Creditreform Bank Rating

Société Générale SA (Group) as parent of

Crédit du Nord SA

Creditreform Rating

Rating Object	Rating Information			
Société Générale SA (Group) as parent of Crédit du Nord SA	Long Term Issuer Rating / Outlook: **BBB+ / negative**		Short Term: **L3**	Type: Update unsolicited
	Rating of Bank Capital and Unsecured Debt Instruments:			
	Preferred Senior Unsecured: **BBB+**	Non-Preferred Senior Unsecured: **BBB**	Tier 2: **BB**	Additional Tier 1: **BB-**

Creditreform ID:	552120222
Incorporation:	1864
(Main-) Industry:	Banks
Management:	Frédéric Oudéa (CEO) Diony Lebot Philippe Aymeric Séverin Cabannes (until 31 December 2020)

Rating Date:	**17 November 2020**
Monitoring until:	withdrawal of the rating
Rating Methodology:	CRA "Bank Ratings v.2.0" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.0" CRA "Environmental, Social and Governance Score for Banks v.1.0" CRA "Rating Criteria and Definitions v.1.3"
Rating History:	www.creditreform-rating.de

Our rating of Crédit du Nord is reflected by our rating opinion of Société Générale SA (Group) due to its group structure. Therefore we refer to our rating report of Société Générale SA (Group) from 17 November 2020.

Contents

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Key Rating Driver

Strengths

+ Large G-SIB, third largest banking group based in France based on total assets
+ Large presence in France, Western Europe and North America.
+ Solid asset quality, low RWA ratio

Weaknesses

- High cost income ratio through high baseline expense burden paired with average operating income base
- Large increase in cost of risk in the first three quarters of 2020 compared to 2019
- Net loss probable in 2020 in light of COVID-19 crisis
- Low regulatory capital ratios compared to peer group
- Sluggish growth in loan portfolio

Opportunities / Threats

+/- Retreat from Eastern and Southeastern Europe, focus on core markets

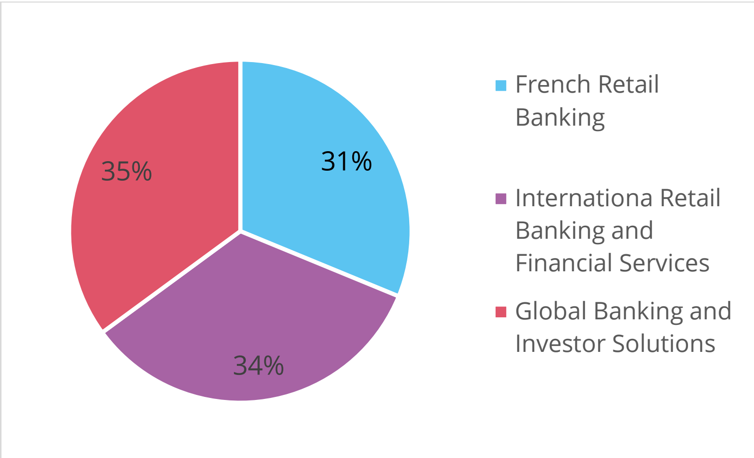
- Uncertainty about scope, consequences and duration of COVID-19 crisis

Company Overview

Société Générale (in the following: SG or bank) was founded in 1864 and thus belongs to one of the three oldest commercial banks in France. It is one of the largest European financial services groups and operates a diversified, universal banking model. The bank employs more than 138,000 staff in 62 countries and serves 29 million clients.

SG operates three core businesses: "French Retail Banking", "International Retail Banking and Financial Services" and "Global Banking and Investor Solutions". "French Retail Banking" comprises SG, Crédit du Nord (regional banks) and Boursorama (online bank) brands, each offering omnichannel products and services. "International Retail Banking" offers insurance and financial services to corporates with networks around the globe. "Global Banking" offers expertise, key international locations and integrated solutions. Each business segment accounts more or less for a third of operating income.

Chart 1: Share of Net Banking Income on group level for SG| Source: Website of Universal Registration Document 2020



In November 2017, the group announced the "2020 Strategic and Financial Plan". The main emphasis rests on five strategic and operational priorities, namely to maintain healthy growth, to accelerate ongoing transformation processes, especially in the digital realm, to maintain cost discipline as well as fostering a culture of responsibility through-out the company. Since then, the bank's strategic plan has been restated to "transform to grow" and updated its goals. The aims of "transform to grow" are growth, fostering a culture of responsibility, to further transform the business model, to deliver on costs and to complete the refocusing. Financial targets set out by "transform to grow" are increased profitability (ROE 2020 > 2019), solid capital levels (CET1 ratio > 12%) and dividend payout ratio of 50%.

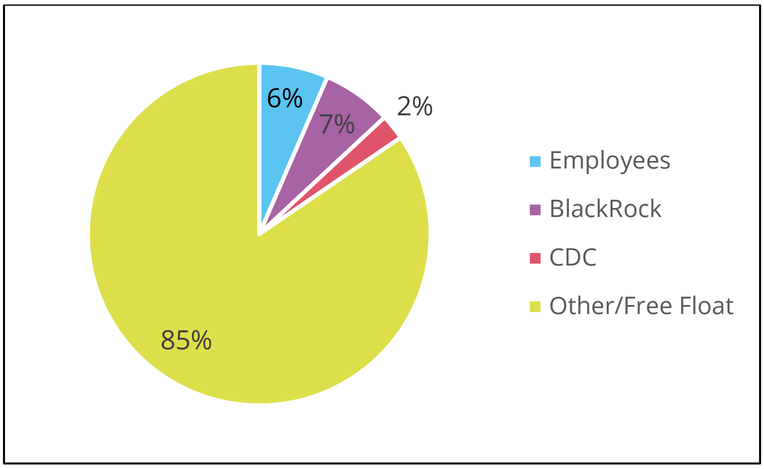
Part of the refocus is to sell or close business lines which have failed to gain traction in the respective markets, hence SG sold many smaller subsidiaries in the fiscal year

2019, mostly banks in in eastern and southeastern Europe. Four of the biggest stakes on sale were SG Express Bank (Bulgaria, €3.4bn in assets), Euro Bank S.A. (Poland, €3.4bn in assets), SKB Groupe (€3bn in assets) and SG Bank Srbija a.d. (Serbia, €2.7bn in assets). Five of the overall disposals went to OTP Bank, a competitor in Hungary, the rest to other local competitors. The result from all deposals was recorded in 'Income/Expense from Other Assets' and amounted to a loss of €277m in 2019. Major investments in 2019 included the acquisition of Equity Capital Markets and Commodities from Commerzbank AG. In late September 2020, SG announced the study of a merger between its SG and Credit du Nord banks into a single retail bank with 10 million clients, citing potential synergies and cost savings, boosting profitability.

