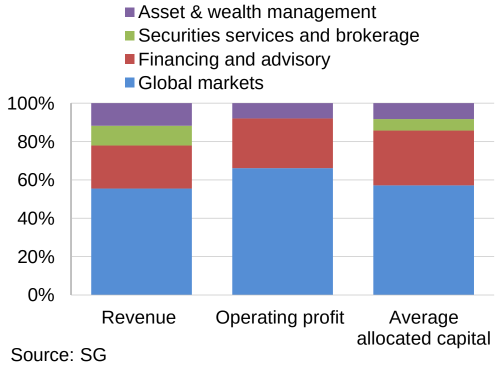
The global markets division (around a quarter of SG's 1H14 operating profit, excluding the corporate centre) consists of equity, fixed-income, credit, foreign exchange (FX) and commodities sales and trading. The division generates about two-thirds of GBIS's operating pre-tax profit. SG concentrates on areas in which it has competitive strengths, and does not

Related Criteria

Global Financial Institutions Rating Criteria (January 2014) plan to expand in areaswhere it has small franchises (eg, in the US and Asia, except for some fixed-income platforms required to serve its clients).

SG continues to have the leading global market share in equity derivatives, which have not seen the sharp increases in additional regulatory capital and liquidity requirements that have been introduced for fixed-income and cash equity products. Equity derivatives, including warrants and certificates, represented over half of the global markets division's revenue in 1H14. More broadly, including cash equities, SG ranked second for equity and related issues in France and 10th in EMEA in 2013 (Source: Thomson Reuters). The bank also has a solid top-three franchise in euro-denominated corporate bonds (second in 1H14 according to IFR), which is important for the bank as it provides synergies with corporate clients.

Figure 1
GBIS: Revenue & Operating Profit Split
1H14



Source: SG

The financing and advisory division consists of structured financing and lending to large corporates, advisory/solutions in mergers and acquisitions, debt and capital restructuring, asset-liability management, fund raising and hedging. SG ranked number-one global mandated lead arranger for syndicated trade finance loans according to Dealogic and number-three EMEA global loans bookrunner according to IFR in 2013.

SG has a strong franchise in securities services and is the eighth-largest custodian globally with EUR3,756bn assets under custody at end-June 2014. In Europe, SG has a leading market share in securities services. Together with brokerage and asset and wealth management, securities services are a smaller contributor to SG's earnings.

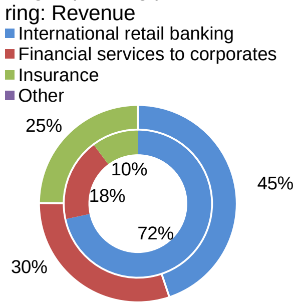
Brokerage is largely conducted through SG Securities Services and Newedge, a clearing and execution services specialist for listed derivative and OTC contracts in which SG acquired full ownership in 2014. The securities services and brokerage division business was close to break-even in 1H14 with a EUR12m net loss.

SG's asset management business is modest (EUR116bn of assets under management at end-1H14) as the bank holds a 20% stake in asset manager Amundi, with which it has a distribution agreement (Crédit Agricole holds the remaining stake). Amundi had assets under management of EUR821bn at end-June 2014. SG's own asset management business concentrates on alternative asset classes, where SG's fully owned subsidiary Lyxor has a good franchise, particularly in exchange traded funds (around half of Lyxor's EUR86bn assets under management at end-1H14).

IRBFS: 27% of Operating Profit in 1H14 (Excluding Corporate Centre)

IRBFS comprises international retail banking, financial services to corporates and insurance services (see Figure 2). The division has retail banking and financial services presences in 40 countries, which include presences in developed markets. However, IRBFS is also operating in markets that we consider higher-risk but which should have the potential for higher growth and better profitability. Although the bank has made some progress in improving the performance of its international operations, performance in some of the markets remains below target (see Figure 7).

Figure 2
IRBFS: Revenue and Operating Profit Split (1H14)
Outer ring: Operating profit
Inner ring: Revenue



Source: SG

SG provides retail banking services to about 14 million customers in 38 countries, of which 15 are in CEE. About two-thirds of revenues from this business come from CEE/Russia, with the remainder coming from the Mediterranean basin, sub-Saharan Africa and French overseas territories. By assets, SG's largest subsidiaries are Komercni Banka (the third-largest bank in the Czech Republic – 61% owned), Rosbank in Russia (one of the leading privately owned banks in the country – 82% owned), and BRD-Groupe Société Générale S.A. (BRD, the largest Romanian bank – 60% owned). SG has a very small presence outside of EMEA.

Financial services to corporates and insurance services are generating solid profitability, with an operating return on allocated equity of 31% in 1H14. Insurance business is conducted in 16 countries, largely France and other European countries, where SG offers both life (EUR87bn of assets under management at end-1H14) and non-life products. Financial services to corporates cover fleet financing and equipment finance, where SG has solid franchises in Europe (number-two in operational vehicle financing in 2013; number-one in equipment finance in 2013), although exposures remain modest (EUR15bn outstanding loans for equipment finance at end-1H14).

Management

SG's top management has demonstrated its ability to strengthen the bank's balance sheet quickly in response to market pressure and has achieved a material improvement in capital and liquidity. Management has also made good progress in improving the profitability of the bank's franchises, but a successful execution of its business plan will be important to demonstrate that the group is able to reach its performance targets.

Strategy: Building Synergies in Europe

SG's 2014-2016 strategic plan concentrates on strengthening the group's European franchises. SG reorganised its divisional structure in 2013, reducing the number of divisions to three from five, which led to more integrated businesses. As part of its strategic plan, SG plans to expand its product offering and generate more cross-selling. We believe that the bank should be able to generate improved cross-selling opportunities from the combination of its financial services businesses with its international retail banking businesses. The bank plans to concentrate on organic growth but believes that bolt-on acquisitions could provide good growth opportunities.

SG will continue to concentrate on cost reduction as weak economic growth will limit revenue growth in France and some of its other core markets. SG aims to save EUR0.9bn (6% of its 2013 cost base) per year from 2016, for which it expects to incur a total of EUR0.6bn one-off transformation costs between 2014 and 2016. SG targets a group ROE above 10% by 2016 (6% in 1H14), a level we consider achievable but that will be sensitive to developments in markets where SG intends to generate material revenue growth as the plan is based on 10% revenue growth expected for Russia, CEE and for financing and advisory.

Risk Appetite

SG's main risk exposure is to credit risk (representing 80% of its total regulatory risk-weighted assets (RWA) at end-1H14). We consider underwriting standards in the bank's domestic market as conservative, but SG has material exposure to emerging markets in CEE, Russia and Africa. The bank has taken steps to contain risk in some volatile markets (eg, in CEE) by maintaining tight control on lending volumes and concentrating on secured lending, including for individuals.

Sound Risk Controls

SG has a comprehensive risk reporting framework, which has been tightened in recent years. SG's risk systems are applied throughout the whole group, and risk management divisions are segregated from business units. Each business is responsible for its own risk assessment and management, which are approved by the centralised risk management unit, which controls credit/counterparty, market/liquidity, operational, business and insurance risks worldwide in line with limits established by management.

