

Société Générale (GLE FP)

FUNDAMENTAL VIEW ¹

As of 04 Dec 2023

- SocGen's business is not geared to benefit significantly from the higher rate environment, given the quirks of the French market. Its investment banking business is doing well and looks less risky these days.
- The sale of its Russian businesses entailed a large write-down in 1H22, but it had a minimal capital impact and has benefited SocGen's credit profile.
- Capital ratios have improved sizeably in recent years, making its MDA cushion comfortable.
- Asset quality also looks good, with a relatively low cost of risk and decreasing non-performing loans.

RISKS & CATALYSTS

As of 04 Dec 2023

- Exposure to Russia has been managed down significantly. While not completely gone, it now makes up only a small percentage of the bank's balance sheet.
- It has substantial investment banking and capital markets operations that are somewhat less diversified than those of peers, but the business's risk profile has improved.
- Trends in retail banking remain subdued, not helped by low rates and a changing operating environment, although management has already implemented changes in its French business.
- Our central scenario is that earnings will be lumpy for a little while. We expect SocGen to reshape the perimeter of its business operations several times over the next 12-24 months.

CREDIT QUALITY SCORE (CQS)²

As of 22 Jan 2024

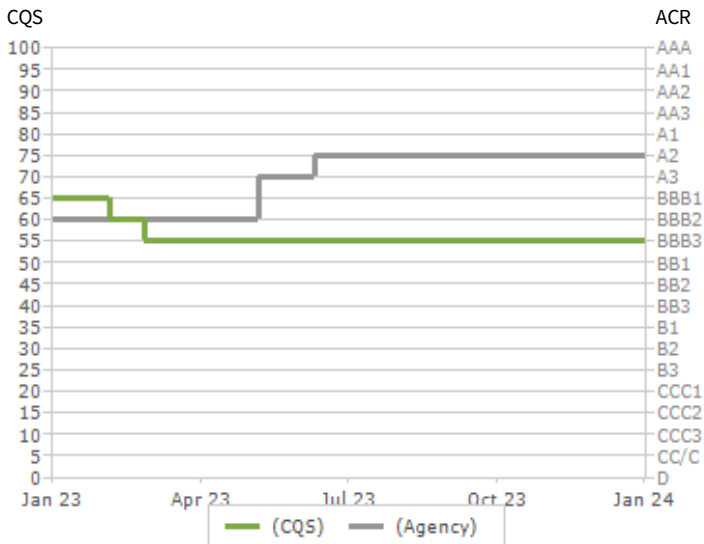
CURRENT CQS

55

CQS OUTLOOK³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS



KEY METRICS

As of 04 Dec 2023

€ MN	3Q23	Y22	Y21	Y20	Y19
Return On Equity	1.7%	2.8%	8.9%	(0.4%)	5.2%
Total Revenues Margin	1.6%	1.8%	1.8%	1.6%	1.9%
Cost/Income	70.4%	66.3%	68.2%	75.6%	71.9%
CET1 Ratio (Transitional)	13.3%	13.5%	13.7%	13.4%	12.7%
CET1 Ratio (Fully-Loaded)	13.2%	13.5%	13.6%	13.2%	12.7%
Leverage Ratio (Fully-Loaded)	4.2%	4.3%	4.8%	4.7%	4.3%
Liquidity Coverage Ratio	147%	145%	129%	153%	124%
Impaired Loans (Gross)/Total Loans	3.3%	3.1%	8.6%	3.7%	3.5%

BUSINESS DESCRIPTION

As of 04 Dec 2023

- SocGen is one of the leading retail and commercial banks in France and is also active in corporate and investment banking internationally. It has strong franchises in equipment financing, car leasing and fleet management.
- Its operations are split into French Retail Banking, Private Banking & Insurance, International Retail Banking, Mobility & Leasing Services, Global Banking & Investor Solutions, and a Corporate Centre.
- Retail banking in France includes the Société Générale, Crédit du Nord and Boursorama brands. In December 2020, it announced the merger of the Société Générale & Crédit du Nord networks, largely in order to reduce the number of branches.
- International Retail Banking includes operations in Western Europe, Czech Republic, Romania, Africa/Asia & Other Mediterranean regions.
- The acquisition of LeasePlan, and Boursorama's agreement to take over ING's French retail business, highlight SocGen's determination to extend its franchise.

GLOSSARY

- ¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.
 - ² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.
 - ³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.
 - ⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.
- Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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