In light of the COVID-19 crisis, to support customers in time of need, the bank and the authorities have enacted two main support measures. First, moratoria have been granted on principal and interest for a few months. Second, the French State granted guaranteed loans in the framework of the French Amending Finance Act of 2020 in March 2020, granting financing at cost with guarantees of up to 90%. To assess credit losses, SG previously used three distinct macro scenarios. Due to the COVID-19 crisis, per half-year 2020 SG built four new scenarios to better reflect the crisis at hand. A "base" scenario expects a sharp decline of GDP, which quickly rebounds in 2021 to almost 2019 levels, a "prolonged" which expects a sharper decline with an extension of the lockdown, subsequently lesser consumption and slower political response as well as best-case and worst-case scenarios ("quick exit" and "tail risk") with low probabilities. The base case has a probability of 65%, the prolonged scenario a probability of 25% and the best- and worst-case scenarios a probability of 5% each. SG expect the French GDP to shrink by only 1.5% in the optimistic scenario, and by 11.1% in the prolonged scenario, exceeding even the tail-risk scenario slightly. The base case scenario predicts a 5.8% contraction of the French economy. All scenarios but the tail-risk scenario expect a solid rebound in 2021 and a tapering off in the following years. This development will, according to SG, be very similar most other economies as well, only differing in scale. As such, the models of expected credit losses have been updated to take into account the changed macro scenarios and support measures by the government. In light of a second wave of the epidemic, the French State ordered a second lockdown at the end of October 2020, closing non-essential business such as restaurants and bars, leaving schools and factories open.

A breakdown of major shareholders of SG can be found in Chart 2 below:

Chart 2: Major shareholders of SG. | Source: Website of SG



Business Development

Profitability

SG reported a solid performance in 2019 with a net profit of €3.95bn, shy of about €0.87bn compared to the previous year. There was not a single, deciding factor responsible, but generally declining general profitability paired with rising administrative and risk costs.

The main staple of income, net interest income, increased slightly by €0.17bn over the previous year, as an increase in interest income was overshadowed by a bigger increase in interest expense. Net fee and commission income was down by €0.27bn or 4.8%. Net insurance income increase by €0.2bn, with larger increases in both insurance income and expense. Net trading income decreased by €0.73bn or 14.1%. As a result, operating income was down by €0.54bn or about 2%.

Depreciation and amortization increased markedly by €0.48bn due to IFRS 16 and the activating operating leases. Personnel expense increased by 4.1% or about €0.4bn, while other expense decreased by €0.71bn. As a result, operating expense was marginally higher with €0.12bn compared to the previous year, resulting in an operating result that was down by €0.66bn or over 9%, a significant step back. Over the course of the last four years, the operating result generally declined amidst a continuing low interest environment. After stagnating cost of risk in the previous year, the bank reported an impairment expense of €1.31bn, which was €0.24 higher (+22.8%) than in the previous year, but still comparatively low amidst a solid economic background.

The pre-tax profit was down by €0.91bn (-14.8%) and the net profit on a consolidated level was down by €0.87bn (-18%) to €3.95bn.

The COVID-19 crisis already made a profound mark on overall profitability of the Group in the first half of 2020. The Group share of net income after non-controlling interests was -€1.59bn after a profit of €1.74bn in the first half of 2019 (-€3.3bn). A lower expense for personnel in the first half year 2020 of about €0.6bn could not counter the reduction in net gains on financial transactions of almost €1.6bn. All types of income declined relative to the previous year's first half; only the insurance net income increased slightly over the previous year. Net interest income and net fees, the major income sources for SG, recorded lower net income in the order of about €0.4bn combined. Operating income was down in total by about €1.5bn compared to the first half of 2019. Cost of risk increased massively by over €1.5bn to €2.1bn, nearly quadrupling. The credit risk increased mainly due to the change in credit loss calculation (+€0.64bn), denotchings and transfers of credit outstandings (especially corporates) given the deteriorating economy (stage 1 and 2), as well as increase in stage 3 outstandings and additional allocations therein. Additionally, there were irreversible adjustments of goodwill to the order of -€0.68bn as well as loss under income tax due to a reduction of deferred tax assets to the order of €0.65bn due to COVID-19 and the decline in future income prospects. The overall result was a €3.46bn decrease in consolidated net income, a €1.38bn loss overall in the first half of 2020.

The bank's profitability rebounded in Q3 2020, as COVID-19 restrictions were lifted and the economy restarted. Net banking income declined only marginally over Q3 2019 (-2.9%), but operating expenses decreased drastically (-8.2%), resulting in a higher operating profit (+9.1%) over the previous year's third quarter. While cost of risk was still up by more than half over Q3 2019, it was down drastically from the previous quarter. With positive net income in Q3 2020, the year-to-date loss decreased to about €0.73bn. With a second lockdown in progress in many markets of SG's operations, it is doubtful that SG can keep up the momentum to prevent a year-over-year loss.

A detailed group income statement for the years of 2016 through 2019 can be found in Figure 1 below:

Figure 1: Group income statement | Source: eValueRate / CRA

Income Statement	2016	2017	2018	%	2019
Income (€m)					
Net Interest Income	9.467	10.416	11.019	+1,5	11.185
Net Fee & Commission Income	6.699	6.823	5.524	-4,8	5.257
Net Insurance Income	609	250	1.724	+11,5	1.922
Net Trading Income	6.653	5.485	5.145	-14,1	4.419
Equity Accounted Results	129	92	56	< -100	-129
Dividends from Equity Instruments	460	503	44	-6,8	41
Other Income	3.263	3.459	3.565	+7,6	3.837
Operating Income	**27.280**	**27.028**	**27.077**	**-2,0**	**26.532**
Expenses (€m)					
Depreciation and Amortisation	939	1.006	1.004	+48,1	1.487
Personnel Expense	9.455	9.749	9.561	+4,1	9.955
Tech & Communications Expense	2.126	2.265	2.400	-3,0	2.328
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	327	415	-59	-45,8	-32
Other Expense	6.077	7.403	6.990	-10,2	6.277
Operating Expense	**18.924**	**20.838**	**19.896**	**+0,6**	**20.015**
Operating Profit & Impairment (€m)					
Pre-impairment Operating Profit	**8.356**	**6.190**	**7.181**	**-9,2**	**6.517**
Asset Writedowns	2.049	1.052	1.064	+22,8	1.307
Net Income (€m)					
Non-Recurring Income	-	-	-	-	-
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	**6.307**	**5.138**	**6.117**	**-14,8**	**5.210**
Income Tax Expense	1.969	1.708	1.304	-3,1	1.264
Discontinued Operations	-	-	-	-	-
Net Profit (€m)	**4.338**	**3.430**	**4.813**	**-18,0**	**3.946**
Attributable to minority interest (non-controlling interest)	464	624	692	+0,9	698
Attributable to owners of the parent	3.874	2.806	4.121	-21,2	3.248

With the decrease in general profitability, related income ratios declined as well.

SG has struggled with high costs in the immediate past, and 2019 proved no different. The Cost Income Ratio (CIR) increased by almost two percentage points to 75.4%, well in excess of the average CIR of its competitors. Excluding trading and securities income, the difference is not as stark, but still SG performed sub-par. At the same time, general profitability was not far off: the return on equity at 5.75% was only a fraction of a percent shy of the peer group; the same was true for the net financial margin. The implication is that SG generally suffers from high costs, rather than lack of income profitability.