Litigation and Conduct Risk Remains High on Agenda

As a globally operating banking group active in a wide range of products and services, SG is exposed to operational and conduct risk. However, in common with most banks, including other GTUBs, operational RWA account for only a small share of total RWA (12% at end-1H14).

SG is facing a growing number of investigations from regulators and other authorities but has to date incurred lower fines than peers, which, in our opinion, reflects SG's more moderate operations in the markets that are under increased scrutiny. Investigations include enquiries from several regulatory and government authorities into certain benchmark rates and transactions that could have violated US embargo law. Various legal actions, including class actions, have been filed against SG in the US. At end-1H14, collective reserves associated with total litigation actions amounted to EUR0.9bn (up EUR0.2bn in the six months to end-1H14).

SG settled an investigation into Euribor with the European Commission in 4Q13, accepting to pay EUR446m in relation to events dating back to a period between March 2006 and May 2008. The bank filed an appeal regarding the methodology used to determine the basis of the fine. SG also settled a mortgage-related legal case with the US Federal Housing Finance Agency in 1Q14 (EUR100m).

Moderate Market Risk Compared to GTUB Peers

We believe SG's traded market risk appetite is lower than most of its GTUB peers', but the bank has material trading operations. SG assesses its market risk using several risk indicators, including value-at-risk (VaR; 99% confidence interval, one-day holding period, one-year horizon) and stress tests, and a wide range of limits are in place. Around 90% of SG's market risk capital requirement is assessed through internal models.

VaR averaged EUR24m in 2Q14 and EUR31m in 1Q14. This low level has been helped by low market volatility, and VaR is likely to increase once market volatility increases. SG's Fitch-stressed VaR (aggregate maximum VaR excluding diversification at 99% confidence interval, 10-day holding period, scaled by a factor of 5 to represent a stressed market environment) was equal to 2.8% of Fitch Core Capital (FCC) at end-1H14. This indicator of risk has been consistently lower than for most of the bank's peers in recent years (see comparison in Figure 3). The number of days with a trading loss was minimal in 2013, and SG only had two days with a trading loss larger than EUR10m.

Figure 3

Fitch-Stressed VaR/Fitch Core Capital (%)

	1H14	2013	2012	2011	2010
BAC	2.2	3.6	3.9	7.7	11.2
Barclays	4.1	6.1	8.1	10.8	10.6
BNPP	n.a.	3.5	4.5	5.1	5.0
Citigroup	3.1	3.3	3.5	5.7	8.6
CS	5.3	6.5	11.7	17.6	28.0
Deutsche Bank	4.5	6.4	7.7[a]	11.4	12.7
GS	6.8	7.7	8.6	12.6	15.2
HSBC	1.2	1.6	2.5	3.3	4.3
JPMorgan	1.4	1.9	3.7	3.1	4.6
MS	4.7	7.4	8.4	11.8	15.5
SocGen	2.8	3.1	4.3	5.6	n.a.
UBS	2.9	4.7	8.3[c]	26.0	16.8

[a] Includes completed capital raise of EUR2.96bn in 1H13
[b] As of 9M13
[c] UBS 2012 stressed VaR excludes 2Q12 equities VaR to exclude impact of facebook incident in 2Q12
Source: Banks' financial statements and disclosure, adjusted by Fitch

Non-trading market risk arises from the bank's equity investment, credit spread, interest-rate and FX risk in the banking book. This risk is largely managed by SG's hedging strategies. The bank's revenue remains modestly sensitive to a 100bp parallel shift in interest rates, as such a change would lead to a 0.1% decline in revenue. Equity risk contributed EUR9.3bn RWA at end-2013, of which only EUR0.3bn related to private equity investments.

Figure 4

Impairment Charges/Loans

(Annualised bp)	1H14	2013[a]	2012[a]
French retail banking	54	62	50
IRBFS	122	153	158
GBIS	15	-2	26
Total bank	**61**	**75**	**75**

[a] New breakdown by business unit in FRB and IRBFS since 1Q14; restated figures for 2013 and 2012 not available
Source: SG adapted by Fitch

Earnings and Profitability

Acceptable Profitability

SG's underlying profitability is acceptable with an operating ROE of over 10% in 1H14 and 2013. However, profitability has seen some volatility during the past four years. The bank's profitability will continue to depend on the performance of its global markets business, the main contributor to earnings volatility, and the time required to build a profitable international retail banking franchise, which generated 23% of the bank's revenue in 1H14 but a lower 13% of group operating profit excluding the corporate centre.

Profitability has improved during the past four years. This has been a result of cost cutting and de-risking measures, including improvement in SG's international retail banking franchise. We believe future revenue and cost synergies, partly arising from the merger of some of its business lines (see *Company Profile*), are likely to at least partly offset weak economic prospects, particularly in France, the likely persistence of low interest rates, and costs arising from increased regulation. Net income could be hit by litigation charges, as SG remains exposed to operational and conduct risk, like its GTUB peers.

SG generated EUR2.8bn operating profit in 1H14 (adjusted for an EUR81m loss related to the variation of own credit spread/CVA/DVA, EUR525m goodwill impairment charges, a EUR210m gain on the Newedge full acquisition and a EUR200m provision for litigation). In 2013, operating profit amounted to EUR5.1bn, adjusted for the same items in addition to a EUR446m charge relating to the Euribor case settlement and various adjustments in the price of subsidiaries' sales.

SG's unallocated costs are booked in the corporate centre, which generated a EUR414m net loss in 1H14. The variation of own credit spread, acquisition/sale P&L impacts large litigation provisions are typically booked in the corporate centre. SG expects its corporate centre's gross operating income to reach around EUR900m in 2014 and to progressively decrease towards EUR500m in 2016.

Figure 5

Operating Profit

(EURm)	1H14	2013	2012	Contribution by division: 1H14 (%)[a]	Operating return on allocated equity: 1H14 (%)[b]
French retail banking	**1,021**	**1,821**	**1,967**	**31**	**20**
GBIS	**1,363**	**1,762**	**1,616**	**42**	**17**
Global markets	912	1,113	1,307	28	25
Financing and advisory	357	443	29	11	20
Securities services and brokerage	-15	3	67	0	-
Asset & wealth management	109	203	213	3	21
IRBFS	**898**	**1,560**	**1,477**	**27**	**19**
International banking	434	716	716	13	13
Financial services to corporates	293	513	421	9	31
Insurance	241	470	425	7	31
Other	-70	-139	-85	-2	-
Corporate centre	**-904**	**-2,807**	**-2,302**		
Of which variation of own credit spread, CVA and DVA	-81				
Total operating profit (incl. corporate centre)[c]	**2,378**	**2,336**	**2,758**		

[a] Total operating profit excluding contribution from the corporate centre
[b] Basel 3 allocated equity
[c] As per SG's reporting
Source: SG

French Retail Banking

French retail banking contributed 31% of SG's 1H14 operating profit (excluding the corporate centre), and the contribution from this business has proven extremely stable in euro terms. This business generates satisfactory returns on allocated equity (20% in 1H14, without allocation of corporate centre costs). The bank focuses on higher-end customers, resulting in more diversified earnings (half of the revenue is in the form of commissions) than at some domestic peers. Nonetheless, revenue is stagnating (down 1% yoy in 1H14), and Fitch does not expect revenue to increase materially until interest rates rise and business volumes increase, which given our forecast of very low growth in France and the broader eurozone seems unlikely to occur for some time. Loan exposure continued to decline in 2Q14 (−2.9% yoy), mainly in the corporate (including SMEs) segment (−4.2% yoy). LICs fell in 1H14 to 54bp of customer loans on an annualised basis (62bp in 2013), just above SG's 45-50bp target range for 2016.

