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SocGen targets 9% core Tier 1 ratio by 2013

By [Emma Newlands](#)

[Société Générale SA](#)'s aim to achieve a core Tier 1 capital ratio of 9% by 2013 under Basel III is "achievable," analysts told SNL Financial.

The French banking giant announced in a June 9 presentation the increase in its core capital ratio objectives.

Chairman and CEO Frédéric Oudéa said the bank is targeting a core Tier 1 ratio of at least 9% in 2013, up 50 basis points from its previous goal of 8.5%, which was based on conservative mitigation efforts.

SocGen said the 9% figure is feasible with further optimization of legacy assets capital consumption, arbitrages within the group portfolio of activities and risk-weighted assets optimization and control.

Oudéa said he is "definitely committed" to the higher figure, and expressed his confidence in the bank's ability to achieve it.

Shailesh Raikundlia, banks and specialty financials analyst at MF Global, told SNL Financial that the bank should be able to achieve its aim, as it has not taken account of any mitigating factors before.

He noting the bank's previous core Tier 1 ratio prediction, and said the bank has had slightly better earnings so far.

Raikundlia said SocGen had been fairly conservative on the mitigation side, such as the reduction of risk-weighted assets ahead of Basel III regulations. SocGen believes that it can accelerate the disposal of some of those assets, and therefore mitigate the impact.

Raikundlia said the bank achieving the 9% ratio is "probably achievable" with increased mitigation coming through.

Alpha Value banking analyst Christophe Nijdam told SNL Financial that his team ran its own scenario for 39 European banks at the level of 9% core Tier 1 ratio for 2013.

He said for the four French banks it examined — Société Générale, [Crédit Agricole SA](#), [BNP Paribas SA](#) and [Natixis](#) — the total equity requirement totaled close to €12 billion.

"But, surprisingly Société Générale has the lowest need, of €300 million or €400 million," he said.

Based upon Alpha Value's calculations, SocGen is in the best position among the French banks to succeed in not having to raise equity at a level of 9%, the analyst said.

The lender said it identified measures on legacy assets securing 30 basis points gain of core Tier 1.

SocGen also said risk-weighted assets were flat in the fourth quarter of 2010 and first quarter of 2011, which added 10 basis points to its 2013 core Tier 1 figure, compared to the initial expectation.

And it stated that it has significantly reduced its risk profile and will deliver growth at lower risk.

The bank said that as part of its Ambition 2015 strategy, it aims to create a leading player in Russia, which constitutes a small part of the bank's total business, and accelerate growth in areas with higher banking penetration potential.

Oudéa said the bank is "confident" about Russia, noting that "from a financial perspective... this country is in a good shape compared with many developed countries."

Highlighting SocGen's ambitions in Russia, Raikundlia noted that there have been some issues in the country in terms of impairments and loan quality, but predicted that those issues should improve considerably.

"We are expecting Russia to improve quite significantly going forward," the analyst said.