The COVID-19 crisis had unsurprisingly a significant impact on the earnings situation of SG. Income from general banking activities plummeted, specifically in line item financial transactions. Cost reductions, specifically personnel expense, could not counter these developments sufficiently. As a result, even before risk costs, the operating result decreased significantly compared to the first half of 2019. Paired with immense cost of risk associated with COVID-19, half-year 2020 profits were negative. As a result, most income ratios were negatively impacted. CRA considers it unlikely that SG will turn a profit in 2020, especially considering the generally worsening situation, as the second wave of the pandemic is in full swing. If SG does not return to a positive net profit in the medium term, SG may face recapitalization and/or significant cost reductions, possibly paired with significant disposals of holdings in order to streamline operations.

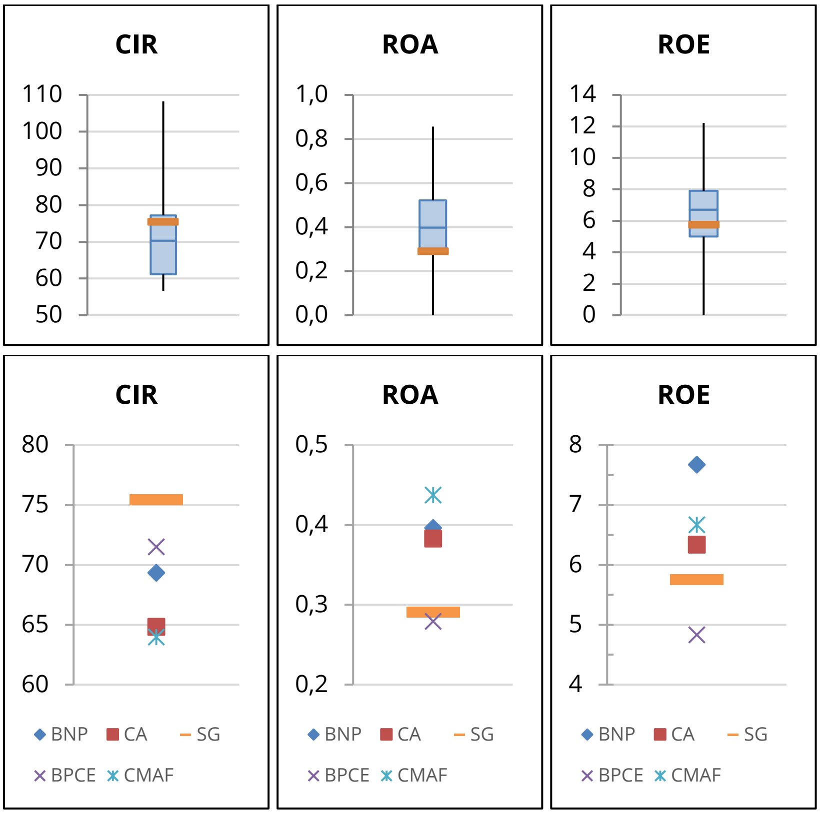
A detailed overview of the income ratios for the years of 2016 through 2019 can be found in Figure 2 below:

Figure 2: Group key earnings figures| Source: eValueRate / CRA

Income Ratios (%)	2016	2017	2018	%	2019
Cost Income Ratio (CIR)	69,37	77,10	73,48	+1,96	75,44
Cost Income Ratio ex. Trading (CIRex)	91,74	96,73	90,72	-0,20	90,51
Return on Assets (ROA)	0,32	0,27	0,37	-0,08	0,29
Return on Equity (ROE)	6,60	5,36	7,31	-1,56	5,75
Return on Assets before Taxes (ROAbT)	0,47	0,40	0,47	-0,08	0,38
Return on Equity before Taxes (ROEbT)	9,60	8,02	9,30	-1,70	7,60
Return on Risk-Weighted Assets (RORWA)	1,22	0,97	1,28	-0,14	1,14
Return on Risk-Weighted Assets before Taxes (RORWAbT)	1,77	1,45	1,63	-0,12	1,51
Net Interest Margin (NIM)	1,29	1,35	1,55	-0,10	1,45
Pre-Impairment Operating Profit / Assets	0,62	0,49	0,55	-0,07	0,48
Cost of Funds (COF)	1,40	1,32	1,14	+0,05	1,19
Change in %Points					

The peer group analysis is conducted using three box plot charts of representative earnings figures for the overall peer group and a peer group of large French banks each. The box plots for the CIR shows that the bank's cost basis is sub-par. The value of 75.4% registers barely in the third quartile of the overall peer group. The median CIR sits at just above 70%. In comparison with four other large French banks, SG displays the second highest ratio, indicating a poor cost basis, given that the margin on financial assets is comparable to the peer group. Return on assets (ROA) and return on equity (ROE) register in the second quartile, but on the lower end of the spectrum of the overall peer group. In the comparison with the other French banks, SG's ROA and ROE ratios are the second lowest. Overall, SG's profitability ratios are deemed below average.

Chart 3: CIR, ROA & ROE of SG in comparison to the peer group | Source: eValueRate / CRA



Asset Situation and Asset Quality

The balance sheet size increased only slightly in 2019 with an increase of €46.9bn (+3.6%) over the previous year. Main drivers if this increase was the increase in total securities with a plus of €29.4bn, mainly through in increase in holdings of shares and other equity securities. Net loans to customers only increased by €9,6bn (2.3%) over the previous year. Insurance assets increased markedly by €18.2bn (+12.4%).
Residential credit risk exposure is borne primarily by residential mortgages, which are responsible for 54% of risk, while retail loans accounted for a further 26%. The three largest sectors of corporate credit risk exposure were Finance & Insurance (17%), Business services (10.8%) and Real estate (10.1%). Retail and Corporate credit risk exposure totaled 55% in the fiscal year 2019 (2018: 57%), with Sovereign (23%) and Institutions (12%) accounting for another 35%. In terms of geographic break down of credit risk, France and Western Europe ex France account for about two thirds of total credit risk on group level. North America accounts for a further 14%. 89% of credit risk was concentrated in major industrialized countries, according to SG.

The balance sheet size increased quite markedly by €97.1bn (+7.2%) in the first half of 2020. Cash due from central banks as well as financial assets at fair value through profit and loss accounted for most of the increase, with €42.1bn and €33.4bn each. The latter increased primarily through increases in the trading portfolio, specifically in terms of trading derivatives. In the first half year of 2020, moratoriums were granted on a nominal of €32bn in outstanding loans (France: €20.2bn), varying country by country, often in terms of payment deferments on principal and interest. In France, the bank has contributed to the implementation of support measures by the State through State guaranteed loans (PGE), among other things. The loans are guaranteed up to 90% by the French State, the loans themselves cannot exceed three months of the burrower's turnover. The loans have a deferment of repayment of one year, and can be either repaid in full or over the course of up to five years. The bank keeps a share of the guarantee premium paid by the borrower, corresponding to the taken risk. As per 30 June 2020, the carrying amount of these loans on the balance sheet of SG was approximately €12.5bn (<3% of customer loans). Customer loans overall only increased by €8.3bn (+1.8%).