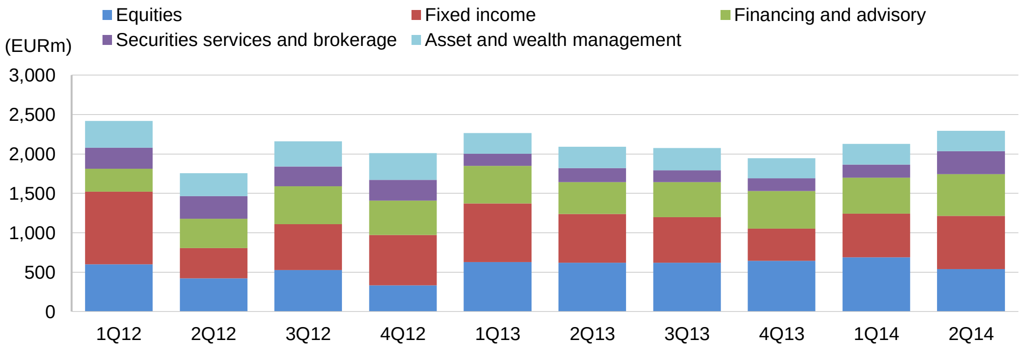
GBIS

GBIS generated a significant 42% of the bank's operating profit in 1H14, although its contribution has come down from 2010 levels (more than 50%). In our opinion, the importance of the capital markets activity introduces some earnings volatility and uncertainty to the group's overall profitability. This is partly offset by SG's relatively well-balanced earnings mix in the segment between fixed income and equities trading.

SG's global markets division generated satisfactory returns of 25% on allocated equity in 1H14. SG generated a EUR0.9bn operating profit in global markets in 1H14, down 22% (adjusted for the CVA/DVA impact) from a solid 1H13. In financing and advisory, SG's European franchise benefited from sustained debt and equity underwriting volumes, particularly in euro corporate bonds and financial institutions' equity-related issuance. LICs were small in 1H14 (around 15bp of average growth loans) but can be volatile in this business and depend on a small number of transactions.

Figure 6

GBIS Revenue by Quarter



Source: SG

We do not expect the investor solutions part of GBIS (asset & wealth management, securities and brokerage services), which is somewhat lacking scale in some businesses, to become a major contributor to the bank's earnings (see Figure 1). However, it should benefit from cost synergies and cross-selling opportunities with global banking, and the planned integration of securities services and brokerage into global markets should help synergies generation in the longer-term.

IRBFS

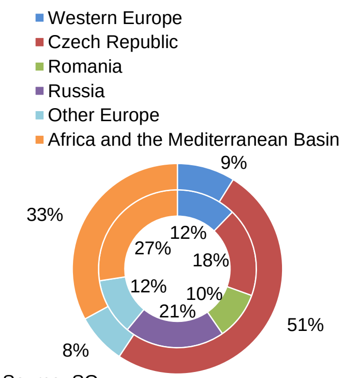
Risk-adjusted returns for IRBFS have been acceptable due to a good performance in the insurance and financial services to corporates businesses, whose contribution to the division's operating profit has been steadily rising since 2010 (see Figure 2). We expect the performance of SG's insurance and financial services to corporates to remain good, supported by higher business volumes (revenue up 5% and 12% yoy respectively in 1H14) and SG's good execution in controlling costs (cost/income ratio of 51% in 1H14 for the financial services to corporates business).

The operating return on allocated equity for international retail banking remains modest (13% in 1H14), taking into account the business risk profile. However, performance improved in 1H14 as a result of lower costs and LICs. Future performance will depend on SG's ability to increase revenue and benefit from lower LICs in some countries where economic and sometimes

Figure 7

IRB: Revenue and Operating Profit Split (1H14)

Outer ring: Operating profit (%)
Inner ring: Revenue (%)

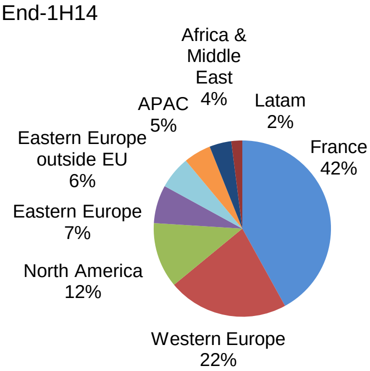


Source: SG

Figure 8

Exposure at Default by Geography (EUR726bn)

End-1H14

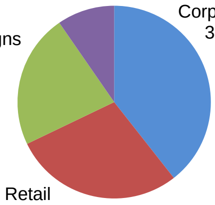


Source: SG

Figure 9

Exposure at Default by Counterparty (EUR650bn)

End-2013



Source: SG

political uncertainties prevail (mainly in Russia and Romania). Among the three largest contributors to the division's revenue, the Czech Republic continued to report a good performance, but Russia's and Romania's LICs still absorbed about 100% of pre-impairment profit in 1H14. Performance in Africa and the Mediterranean basin (mainly Morocco and Tunisia) has improved and is now one of the main profitability drivers of the division, together with the Czech Republic.

Asset Quality

High Impaired Loans Ratio Driven by Slow Write-Offs

SG reported total on- and off-balance-sheet exposure at default (EAD) of EUR726bn (see breakdown in Figures 8 and 9), up from EUR650bn at end-2013. Over 80% of SG's credit risk is computed using the advanced internal ratings-based approach.

We consider SG's asset quality to be only acceptable. The bank's impaired loans ratio remains high compared with GTUB peers' as 7.6% of total gross loans net of reverse repos were classified as impaired at end-1H14. The high level of impaired loans largely reflects the bank's policy in some of its core markets (mainly France) not to write them off before they have been fully resolved, which contrasts with a generally swifter write-off policy in US banks. Keeping impaired loans on the books for longer leads to loan impairment charges (LICs) that are generally more stable but can accrue over several years and requires the bank to fund impaired exposures for a longer period. Fitch believes the coverage of impaired loans by impairment reserves remains adequate (62% at end-1H14). Net impaired loans stood at 31% of FCC at end-1H14.

LICs declined to 61bp of gross loans in 1H14, from 75bp in both 2012 and 2013. Most of the improvement came from international retail banking, which still records the highest LICs due to difficulties in Romania and Russia. The concentration of the loan book by borrower is adequate.

SG passed the ECB's 2014 comprehensive assessment, and the asset quality review resulted in a modest 22bp reduction of SG's CET1 ratio as of end-2013. The stress test resulted in a 10bp reduction of the CET1 ratio under the baseline scenario, and in a 253bp reduction in the adverse scenario. On a fully loaded basis under the adverse stress, SG's CET1 ratio 7.1% was around median level for the banks' assessed.