A detailed look at the development of the asset side of the balance sheet for the years of 2016 through 2019 can be taken in Figure 3 below:

Figure 3: Development of assets| Source: eValueRate / CRA

Assets (€m)	2016	2017	2018	%	2019
Cash and Balances with Central Banks	96.186	114.404	96.585	+5,9	102.311
Net Loans to Banks	46.612	44.322	48.821	-9,2	44.336
Net Loans to Customers	403.069	404.227	421.151	+2,3	430.703
Total Securities	475.527	428.791	144.505	+20,3	173.897
Total Derivative Assets	187.182	148.754	135.220	+13,2	153.087
Other Financial Assets	36.322	37.548	197.959	-12,5	173.309
Financial Assets	**1.244.898**	**1.178.046**	**1.044.241**	**+3,2**	**1.077.643**
Equity Accounted Investments	1.096	700	249	-55,0	112
Other Investments	630	638	17	-23,5	13
Insurance Assets	-	-	146.768	+12,4	164.938
Non-current Assets & Discontinued Ops	4.252	13	13.502	-66,6	4.507
Tangible and Intangible Assets	25.688	29.168	31.386	+12,4	35.266
Tax Assets	6.421	6.001	5.819	-0,7	5.779
Total Other Assets	71.437	60.562	67.446	+0,9	68.045
Total Assets	**1.354.422**	**1.275.128**	**1.309.428**	**+3,6**	**1.356.303**

The asset quality improved generally in the fiscal year 2019 compared to 2018. The NPL ratio decreased further to 3.2%. Only 4 years ago it stood at 6%. While still being higher than the average of the peer group, the overall trend has been positive. Noteworthy is the significant decline in the RWA ratio of more than 3 percentage points, or a relative decrease of more than 11%. This decrease alone has a noteworthy effect on regulatory capital ratios. Cost of risk compared to RWA and total assets stood at 38bp and 10bp, respectively, being above average compared to the peer group.

In light of the COVID-19 crisis, the asset-quality has yet to deteriorate significantly. Stage 3 exposure (NPL) of retail and corporate outstandings has only increased by about 7.3%, while lending increased by 3.6% or roughly half of that. Stage 2 assets (potential problem loans), however, have increased by 36.1%. This increase, primarily through corporate customers, predominantly stems from the deteriorating economic environment. CRA expects that in the medium term the general improvement of asset quality of the past years will reverse. Problem loans (Stage 2) exposure generally increased much more for competitor banks, however. It is yet to be seen whether this is a delayed response for SG or whether the asset quality is generally better. The very light increase in NPL exposure is comparable to competitors, however.
In Q3 2020, in light of the economic rebound, asset quality did not decline further, as doubtful outstandings (Stage 3) remained nominally unchanged, while problematic outstandings (Stage 2) even decreased over the previous quarter. With a renewed lockdown in most markets of operations of SG, this development might well reverse, however.

A detailed overview of the asset quality for the years of 2016 through 2019 can be found in Figure 4 below:

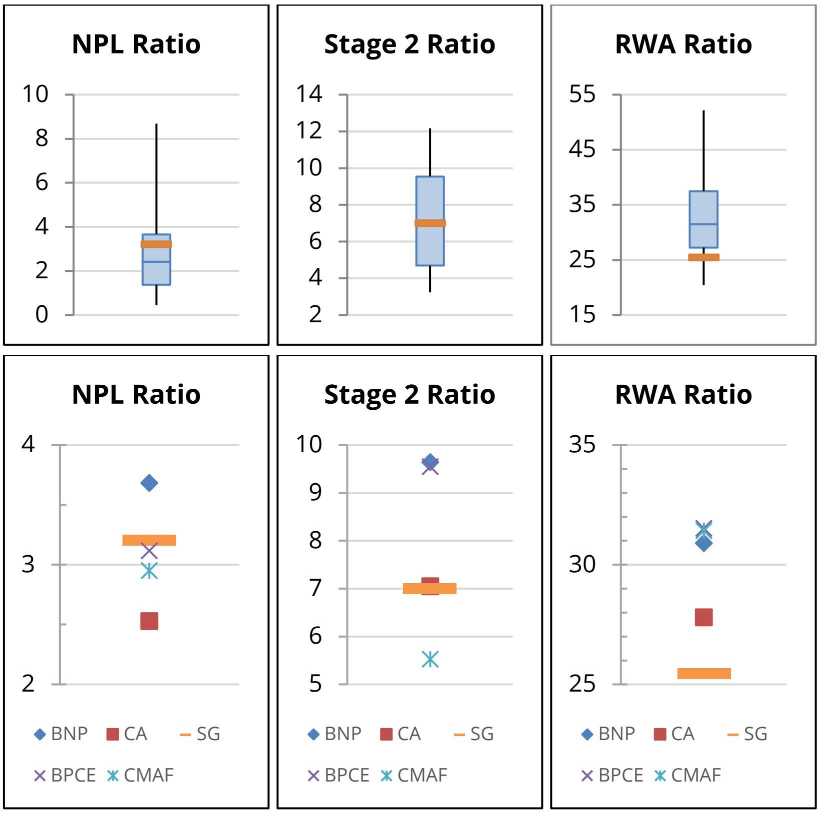
Figure 4: Development of asset quality| Source: eValueRate / CRA

Asset Ratios (%)	2016	2017	2018	%	2019
Net Loans/ Assets	29,76	31,70	32,16	-0,41	31,76
Risk-weighted Assets/ Assets	26,25	27,71	28,72	-3,28	25,44
NPLs*/ Net Loans to Customers	6,00	5,25	3,60	-0,40	3,20
NPLs*/ Risk-weighted Assets	6,80	6,01	5,07	-0,03	5,04
Potential Problem Loans**/ Net Loans to Customers	1,31	1,65	7,39	-0,39	7,00
Reserves/ NPLs*	61,30	58,97	60,02	+1,66	61,68
Reserves/ Net Loans	3,68	3,10	2,72	-0,22	2,49
Net Write-offs/ Net Loans	0,51	0,26	0,25	+0,05	0,30
Net Write-offs/ Risk-weighted Assets	0,58	0,30	0,28	+0,10	0,38
Net Write-offs/ Total Assets	0,15	0,08	0,08	+0,02	0,10
Level 3 Assets/ Total Assets	0,49	0,52	0,45	-0,01	0,44
Change in %Points					

* NPLs are represented from 2017 onwards by Stage 3 Loans.
** Potential Problem Loans are Stage 2 Loans where available.

The peer group analysis of asset quality is conducted using three box plots of representative asset ratios for the overall peer group and a selected peer group of French Banks each. In the 2019 fiscal year median NPL ratio of the overall peer group was 2.4%. SG's NPL ratio was 3.2%, thus reporting a slightly higher ratio. The NPL ratio reported in comparison to the French peers was average. SG’s reported Stage 2 ratio was close to the median of the overall peer group with 7%, and close to average of the other French banks. The RWA ratio amounted to only 25.4% and was thus in the first quartile of the observed peer group. The median of the overall peer group was 31.5%. Compared to its French peers, SG had by far the lowest RWA ratio. In light of this comparison, the asset quality of SG is considered to be solid. The asset quality segment performed best in our analysis.

Chart 4: NPL and RWA ratios of SG in comparison to the peer group | Source: eValueRate / CRA



Refinancing and Capital Quality

No singular item class on the liabilities side funded the growth in lending and overall balance sheet growth. Deposits grew only modestly with 2.6% (+€10.5bn) to €409,9bn mainly due to growth in demand deposits, with deposits from banks and total debt providing additional funds with about €7.7bn and €10bn each. The increase in derivative liabilities was in line with the increase in derivative assets. Insurance liabilities increased by over 11% or €14.7bn to €144.3bn due to underwriting reserves. Non-current liabilities and discontinued operations decreased by €9.1bn due to the disposal of several banks in southeastern Europe. Other liabilities increased by €8.4bn as the first time application of IFRS 16 meant activating of operating leasing obligations. The total equity position increased by €2.76bn or 4.2% over the previous year. Included in this change was a capital increase of around €1bn as part of a dividend payment as well as part of compensation for employees as well as the dividend for the previous year totaling €1.8bn.

As previously mentioned in the asset section, the balance sheet increased quite tremendously over the past half year (€97bn or 7.2%). The largest increase stemmed from financial liabilities at fair value through profit and loss, which increased by almost €41bn. The most of this increase was due to an increase in holdings of trading derivatives, which accounted for about €38.5bn. Customer deposits increased by €25.9bn, mostly from demand deposits, presumably over lack of spending opportunities paired with propensity to save in the midst of job insecurity. Equity decreased by €2.9bn compared to the end of 2019 due to the interim loss, exacerbated by the release of deeply subordinated notes to the order of €1.1bn.

A detailed overview of the development of liabilities for the years of 2016 through 2019 can be found in Figure 5 below:

Figure 5: Development of refinancing and capital adequacy| Source: eValueRate / CRA

Liabilities (€m)	2016	2017	2018	%	2019
Total Deposits from Banks	82.678	87.974	95.068	+8,1	102.741
Total Deposits from Customers	397.357	394.228	399.410	+2,6	409.852
Total Debt	287.311	256.629	129.653	+7,7	139.633
Derivative Liabilities	191.192	155.294	138.196	+12,2	155.003
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	124.765	109.090	258.904	-5,7	244.054
Total Financial Liabilities	**1.083.303**	**1.003.215**	**1.021.231**	**+2,9**	**1.051.283**
Insurance Liabilities	112.777	130.958	129.543	+11,4	144.259
Non-current Liabilities & Discontinued Ops	3.612	-	10.454	-87,2	1.333
Tax Liabilities	1.444	1.662	1.157	+13,1	1.308
Provisions	5.687	6.117	4.605	-2,5	4.488
Total Other Liabilities	81.893	69.139	76.629	+11,0	85.062
Total Liabilities	**1.288.716**	**1.211.091**	**1.243.619**	**+3,5**	**1.287.733**
Total Equity	**65.706**	**64.037**	**65.809**	**+4,2**	**68.570**
Total Liabilities and Equity	**1.354.422**	**1.275.128**	**1.309.428**	**+3,6**	**1.356.303**

No dividends were distributed for 2019, as such the regulatory capital ratios increased by 60bp in comparison to the posted results of 2019. As such, the reported ratios for regulatory capital were 13.3% for CET1, 15.7% for Tier 1 and 18.9% for Total Capital. The ratios jumped in comparison to 2018. One particular reason was the decrease in total risk-weighted assets of about 8.3%. Additionally, Total Capital increased by more than €3.2bn, and Common Equity Tier 1 by over €4.8bn. Both factors elevated the ratios on average by about 2.3%. The minimum requirement for the CET1 ratio was 9.62% at the beginning of 2019, hiked to 9.87% by 1 March 2019 up to 10.03% by the beginning of 2020. The Leverage Ratio stood at a relatively low level of 4.3%, which is well in excess of the regulatory minimum of 3%, but also more than a percentage point short of the Group's competitors.

In the first half of 2020, the CET1 ratio declined by 1 percentage point to 12.5%, the Tier 1 ratio by 0.8 percentage point. This puts the CET1 closer to regulatory limits. A sudden jump in RWA exposure for example through increased credit risk as well as continued losses might lead to a breaking of the minimum requirements. In Q3 2020, the situation eased, as the CET1 ratio returned back to 13.2% in light of the general economic recovery. Total Capital was reported at 18.2% and the Leverage ratio at 4.4%, close to values reported at year-end 2019. The renewed lockdown due to the second wave of Covid-19 is likely to put pressure on the capital ratios once more.

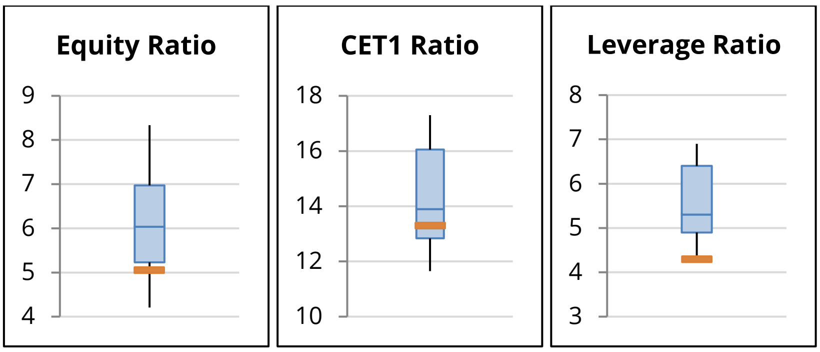
A detailed overview of the development of capital ratios for the years of 2016 through 2019 can be found in Figure 6 below:

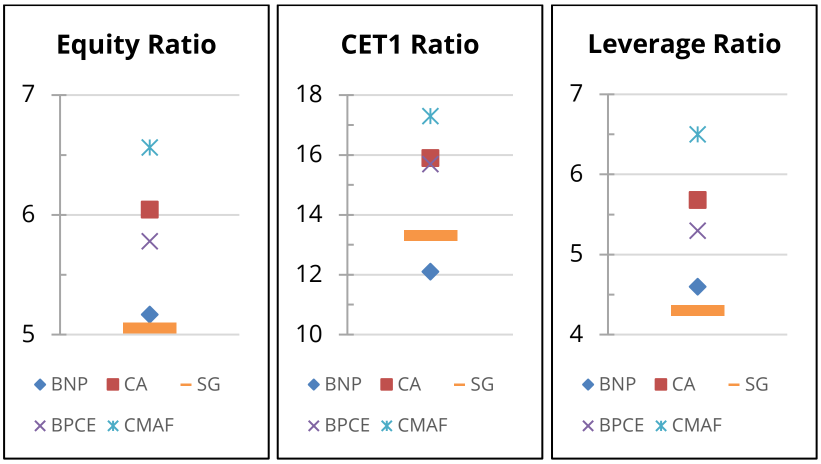
Figure 6: Development of capital ratios | Source: eValueRate / CRA