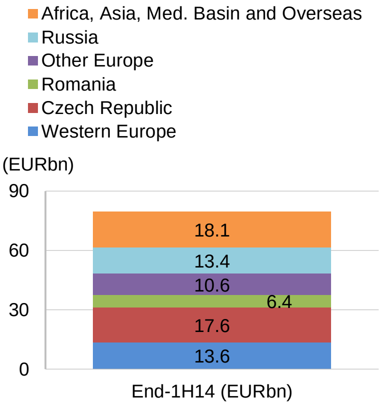
Acceptable Exposure to Higher-Risk Sectors

SG's loan mix is somewhat weighted toward corporates (39% of EAD at end-2013), reflecting its large corporate franchise. These loans are generally well covered by collateral. Around two-thirds of the corporate loan book is to counterparties rated in the investment-grade category according to SG's internal ratings; a small percentage is to poorly rated counterparties (12% rated 'B' and below). The corporate loan book is well diversified by borrower.

There is no undue sector concentration in the loan book: the largest sector exposures at end-2013 were to real estate (8% of the EUR286bn corporate loan book), wholesale trade (8%) and business services (7%). Real estate exposure is concentrated in France, which has been far less affected by property market woes than in some other European countries (notably Spain) and Ireland, and mainly relates to investment rather than development loans. Leveraged finance is not an area of strong focus, and exposure to it is well diversified by economic sector, mostly in France, and has led to limited impairments to date. Exposure to US leveraged buyouts is minimal.

There is more risk in the SME loan portfolio (EUR48bn at end-June 2013, latest publicly available figure), which Fitch considers more vulnerable by nature when GDP growth slows. However, this asset class has proved fairly resilient in recent years, as SMEs have strengthened their balance sheets. We expect any deterioration to prove manageable.

Figure 10
IRB - Outstanding Loan Book by Country
At end-1H14



Source: SG

Exposure to securitisations is moderate compared with that at most GTUB peers, and is declining as SG is running down its now small legacy asset portfolio. SG mainly acts as a sponsor for asset-backed securities transactions and to a lesser extent as an originator to manage its own credit risk and create securities eligible for repo transactions. At end-2013, total exposure to securitisations in the banking book amounted to EUR16bn (end-2012: EUR19bn), of which about EUR9bn related to exposure to consolidated ABCP conduits, for which SG provides liquidity lines.

Modest Risk Housing Loans

SG's retail book (EUR181bn of EAD at end-2013) is dominated by housing loans (EUR94bn, 82% of which were to customers in France). We believe these loans should continue to generate very low impairment charges, since mortgage lending in France is based on a borrower's ability to service debt payments rather than on the value of the property. Therefore, the main risk of deterioration in the housing loan portfolio would likely come from a sharp rise in unemployment, which we do not currently expect. In addition, we do not expect a strong decline in house prices due to the prevailing low supply compared with demand.

Loans to professionals and very small enterprises (EUR25bn) and revolving consumer finance loans (EUR9bn), which are more risky by nature, accounted for only 14% and 5% of the retail book, respectively. SG's consumer finance loan book was EUR54bn at end-2013, and exposure was largely to France (55% of the book) and to a lesser extent to Russia (10%), Italy (7%) and Germany (6%). Impairment charges in consumer finance can be quite high but are more than compensated for by healthy margins, and the group has a strong track record in this segment.

Higher Risk in CEE and Russia

Fitch considers SG's exposure to CEE/Russia (13% of EAD at end-1H14; 7% to countries in the EU and 6% to those not in the EU) to be a major credit risk as some of these economies remain more volatile than other markets. Within these exposures, the most significant concentrations are to the Czech Republic (EUR18bn of the loan book to corporates and retail customers at end-1H14, or 22% of the international retail banking loan book, see Figure 10), Russia (EUR13bn) and Romania (EUR6bn). The Czech exposure is performing well, but the Russian and Romanian exposures continue to suffer, with impaired loans ratios of 12.3% and 24% at end-1H14 respectively.

Economic sanctions imposed by the European Union and the US in July 2014 have not weighed drastically on SG's Russian operations' asset quality so far, but we believe this could be the case if geopolitical tensions persist. SG revised its guidance regarding LICs as a percentage of average loans in Russia to 230bp-260bp for 2014; LICs increased to 212bp of average loans in Russia in 1H14 from 175bp in 2013. In Romania, LICs halved in 1H14 but remained high at 290bp of average loans; SG should benefit from favourable economic conditions in 2014 and 2015 (2.2% and 3.3% GDP growth forecast according to Fitch).

Impaired loan coverage rates in CEE/Russia are largely dictated by real estate collateral, the value of which can decline significantly when GDP growth slows. Moreover, such collateral is often difficult to realise. Nonetheless, coverage in Russia and Romania remained satisfactory at 75% and 71% respectively at end-1H14.

Sovereign and Financials: 23% and 10% of EAD at end-1H14

Most of SG's exposure to sovereigns and financials is to well-rated counterparties. According to SG's internal rating matrix, 75% of the exposure to sovereigns is to very well-rated counterparties (equivalent of the 'AA and above' category; 90% to the 'A and above' category). Exposure to peripheral eurozone countries is largely to the Italian sovereign with EUR2.3bn at end-1H14. Around three-quarters of financial institution exposures were rated 'A and above'.

Capitalisation and Leverage

Capital Satisfactory

SG's capital ratios are now satisfactory and comparable with those of its GTUB peers. The bank's FCC/RWA stood at 9.8% at end-1H14 and its Basel III "fully applied" CET1 ratio was 10.2% at the same date, in line with its target of at least 10%.

SG's capital ratios have improved because of a continued reduction in RWA as part of the bank's deleveraging plan in 2011-2012 and earnings retention rather than capital issuance. Fitch incorporates in its ratings the assumption that SG will maintain its capitalisation on a risk-weighted basis and leverage at least at current levels. As a global systemically important bank, SG will have to comply with a 1% loss absorbency add-on to Basel III ratios. SG targets a 40% dividend payout ratio in 2014 and 50% in 2015-2015.

Applying the definition of CRDIV leverage exposure in full, but including hybrid instruments that are subject to phase out in the numerator, the bank's leverage ratio reached 3.6% at end-1H14. This ratio is above the expected 3% regulatory threshold and compares adequately with those of European peers, although it remains well below leverage ratios reported by SG's US peers, which partly reflects differences in balance sheet composition.

SG issued around EUR4.3bn of Basel III-compliant additional Tier 1 (AT1) instruments in 2013 and 1H14, which represented slightly more than 50% of total additional Tier 1 capital at end-1H14. We assign 50% equity credit to SG's Basel III-compliant AT1 capital due to its full coupon flexibility, the permanent nature and the subordination to all senior creditors, and the fact that the securities would be written down not long before the bank became non-viable. These Basel III-compliant AT1 instruments are included in SG's Fitch eligible capital (at 50%), which stood at 10.5% of its RWA at end-1H14.

Funding and Liquidity

Stable Deposit Base

Customer deposits are the bank's most important source of funding (61% of funding excluding equity according to the funded balance sheet at end-1H14; 54% at end-1H13). The bank's loans/customer deposits ratio has improved to satisfactory levels for a commercial bank (113% at end-1H14 according to statutory accounts), as SG has successfully attracted customer deposits and completed its 2011-2013 deleveraging plan. Corporate deposits represent about 40% of total customer deposits. Retail deposits in France have proven sticky even in times of stress or market volatility.