Capital Ratios (%)	2016	2017	2018	%	2019
Total Equity/ Total Assets	4,85	5,02	5,03	+0,03	5,06
Leverage Ratio	4,20	4,30	4,20	+0,10	4,30
Fully Loaded: Common Equity Tier 1 Ratio (CET1)	11,50	11,40	10,90	+2,40	13,30
Fully Loaded: Tier 1 Ratio (CET1 + AT1)	14,50	13,80	13,40	+2,30	15,70
Fully Loaded: Total Capital Ratio (CET1 + AT1 + T2)	17,90	17,00	16,50	+2,40	18,90
Change in %Points					

The peer group analysis of the capital ratios is based on three selected, representative box plots for the overall peer group and a group of selected French banks each. The observed equity ratio for SG stood at 5.06%, well below the median of the peer group at around 6%. Hence, CA is located just outside the second quartile, indicating below average capitalization. The comparison with French peers paints the same picture, performing worst of the large French banks. The CET1 ratio was slightly below average at 13.3% in 2019, while the median of the overall peer group was at 13.9%, and only one bank of the French peer group reported a worse CET1 ratio in 2019. The Leverage ratio, on the other hand, was reported at only 4.3% and was thus at the lowest end of the observed peer group. The median of the peer group stood one percentage point above the value of SG. With all French peers present in the overall peer group, it comes as no surprise that in this smaller group of banks, SG performed worst. Overall, while reporting low capital ratios compared to the peer group, the differential in absolute percentage terms was not large. Given the bank’s size and access to capital markets in addition to the sufficient buffer towards regulatory limits, we see no immediate need to act.

Chart 5: CET1 and Leverage ratios of SG in comparison to the peer group | Source: eValueRate / CRA





Due to the capital and debt structure, the class of Preferred Senior Unsecured Bonds at Group level is not downgraded compared to the Long-Term Issuer Rating. Due to the seniority structure, bonds in the Non-Preferred Senior Unsecured class are downgraded one notch below the Long-Term Issuer Rating. Tier 2 capital is downgraded four notches below the Long-Term Issuer Rating due to the capital and debt capital structure and due to the seniority structure, Additional Tier 1 capital is downgraded five notches below the Long-Term Issuer Rating reflecting the high bail-in risk in case of a resolution.

Liquidity

The interbank exposure is, with 43.2%, on the lower side and implies a smaller contagion risk in general. The Liquidity Coverage Ratio (LCR) decreased to 119% but was well in excess of the minimum ratio of 100%. CRA expects no liquidity squeeze for banks in the Eurozone in general, given the generous liquidity policy of the ECB. As such, we deem the liquidity situation of SG as satisfactory.

A detailed overview of the development of liquidity for the years of 2016 through 2019 can be found in Figure 7 below.

Figure 7: Development of liquidity | Source: eValueRate / CRA

Liquidity (%)	2016	2017	2018	%	2019
Net Loans/ Deposits (LTD)	101,44	102,54	105,44	-0,36	105,09
Interbank Ratio	56,38	50,38	51,35	-8,20	43,15
Liquidity Coverage Ratio	142,00	140,00	129,00	-10,00	119,00
Customer Deposits / Total Funding (excl. Derivates)	36,20	37,34	36,13	+0,05	36,18
Change in %Points					

Environmental, Social and Governance (ESG) Score Card

SG has one significant and two moderate ESG rating drivers

• Corporate Governance is identified as a highly significant rating driver but is rated neutral in terms of the CRA ESG criteria.. The relevance for the credit rating results from the impact of the Corporate Governance factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated neutral in light of the Bank reporting negative earnings due to the COVID-19 crisis, as one of the few large European lenders to do so, mitigated by its status as G-SIB and stable leadership

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated positive due to fair amount of green bonds, Coporate Behaviour is rated negative due the misconduct in recent years in relation with money laundering, fraud, corruption investigations and plentitude of lawsuits pending.

ESG Score
3,4 / 5

ESG Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
< = 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2020	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	1.2 Exposure to Environ-mental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)
Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)
Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	4	( )
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated negative in terms of the CRA ESG criteria.	3	(-)
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)

ESG Relevance Scale	
5	Highest Relevance
4	High Relevance
3	Moderate Relevance
2	Low Relevance
1	No significant Relevance

ESG Evaluation Guidance	
(+ +)	Strong positive
(+)	Positive
( )	Neutral
(-)	Negative
(- -)	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage https://creditreform-rating.de/en/about-us/regulatory-requirements.html. In addition, we refer to CRA's position paper "Consodering the Impact of ESG Factors".

Conclusion

The fiscal year 2019 has been a solid year for SG, but fell short of reaching 2018 levels of success. Against the background of stagnating costs and a continued negative trend in revenues, as well as slightly higher risk costs, net profit was about one-fifth lower. The low interest rate environment continued to weigh on net interest income and the fee and commission business was also unable to make any headway with a decline. Even before COVID-19, the average risk costs of peer group banks were already rising, and SG's risk costs were also more than one-fifth higher than in the previous year, albeit starting from a low base. Taking into account a continued increase in business volume, the key earnings figures in some cases fell sharply, and it was evidently not possible to convert the additional business into increased earnings. Asset quality has improved continuously against the backdrop of a favorable economic development. Regulatory capital ratios increased significantly in the past financial year, but this was mainly due to the strong relative reduction in RWA rather than an intrinsic improvement in capitalization, as the balance sheet equity ratio remained remarkably stable over the past three years. The generous dividend policy is not conducive to this development, even though no dividend could be paid out in the reporting year due to COVID-19.

The COVID-19 crisis has made the forecasts for 2020 an exercise in futility in the banking industry as a whole. Across the sector, risk provisions and the volume of problem loan exposures are rising sharply, with only the NPL ratios so far showing little sign of being affected. In the medium term, CRA expects decreasing margins and high risk costs, which will have a severe impact on results. Banks in the euro zone, which are already under strain, will find it increasingly difficult to live off traditional sources of income. The general shift towards commission income will not remain unaffected by the crisis, as income from payment transactions in particular is increasingly disappearing due to the crisis in the retail sector.

This development has a severe impact on the business model of SG. Retail banking will experience an accelerated shift towards online banking. At the same time, the commission-based business in retail payments is likely to be permanently lower, as shopping habits continue to steer towards online business and large online retailers with established proprietary payment methods or affiliated fintechs. Small and medium-sized enterprises, especially in the service sector, are severely affected by the crisis due to lack of reserves, possibly devastating local service based economies. France is one of the most severely affected countries, and credit exposure to the home market of France was still a staggering 45%. In addition, the other big markets of operation are similarly ravaged by COVID-19, such as the US (12% exposure), Czechia (5%), Great Britain (4%), Italy (2%) and others. Nevertheless, SG is still fairly diversified across income segments and markets of operations, especially given that many European banking giants still mostly do business in their home regions. Interim results for the fiscal year 2020 indicate a looming net loss in 2020. A stark decline in net banking income paired with high risk costs associated with COVID-19 depressed earnings significantly. Against this backdrop, asset quality did not decline as drastically as it did for competitor banks, and cost cutting measures as well as disinvestment in non-significant markets appear more effective compared to other major players. The strategic plan "transform to grow" so far seems to aid SG, as important cost-cutting and streamlining ventures had already been set in motion in the previous years.

The COVID-19 crisis and with it the worsening earnings prospects as well as declining asset quality put negative pressure on the Long-Term Issuer Rating of SG. The stable capital situation as well as the updated rating methodology, which amongst others rewards size and diversification, exert positive pressure on the rating of SG. Hence, the Long-Term Issuer Rating is confirmed at 'BBB+'. The Short-Term Issuer Rating is downgraded to 'L3', reflecting the worsening business climate, in line with our rating methodology.

Outlook

The outlook of the Long-Term Issuer Rating of SG is set to 'negative' from 'watch negative'. In the medium term, CRA expects a deterioration in profitability and asset quality, with the recent Europe-wide lockdowns aggravating the situation. The bank already reported a negative net income in the first wave, and CRA expects a negative result for the whole of 2020.

Scenario Analysis

Best-case scenario: A

Worst-case scenario: BB+

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In a scenario analysis, the bank is able to reach an 'A' Long-Term Issuer Rating in the "best case" scenario and a 'BB' rating in the "worst case" scenario. If SG delivers on its strategic plan of streamlining its businesses and successfully reduces costs and at the same time weathering the COVID-19 crisis, we could upgrade SG's rating. The looming net loss in 2020 would have to prove to be a one-off and at the same time asset quality would have to stabilize or increase.
A downgrade however is likely if SG fails to implement further cost cutting measures, sees a further decline in overall profitability or even extends the losses so far incurred by COVID-19. A material worsening of the capital ratios might additionally lead to a downgrade. At this stage, SG's Long-Term Issuer Rating faces significant headwinds and is closely bounded to the upside, while there are significant downside risks.

The ratings of bank capital and (preferred/non-preferred) senior unsecured debt would behave similarly due to our rating mechanics. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

Appendix

Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Outlook / Short-Term **BBB+ / negative / L3**

Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred Senior Unsecured Debt (PSU): **BBB+**
Non-Preferred Senior Unsecured Debt (NPS): **BBB**
Tier 2 (T2): **BB**
Additional Tier 1 (AT1): **BB-**

Rating History

Please consult our website for additional information regarding the dates of publication.

Figure 8: Rating History

Bank Issuer Rating	Rating Date	Result
Initialrating	23.05.2018	BBB+ / stable / L2
Rating Update	16.08.2019	BBB+ / stable / L2
Monitoring	24.03.2020	BBB+ / NEW / L2
Rating Update	17.11.2020	BBB+ / negative / L3
Bank Capital and Debt Instruments	**Rating Date**	**Result**
Senior Unsecured / T2 / AT1 (initial)	23.05.2018	BBB+ / BB / BB-
PSU / NPS / T2 / AT1	16.08.2019	BBB+ / BBB / BB / BB-
PSU / NPS / T2 / AT1	24.03.2020	BBB+ / BBB / BB / BB- (NEW)
PSU / NPS / T2 / AT1	17.11.2020	BBB+ / BBB / BB / BB-
Subsidiaries of the Bank	**Rating Date**	**Result**
Crédit du Nord SA		
Initialrating	23.05.2018	BBB+ / stable / L2
Rating Update	16.08.2019	BBB+ / stable / L2
Monitoring	24.03.2020	BBB+ / NEW / L2
Rating Update	17.11.2020	BBB+ / negative / L3
Bank Capital and Debt Instruments of Crédit du Nord SA		
Senior Unsecured / T2 / AT1 (Initial)	14.12.2018	BBB+ / BB / BB-
PSU / NPS / T2 / AT1	29.11.2019	BBB+ / BBB / BB / BB-

PSU / NPS / T2 / AT1	24.03.2020	BBB+ / BBB / BB / BB- (NEW)
PSU / NPS / T2 / AT1	17.11.2020	BBB+ / BBB / BB / BB-
Société Générale SCF SA		
Initialrating	23.05.2018	BBB+ / stable / L2
Rating Update	16.08.2019	BBB+ / stable / L2
Monitoring	24.03.2020	BBB+ / NEW / L2
Rating Update	17.11.2020	nr. / n.r. / n.r.
Bank Capital and Debt Instruments of Société Générale SCF SA		
Senior Unsecured / T2 / AT1 (Initial)	14.12.2018	BBB+ / BB / BB-
PSU / NPS / T2 / AT1	29.11.2019	BBB+ / BBB / BB / BB-
PSU / NPS / T2 / AT1	24.03.2020	BBB+ / BBB / BB / BB- (NEW)
PSU / NPS / T2 / AT1	17.11.2020	nr. / n.r. / n.r. / n.r.
Société Générale SFH SA		
Initialrating	23.05.2018	BBB+ / stable / L2
Rating Update	16.08.2019	BBB+ / stable / L2
Monitoring	24.03.2020	BBB+ / NEW / L2
Rating Update	17.11.2020	nr. / n.r. / n.r.
Bank Capital and Debt Instruments of Société Générale SFH SA		
Senior Unsecured / T2 / AT1 (Initial)	14.12.2018	BBB+ / BB / BB-
PSU / NPS / T2 / AT1	29.11.2019	BBB+ / BBB / BB / BB-
PSU / NPS / T2 / AT1	24.03.2020	BBB+ / BBB / BB / BB- (NEW)
PSU / NPS / T2 / AT1	17.11.2020	nr. / n.r. / n.r. / n.r.

Figure 9: Crédit du Nord SA income statement | Source: eValueRate / CRA

Income Statement	2016	2017	2018	%	2019
Income (€m)					
Net Interest Income	1.095	981	933	-4,5	891
Net Fee & Commission Income	827	853	859	-1,1	849
Net Insurance Income	-	-	-	-	-
Net Trading Income	90	60	116	-42,7	66
Equity Accounted Results	33	38	41	-16,7	34
Dividends from Equity Instruments	-	-	8	-6,3	7
Other Income	18	20	27	-5,2	26
Operating Income	**2.063**	**1.953**	**1.983**	**-5,5**	**1.873**
Expenses (€m)					
Depreciation and Amortisation	71	73	76	+43,2	108
Personnel Expense	701	690	692	-0,0	692
Tech & Communications Expense	13	19	394	-1,4	388
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	-	1	-1	> +100	-5
Other Expense	472	526	160	-1,8	157
Operating Expense	**1.256**	**1.309**	**1.320**	**+1,5**	**1.340**
Operating Profit & Impairment (€m)					
Pre-impairment Operating Profit	**807**	**644**	**663**	**-19,6**	**533**
Asset Writedowns	136	113	71	-30,2	50
Net Income (€m)					
Non-Recurring Income	-	-	-	-	-
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	**671**	**531**	**592**	**-18,3**	**484**
Income Tax Expense	166	159	173	-10,1	155
Discontinued Operations	-	-	-	-	-
Net Profit (€m)	**505**	**372**	**419**	**-21,7**	**328**
Attributable to minority interest (non-controlling interest)	-	-	-	-	-
Attributable to owners of the parent	-	-	419	-21,7	328