Wholesale funding contributed 39% of total funding excluding equity at end-1H14, more than half of which was long-term. SG raised EUR17bn of long-term funding (with an average tenor of five years and an average spread of Euribor+44bp; 80% of the 2014 long-term funding programme) in the seven months to end-July 2014.

SG manages its funded balance sheet in order to maintain excess stable funding, defined as customer deposits, long-term funding and equity, over customer assets and fixed assets (EUR56bn excess at end-1H14). Derivative instruments roughly match each other on both sides of the balance sheet. SG's western European consumer finance businesses and its equipment finance operations are largely funded by the parent bank as loans exceeded deposits in these businesses by EUR25bn at end-1H14. At SG's largest international retail banking subsidiaries, funding from the parent bank was much smaller at about EUR2.2bn at end-1H14, which related to the Russian and Romanian subsidiaries. The Russian subsidiary issued domestic bonds in 9M14, which has increased the amount of local funding.

SG has made limited use of secured funding (5% of total funding excluding derivatives at end-1H14), which is mainly in the form of covered bonds. Consequently, the bank's balance sheet benefits from limited encumbrance – around 5% of its adjusted assets (total assets less insurance assets and derivatives) at end-2013, by our estimate.

Sound Liquidity

SG's liquidity is now sound. It has improved owing to deleveraging and increased deposits, and the gap with its GTUB peers has been closed. SG's Basel III liquidity coverage ratio remained above 100% at end-1H14. Cash and central bank deposits (EUR49bn) and HQLA securities (EUR82bn) covered 119% of the bank's short-term wholesale funding maturing within one year. While the bank's portfolio of securities eligible for repo transactions provides a material liquidity buffer in case of stress, this is not relied upon under normal conditions.

Operating Environment

Operating Environment has Lower Influence on the VR

SG predominantly operates in very stable and advanced economies, although it has some exposure to more volatile countries, predominantly in CEE. The operating environment has only a low influence on the bank's VR. SG mainly operates in jurisdictions with high sovereign ratings, developed and transparent regulatory frameworks and robust financial markets.

Weak Economic Growth Affects Revenue

SG's strong focus on European retail and commercial banking means the group is affected by fairly weak economic growth. SG is also exposed to the current economic uncertainties in Russia and CEE. SG will likely benefit from more solid economic conditions in the US and Asia, where its presence is largely in corporate and investment banking.

Regulatory Framework

As an internationally active bank headquartered in France, SG is subject to regulation in a variety of geographies, and its home regulator to some extent depends on cooperation. SG will become subject to supervision by the European Central Bank in 4Q14, which should lead to a more unified supervision of the large eurozone banks.

Debt Ratings

Subordinated debt and other hybrid capital issued by SG and some of its subsidiaries are all notched down from SG's VR in accordance with Fitch's assessment of each instrument's respective non-performance and relative loss severity risk profiles.

Figure 11
Peer Group Analysis

	Société Générale		BNP Paribas		UBS AG		Credit Suisse Group AG		JPMorgan Chase & Co.		Barclays plc		Deutsche Bank AG	
	1H14	2013	1H14	End 2013	1H14	End 2013	1H14	End 2013	1H14	End 2013	1H14	End 2013	1H14	End 2013
Profitability (%)														
Operating ROE	11.25	10.16	11.40	9.73	11.01	7.30	6.41	9.27	15.06	12.78	11.67	9.51	9.14	3.45
ROE	6.15	5.05	-5.77	6.08	8.08	7.17	2.54	6.69	10.82	8.64	5.51	2.40	4.52	1.22
Adjusted pre-tax ROE	12.19	9.96	-2.65	9.62	10.19	7.71	6.95	9.94	15.34	13.34	8.75	5.88	9.33	2.61
Cost/income ratio	66.77	65.04	65.37	67.20	81.89	87.53	89.28	83.14	63.10	72.49	66.33	70.66	81.92	88.33
Credit risk & asset quality (%)														
Net loans/assets	26.49	27.72	32.38	34.23	30.59	28.42	28.55	28.31	29.03	29.89	33.66	32.80	23.29	23.37
Impaired loans/total gross loans	7.60	7.68	6.80	7.07	.36	.42	.58	.60	2.19	2.40	n.a.	5.75	2.55	2.65
LICs/average gross loans	.61	.95	.61	.60	-.01	.02	.04	.06	.38	.03	.50	.67	.26	.53
Loan loss coverage ratio	61.83	60.64	58.99	58.60	56.10	55.96	55.77	58.36	93.51	91.65	n.a.	28.81	51.99	55.10
Capitalisation & leverage														
Total equity (USDbn)	63,942	64,855	111,542	116,547	55,679	53,890	47,205	51,123	209,281	200,507	95,182	91,458	88,704	75,805
Fitch core capital (USDbn)	63,942	64,855	85,534	90,311	42,563	40,449	35,896	36,540	146,819	134,303	80,700	79,835	64,731	50,887
Fitch core capital/RWA	9.84	10.38	10.10	11.70	16.48	15.78	11.20	11.90	10.06	9.68	11.53	13.66	11.81	12.28
Fitch core capital/Basel III look-through RWA	9.82	n.a.	10.02	10.44	16.71	16.02	11.45	12.24	8.95	8.44	11.53	11.13	11.89	10.54
Fully applied Basel III CET1 ratio	10.20	10.00	10.00	10.30	13.49	12.84	9.45	9.95	9.79	9.50	9.92	9.28	11.54	9.71
Tangible common equity/tangible adjusted assets	n.a.	4.18	4.80	5.34	5.47	5.33	3.84	4.35	6.18	6.03	n.a.	4.98	4.29	3.67
Ratings														
Long-Term IDR/Outlook		A/Negative		A+/Stable		A/Stable		A/Stable		A+/Stable		A/Stable		A+/Negative
Viability Rating		a−		a+		a		a		a+		a		a
Support Rating Floor		A		A		A		NF (Operating bank A)		A		NF (Operating bank A)		A+