Figure 10: Crédit du Nord SA key earnings figures| Source: eValueRate / CRA

Income Ratios (%)	2016	2017	2018	%	2019
Cost Income Ratio (CIR)	60,89	67,03	66,56	+4,97	71,54
Cost Income Ratio ex. Trading (CIRex)	63,66	69,16	70,69	+3,47	74,16
Return on Assets (ROA)	0,80	0,53	0,59	-0,15	0,45
Return on Equity (ROE)	16,30	11,05	11,91	-2,51	9,40
Return on Assets before Taxes (ROAbT)	1,07	0,75	0,84	-0,18	0,66
Return on Equity before Taxes (ROEbT)	21,65	15,77	16,82	-2,98	13,84
Return on Risk-Weighted Assets (RORWA)	2,78	1,98	2,15	-0,49	1,66
Return on Risk-Weighted Assets before Taxes (RORWAbT)	3,69	2,83	3,04	-0,59	2,45
Net Interest Margin (NIM)	1,93	1,52	1,52	-0,19	1,33
Pre-Impairment Operating Profit / Assets	1,28	0,91	0,94	-0,21	0,72
Cost of Funds (COF)	0,72	0,63	0,40	+0,10	0,51
Change in %Points					

Figure 11: Development of assets of Crédit du Nord SA | Source: eValueRate / CRA

Assets (€m)	2016	2017	2018	%	2019
Cash and Balances with Central Banks	4.755	8.444	9.660	-6,2	9.065
Net Loans to Banks	7.225	11.260	10.196	-1,1	10.087
Net Loans to Customers	38.845	41.238	42.925	+8,6	46.603
Total Securities	8.154	6.199	4.647	-7,5	4.300
Total Derivative Assets	2.326	1.552	1.610	+18,1	1.902
Other Financial Assets	-	-	1	-83,3	0
Financial Assets	**61.305**	**68.694**	**69.039**	**+4,2**	**71.956**
Equity Accounted Investments	312	352	226	-1,9	222
Other Investments	4	3	3	-4,0	2
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	0	0	0	+0,0	0
Tangible and Intangible Assets	1.042	1.058	1.170	+0,2	1.172
Tax Assets	70	70	51	-48,3	26
Total Other Assets	195	244	257	+8,2	278
Total Assets	**62.929**	**70.419**	**70.746**	**+4,1**	**73.657**

Figure 12: Development of asset quality of Crédit du Nord SA | Source: eValueRate / CRA

Asset Ratios (%)	2016	2017	2018	%	2019
Net Loans/ Assets	61,73	58,56	60,68	+2,59	63,27
Risk-weighted Assets/ Assets	28,86	26,68	27,55	-0,73	26,81
NPLs*/ Net Loans to Customers	7,15	7,22	5,30	-0,93	4,37
NPLs*/ Risk-weighted Assets	15,29	15,85	11,67	-1,36	10,31
Potential Problem Loans**/ Net Loans to Customers	0,45	8,30	0,00	+0,00	0,00
Reserves/ NPLs*	55,66	52,34	61,45	+1,41	62,86
Reserves/ Net Loans	3,98	3,78	3,25	-0,51	2,75
Net Write-offs/ Net Loans	0,35	0,27	0,17	-0,06	0,11
Net Write-offs/ Risk-weighted Assets	0,75	0,60	0,36	-0,11	0,25
Net Write-offs/ Total Assets	0,22	0,16	0,10	-0,03	0,07
Level 3 Assets/ Total Assets	0,40	0,27	0,37	-0,07	0,30
Change in %Points					

* NPLs are represented from 2017 onwards by Stage 3 Loans.
** Potential Problem Loans are Stage 2 Loans where available.

Figure 13: Development of refinancing and capital adequacy of Crédit du Nord SA | Source: eValueRate / CRA

Liabilities (€m)	2016	2017	2018	%	2019
Total Deposits from Banks	6.776	12.481	13.723	+19,6	16.415
Total Deposits from Customers	39.858	42.397	43.108	+8,3	46.704
Total Debt	9.402	9.309	5.713	-47,5	2.997
Derivative Liabilities	2.343	1.565	1.640	+18,3	1.940
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	-	-	1.643	-70,8	479
Total Financial Liabilities	**58.379**	**65.752**	**65.826**	**+4,1**	**68.534**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	395	267	279	-7,9	257
Provisions	165	167	167	+5,8	177
Total Other Liabilities	892	865	955	+25,2	1.196
Total Liabilities	**59.831**	**67.051**	**67.227**	**+4,4**	**70.164**
Total Equity	**3.098**	**3.368**	**3.519**	**-0,7**	**3.493**
Total Liabilities and Equity	**62.929**	**70.419**	**70.746**	**+4,1**	**73.657**

Figure 14: Development of capital ratios of Crédit du Nord SA | Source: eValueRate / CRA

Capital Ratios (%)	2016	2017	2018	%	2019
Total Equity/ Total Assets	4,92	4,78	4,97	-0,23	4,74
Leverage Ratio	3,00	3,00	3,10	+0,00	3,10
Fully Loaded: Common Equity Tier 1 Ratio (CET1)	10,80	11,10	11,20	+0,10	11,30
Fully Loaded: Tier 1 Ratio (CET1 + AT1)	10,80	11,70	11,80	+0,10	11,90
Fully Loaded: Total Capital Ratio (CET1 + AT1 + T2)	13,10	14,30	14,10	+0,10	14,20
Change in %Points					

Figure 15: Development of liquidity of Crédit du Nord SA | Source: eValueRate / CRA

Liquidity (%)	2016	2017	2018	%	2019
Net Loans/ Deposits (LTD)	97,46	97,27	99,58	+0,21	99,78
Interbank Ratio	106,63	90,21	74,30	-12,85	61,45
Liquidity Coverage Ratio	125,80	136,20	132,60	-9,00	123,60
Customer Deposits / Total Funding (excl. Derivates)	69,33	64,74	65,73	+2,73	68,46
Change in %Points					

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following scheme clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	No
With Access to Internal Documents	No
With Access to Management	No

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA. Subject to a peer group analysis were 24 competing institutes.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website www.creditreform-rating.de. The rating was carried out on the basis of the rating methodology for bank ratings as (Version 2.0), the methodology for the rating of bank capital and unsecured debt instruments (Version 2.0) as well as the rating methodology for Environmental, Social and Governance Score for Banks (Version 1.0) in conjunction with Creditreform's basic document Rating Criteria and Definitions (Version 1.3).

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions (Version 1.3) are published on our homepage:

https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html

On 17 November 2020, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Société Générale SA, and the preliminary rating report was made available to the bank. There was no change in the rating score.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

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To prepare this credit rating, CRA has used following substantially material sources:

1. Aggregated data base by eValueRate

2. Annual Report and interim reports

3. Investors relations information and other publications

4. Website of the rated bank

5. Public and internal market analyses

6. Internet research

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

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