Source: Banks' financial statements; Fitch

Societe Generale (SG)
Income Statement

	30 Jun 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	6 Months - Interim USDm Unaudited	6 Months - Interim EURm Unaudited	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets
1. Interest Income on Loans	10,314.1	7,552.0	1.29	15,956.0	1.47	17,791.0	1.62	19,375.0	1.85
2. Other Interest Income	6,114.4	4,477.0	0.77	11,315.0	1.04	12,113.0	1.10	13,014.0	1.24
3. Dividend Income	148.9	109.0	0.02	467.0	0.04	314.0	0.03	420.0	0.04
4. Gross Interest and Dividend Income	**16,577.4**	**12,138.0**	**2.07**	**27,738.0**	**2.56**	**30,218.0**	**2.74**	**32,809.0**	**3.13**
5. Interest Expense on Customer Deposits	4,059.0	2,972.0	0.51	6,658.0	0.61	7,271.0	0.66	7,718.0	0.74
6. Other Interest Expense	5,580.4	4,086.0	0.70	10,523.0	0.97	11,321.0	1.03	12,464.0	1.19
7. Total Interest Expense	**9,639.4**	**7,058.0**	**1.21**	**17,181.0**	**1.59**	**18,592.0**	**1.69**	**20,182.0**	**1.92**
8. Net Interest Income	**6,938.0**	**5,080.0**	**0.87**	**10,557.0**	**0.97**	**11,626.0**	**1.06**	**12,627.0**	**1.20**
9. Net Gains (Losses) on Trading and Derivatives	5,478.0	4,011.0	0.69	3,164.0	0.29	2,273.0	0.21	3,780.0	0.36
10. Net Gains (Losses) on Other Securities	127.0	93.0	0.02	282.0	0.03	635.0	0.06	(2.0)	(0.00)
11. Net Gains (Losses) on Assets at FV through Income Statement	(2,517.1)	(1,843.0)	(0.31)	2,335.0	0.22	1,548.0	0.14	(522.0)	(0.05)
12. Net Insurance Income	n.a.	n.a.	-	499.0	0.05	n.a.	-	752.0	0.07
13. Net Fees and Commissions	4,371.8	3,201.0	0.55	6,507.0	0.60	6,977.0	0.63	7,179.0	0.68
14. Other Operating Income	1,499.6	1,098.0	0.19	1,184.0	0.11	1,306.0	0.12	646.0	0.06
15. Total Non-Interest Operating Income	**8,959.3**	**6,560.0**	**1.12**	**13,971.0**	**1.29**	**12,739.0**	**1.16**	**11,833.0**	**1.13**
16. Personnel Expenses	6,143.1	4,498.0	0.77	9,225.0	0.85	9,493.0	0.86	9,666.0	0.92
17. Other Operating Expenses	4,471.5	3,274.0	0.56	6,728.0	0.62	6,925.0	0.63	7,370.0	0.70
18. Total Non-Interest Expenses	**10,614.6**	**7,772.0**	**1.33**	**15,953.0**	**1.47**	**16,418.0**	**1.49**	**17,036.0**	**1.62**
19. Equity-accounted Profit/ Loss - Operating	139.3	102.0	0.02	153.0	0.01	154.0	0.01	94.0	0.01
20. Pre-Impairment Operating Profit	**5,422.0**	**3,970.0**	**0.68**	**8,728.0**	**0.81**	**8,101.0**	**0.74**	**7,518.0**	**0.72**
21. Loan Impairment Charge	1,484.6	1,087.0	0.19	3,485.0	0.32	3,543.0	0.32	3,015.0	0.29
22. Securities and Other Credit Impairment Charges	180.3	132.0	0.02	167.0	0.02	392.0	0.04	1,315.0	0.13
23. Operating Profit	**3,757.2**	**2,751.0**	**0.47**	**5,076.0**	**0.47**	**4,166.0**	**0.38**	**3,188.0**	**0.30**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	286.8	210.0	0.04	n.a.	-	n.a.	-	12.0	0.00
26. Non-recurring Expense	990.2	725.0	0.12	896.0	0.08	842.0	0.08	n.a.	-
27. Change in Fair Value of Own Debt	(110.6)	(81.0)	(0.01)	(1,697.0)	(0.16)	(1,255.0)	(0.11)	1,176.0	0.11
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	575.0	0.05	(504.0)	(0.05)	(265.0)	(0.03)
29. Pre-tax Profit	**2,943.2**	**2,155.0**	**0.37**	**3,058.0**	**0.28**	**1,565.0**	**0.14**	**4,111.0**	**0.39**
30. Tax expense	889.1	651.0	0.11	533.0	0.05	341.0	0.03	1,323.0	0.13
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	**2,054.1**	**1,504.0**	**0.26**	**2,525.0**	**0.23**	**1,224.0**	**0.11**	**2,788.0**	**0.27**
33. Change in Value of AFS Investments	655.6	480.0	0.08	(104.0)	(0.01)	2,143.0	0.19	(722.0)	(0.07)
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	99.7	73.0	0.01	(962.0)	(0.09)	40.0	0.00	(14.0)	(0.00)
36. Remaining OCI Gains/(losses)	(222.6)	(163.0)	(0.03)	179.0	0.02	(849.0)	(0.08)	222.0	0.02
37. Fitch Comprehensive Income	**2,586.7**	**1,894.0**	**0.32**	**1,638.0**	**0.15**	**2,558.0**	**0.23**	**2,274.0**	**0.22**
38. Memo: Profit Allocation to Non-controlling Interests	217.2	159.0	0.03	350.0	0.03	434.0	0.04	403.0	0.04
39. Memo: Net Income after Allocation to Non-controlling Interests	1,836.9	1,345.0	0.23	2,175.0	0.20	790.0	0.07	2,385.0	0.23
40. Memo: Common Dividends Relating to the Period	1,397.2	1,023.0	0.17	1,047.0	0.10	666.0	0.06	1,542.0	0.15
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	534.0	0.05
Exchange rate	USD1 = EUR0.73220			USD1 = EUR0.72510		USD1 = EUR0.75790		USD1 = EUR0.77290	

Societe Generale (SG)
Balance Sheet

	30 Jun 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	6 Months - Interim USDm	6 Months - Interim EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	145,266.3	106,364.0	8.04	106,401.0	8.61	107,042.0	8.56	104,528.0	8.85
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	273,351.5	200,148.0	15.13	195,049.0	15.79	204,559.0	16.35	233,437.0	19.76
4. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	83,402.1	61,067.0	4.62	57,713.0	4.67	60,654.0	4.85	61,322.0	5.19
6. Less: Reserves for Impaired Loans	23,591.9	17,274.0	1.31	16,716.0	1.35	15,846.0	1.27	16,763.0	1.42
7. Net Loans	**478,428.0**	**350,305.0**	**26.49**	**342,447.0**	**27.72**	**356,409.0**	**28.49**	**382,524.0**	**32.38**
8. Gross Loans	**502,019.9**	**367,579.0**	**27.79**	**359,163.0**	**29.08**	**372,255.0**	**29.76**	**399,287.0**	**33.80**
9. Memo: Impaired Loans included above	38,153.5	27,936.0	2.11	27,567.0	2.23	26,932.0	2.15	27,710.0	2.35
10. Memo: Loans at Fair Value included above	469,145.0	343,508.0	25.97	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	77,433.8	56,697.0	4.29	52,670.0	4.26	42,634.0	3.41	37,481.0	3.17
2. Reverse Repos and Cash Collateral	67,190.7	49,197.0	3.72	82,151.0	6.65	71,529.0	5.72	76,879.0	6.51
3. Trading Securities and at FV through Income	529,830.6	387,942.0	29.33	290,581.0	23.52	251,520.0	20.11	167,158.0	14.15
4. Derivatives	261,038.0	191,132.0	14.45	177,185.0	14.34	238,460.0	19.06	254,345.0	21.53
5. Available for Sale Securities	185,379.7	135,735.0	10.26	134,564.0	10.89	127,714.0	10.21	124,738.0	10.56
6. Held to Maturity Securities	5,661.0	4,145.0	0.31	989.0	0.08	1,186.0	0.09	1,453.0	0.12
7. Equity Investments in Associates	3,669.8	2,687.0	0.20	2,129.0	0.17	2,119.0	0.17	2,014.0	0.17
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Total Securities	**1,052,769.7**	**770,838.0**	**58.28**	**687,599.0**	**55.66**	**692,528.0**	**55.36**	**626,587.0**	**53.04**
10. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	2,235.0	0.19
14. Other Earning Assets	2,768.4	2,027.0	0.15	116.0	0.01	9,417.0	0.75	n.a.	-
15. Total Earning Assets	**1,611,399.9**	**1,179,867.0**	**89.21**	**1,082,832.0**	**87.66**	**1,100,988.0**	**88.02**	**1,048,827.0**	**88.78**
C. Non-Earning Assets									
1. Cash and Due From Banks	76,820.5	56,248.0	4.25	66,602.0	5.39	67,591.0	5.40	43,963.0	3.72
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	24,330.8	17,815.0	1.35	15,991.0	1.29	15,539.0	1.24	15,158.0	1.28
5. Goodwill	5,880.9	4,306.0	0.33	4,972.0	0.40	5,320.0	0.43	6,973.0	0.59
6. Other Intangibles	n.a.	n.a.	-	1,633.0	0.13	1,651.0	0.13	1,679.0	0.14
7. Current Tax Assets	9,186.0	6,726.0	0.51	1,241.0	0.10	789.0	0.06	648.0	0.05
8. Deferred Tax Assets	n.a.	n.a.	-	6,096.0	0.49	5,365.0	0.43	4,582.0	0.39
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	429.0	0.04
10. Other Assets	78,742.1	57,655.0	4.36	55,895.0	4.52	53,646.0	4.29	59,113.0	5.00
11. Total Assets	**1,806,360.3**	**1,322,617.0**	**100.00**	**1,235,262.0**	**100.00**	**1,250,889.0**	**100.00**	**1,181,372.0**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	220,027.3	161,104.0	12.18	148,028.0	11.98	146,276.0	11.69	136,061.0	11.52
2. Customer Deposits - Savings	110,001.4	80,543.0	6.09	78,518.0	6.36	74,793.0	5.98	66,972.0	5.67
3. Customer Deposits - Term	114,108.2	83,550.0	6.32	93,662.0	7.58	83,969.0	6.71	86,083.0	7.29
4. Total Customer Deposits	**444,136.8**	**325,197.0**	**24.59**	**320,208.0**	**25.92**	**305,038.0**	**24.39**	**289,116.0**	**24.47**
5. Deposits from Banks	95,842.7	70,176.0	5.31	68,124.0	5.51	94,318.0	7.54	90,026.0	7.62
6. Repos and Cash Collateral	57,459.7	42,072.0	3.18	152,143.0	12.32	123,264.0	9.85	113,182.0	9.58
7. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	-	n.a.	-	56,403.0	4.77
8. Total Deposits, Money Market and Short-term Funding	**597,439.2**	**437,445.0**	**33.07**	**540,475.0**	**43.75**	**522,620.0**	**41.78**	**548,727.0**	**46.45**
9. Senior Debt Maturing after 1 Year	176,293.4	129,082.0	9.76	131,734.0	10.66	135,744.0	10.85	52,180.0	4.42
10. Subordinated Borrowing	10,786.7	7,898.0	0.60	7,395.0	0.60	7,052.0	0.56	10,541.0	0.89
11. Other Funding	4,079.5	2,987.0	0.23	n.a.	-	n.a.	-	n.a.	-
12. Total Long Term Funding	**191,159.5**	**139,967.0**	**10.58**	**139,129.0**	**11.26**	**142,796.0**	**11.42**	**62,721.0**	**5.31**
13. Derivatives	262,756.1	192,390.0	14.55	179,599.0	14.54	236,583.0	18.91	252,301.0	21.36
14. Trading Liabilities	443,048.3	324,400.0	24.53	159,558.0	12.92	134,345.0	10.74	115,943.0	9.81
15. Total Funding	**1,494,403.2**	**1,094,202.0**	**82.73**	**1,018,761.0**	**82.47**	**1,036,344.0**	**82.85**	**979,692.0**	**82.93**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	5,476.6	4,010.0	0.30	3,829.0	0.31	3,523.0	0.28	2,450.0	0.21
4. Current Tax Liabilities	1,253.8	918.0	0.07	1,275.0	0.10	711.0	0.06	756.0	0.06
5. Deferred Tax Liabilities	n.a.	n.a.	-	364.0	0.03	439.0	0.04	439.0	0.04
6. Other Deferred Liabilities	n.a.	n.a.	-	1,713.0	0.14	1,803.0	0.14	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	287.0	0.02
8. Insurance Liabilities	133,863.7	98,015.0	7.41	97,167.0	7.87	90,831.0	7.26	82,998.0	7.03
9. Other Liabilities	94,888.0	69,477.0	5.25	58,052.0	4.70	63,687.0	5.09	63,638.0	5.39
10. Total Liabilities	**1,729,885.3**	**1,266,622.0**	**95.77**	**1,181,161.0**	**95.62**	**1,197,338.0**	**95.72**	**1,130,260.0**	**95.67**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	12,533.5	9,177.0	0.69	7,075.0	0.57	6,781.0	0.54	5,648.0	0.48
G. Equity									
1. Common Equity	60,331.9	44,175.0	3.34	44,408.0	3.60	42,121.0	3.37	42,434.0	3.59
2. Non-controlling Interest	3,679.3	2,694.0	0.20	3,093.0	0.25	4,272.0	0.34	4,045.0	0.34
3. Securities Revaluation Reserves	1,309.8	959.0	0.07	609.0	0.05	634.0	0.05	(709.0)	(0.06)
4. Foreign Exchange Revaluation Reserves	(1,510.5)	(1,106.0)	(0.08)	(1,139.0)	(0.09)	(296.0)	(0.02)	(317.0)	(0.03)
5. Fixed Asset Revaluations and Other Accumulated OCI	131.1	96.0	0.01	55.0	0.00	39.0	0.00	11.0	0.00
6. Total Equity	**63,941.5**	**46,818.0**	**3.54**	**47,026.0**	**3.81**	**46,770.0**	**3.74**	**45,464.0**	**3.85**
7. Total Liabilities and Equity	**1,806,360.3**	**1,322,617.0**	**100.00**	**1,235,262.0**	**100.00**	**1,250,889.0**	**100.00**	**1,181,372.0**	**100.00**
8. Memo: Fitch Core Capital	47,121.0	34,502.0	2.61	32,748.0	2.65	30,793.0	2.46	25,321.0	2.14
9. Memo: Fitch Eligible Capital	50,061.7	36,655.2	2.77	33,853.4	2.74	30,793.0	2.46	25,321.0	2.14
Exchange rate	USD1 = EUR0.73220			USD1 = EUR0.72510		USD1 = EUR0.75790		USD1 = EUR0.77290	

Societe Generale (SG)
Summary Analytics

	30 Jun 2014 6 Months - Interim	31 Dec 2013 Year End	31 Dec 2012 Year End	31 Dec 2011 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	4.22	4.34	4.57	4.82
2. Interest Expense on Customer Deposits/ Average Customer Deposits	1.87	2.04	2.29	2.43
3. Interest Income/ Average Earning Assets	2.17	2.52	2.79	3.10
4. Interest Expense/ Average Interest-bearing Liabilities	1.35	1.66	1.82	2.08
5. Net Interest Income/ Average Earning Assets	0.91	0.96	1.07	1.19
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.71	0.64	0.75	0.91
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	0.91	0.96	1.07	1.14
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	56.36	56.96	52.28	48.38
2. Non-Interest Expense/ Gross Revenues	66.77	65.04	67.38	69.65
3. Non-Interest Expense/ Average Assets	1.23	1.28	1.33	1.45
4. Pre-impairment Op. Profit/ Average Equity	16.23	17.46	16.96	15.83
5. Pre-impairment Op. Profit/ Average Total Assets	0.63	0.70	0.66	0.64
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	30.71	41.84	48.57	57.60
7. Operating Profit/ Average Equity	11.25	10.16	8.72	6.71
8. Operating Profit/ Average Total Assets	0.44	0.41	0.34	0.27
9. Taxes/ Pre-tax Profit	30.21	17.43	21.79	32.18
10. Pre-Impairment Operating Profit / Risk Weighted Assets	2.28	2.77	2.50	2.15
11. Operating Profit / Risk Weighted Assets	1.58	1.61	1.29	0.91
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	6.15	5.05	2.56	5.87
2. Net Income/ Average Total Assets	0.24	0.20	0.10	0.24
3. Fitch Comprehensive Income/ Average Total Equity	7.74	3.28	5.35	4.79
4. Fitch Comprehensive Income/ Average Total Assets	0.30	0.13	0.21	0.19
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	0.86	0.80	0.38	0.80
7. Fitch Comprehensive Income/ Risk Weighted Assets	1.09	0.52	0.79	0.65
D. Capitalization				
1. Fitch Core Capital/ Risk Weighted Assets	9.84	10.38	9.50	7.25
2. Fitch Eligible Capital/ Risk Weighted Assets	10.45	10.73	9.50	7.25
3. Tangible Common Equity/ Tangible Assets	3.22	3.00	2.85	3.14
4. Tier 1 Regulatory Capital Ratio	12.50	13.40	12.50	10.70
5. Total Regulatory Capital Ratio	14.00	14.70	12.70	11.90
6. Core Tier 1 Regulatory Capital Ratio	n.a.	11.30	10.70	9.00
7. Equity/ Total Assets	3.54	3.81	3.74	3.85
8. Cash Dividends Paid & Declared/ Net Income	68.02	41.47	54.41	74.46
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	54.01	63.92	26.04	91.29
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Internal Capital Generation	2.07	3.14	1.19	1.57
E. Loan Quality				
1. Growth of Total Assets	7.07	(1.25)	5.88	4.35
2. Growth of Gross Loans	2.34	(3.52)	(6.77)	(1.02)
3. Impaired Loans/ Gross Loans	7.60	7.68	7.23	6.94
4. Reserves for Impaired Loans/ Gross Loans	4.70	4.65	4.26	4.20
5. Reserves for Impaired Loans/ Impaired Loans	61.83	60.64	58.84	60.49
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	30.90	33.13	36.00	43.23
7. Impaired Loans less Reserves for Impaired Loans/ Equity	22.77	23.07	23.70	24.08
8. Loan Impairment Charges/ Average Gross Loans	0.61	0.95	0.91	0.75
9. Net Charge-offs/ Average Gross Loans	n.a.	n.a.	n.a.	0.78
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	7.60	7.68	7.23	6.94
F. Funding				
1. Loans/ Customer Deposits	113.03	112.17	122.04	138.11
2. Interbank Assets/ Interbank Liabilities	80.79	77.31	45.20	41.63
3. Customer Deposits/ Total Funding (excluding derivatives)	36.06	38.16	38.14	39.75

Societe Generale (SG)
Reference Data

	30 Jun 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	6 Months - Interim USDm	6 Months - Interim EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	n.a.	n.a.	-	62,565.0	5.06	60,012.0	4.80	61,241.0	5.18
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	n.a.	n.a.	-	129,963.0	10.52	130,144.0	10.40	140,043.0	11.85
6. Other Contingent Liabilities	n.a.	n.a.	-	30,362.0	2.46	21,382.0	1.71	27,555.0	2.33
7. Total Business Volume	1,806,360.3	1,322,617.0	100.00	1,458,152.0	118.04	1,462,427.0	116.91	1,410,211.0	119.37
8. Memo: Risk Weighted Assets	478,967.5	350,700.0	26.52	315,496.0	25.54	324,092.0	25.91	349,300.0	29.57
9. Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Fitch Adjusted Risk Weighted Assets	478,967.5	350,700.0	26.52	315,496.0	25.54	324,092.0	25.91	349,300.0	29.57
B. Average Balance Sheet									
Average Loans	488,319.2	357,547.3	27.03	367,872.0	29.78	389,311.6	31.12	401,741.8	34.01
Average Earning Assets	1,541,381.7	1,128,599.7	85.33	1,101,184.0	89.15	1,081,836.8	86.49	1,058,496.8	89.60
Average Assets	1,740,726.2	1,274,559.7	96.37	1,248,186.6	101.05	1,230,865.4	98.40	1,171,650.4	99.18
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	1,443,577.8	1,056,987.7	79.92	1,034,617.8	83.76	1,023,345.4	81.81	971,988.8	82.28
Average Common equity	63,590.5	46,561.0	3.52	46,110.0	3.73	43,723.2	3.50	43,834.4	3.71
Average Equity	67,351.4	49,314.7	3.73	49,981.2	4.05	47,773.8	3.82	47,479.2	4.02
Average Customer Deposits	437,587.7	320,401.7	24.22	326,646.6	26.44	317,981.0	25.42	318,042.6	26.92
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	10,786.7	7,898.0	0.60	7,395.0	0.60	7,052.0	0.56	10,541.0	0.89
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	63,941.5	46,818.0	3.54	47,026.0	3.81	46,770.0	3.74	45,464.0	3.85
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	12,533.5	9,177.0	0.69	7,075.0	0.57	6,781.0	0.54	5,648.0	0.48
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
4. Published Equity	76,475.0	55,995.0	4.23	54,101.0	4.38	53,551.0	4.28	51,112.0	4.33
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	63,941.5	46,818.0	3.54	47,026.0	3.81	46,770.0	3.74	45,464.0	3.85
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	636.4	466.0	0.04	(589.0)	(0.05)	369.0	0.03	(242.0)	(0.02)
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	5,880.9	4,306.0	0.33	4,972.0	0.40	5,320.0	0.43	6,973.0	0.59
5. Other intangibles	2,239.8	1,640.0	0.12	1,633.0	0.13	1,651.0	0.13	1,679.0	0.14
6. Deferred tax assets deduction	4,767.8	3,491.0	0.26	3,635.0	0.29	4,519.0	0.36	4,143.0	0.35
7. Net asset value of insurance subsidiaries	4,358.1	3,191.0	0.24	3,265.0	0.26	3,273.0	0.26	4,062.0	0.34
8. First loss tranches of off-balance sheet securitizations	210.3	154.0	0.01	184.0	0.01	1,583.0	0.13	3,044.0	0.26
9. Fitch Core Capital	**47,121.0**	**34,502.0**	**2.61**	**32,748.0**	**2.65**	**30,793.0**	**2.46**	**25,321.0**	**2.14**
10. Eligible weighted Hybrid capital	2,940.7	2,153.2	0.16	1,105.4	0.09	0.0	0.00	0.0	0.00
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	**50,061.7**	**36,655.2**	**2.77**	**33,853.4**	**2.74**	**30,793.0**	**2.46**	**25,321.0**	**2.14**
Exchange Rate	USD1 = EUR0.73220			USD1 = EUR0.72510		USD1 = EUR0.75790		USD1 = EUR0.77290	

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.