Creditreform Bankrating
Crédit Agricole SA (Group)

Creditreform Rating
www.creditreform-rating.de

Rating object	Rating information		
Crédit Agricole SA (Group)	**Long Term Issuer Rating:** A	**Short Term:** L2	**Outlook:** Stable

Creditreform ID: 784608416
Incorporation: 1894
(Main-) Industry: Banks
Management: Philippe Brassac (CEO)
Jérôme Grivet (Dep. General Manager & CFO)
Pascal Célérier (Dep. MD, Head of Op. & Transf.)
Dominique Lefebvre (Chairman of the Board)

Rating of Bank Capital and Unsecured Debt Instruments:

Senior Unsecured	Tier 2	Additional Tier 1
A	BBB-	BB+

Prepared on: **05 May 2017**
Monitoring until: withdrawal of the rating
Publication: 14 February 2018
Rating type: **unsolicited**
Rating system(s): bank ratings; rating of bank capital and unsecured debt instruments
Rating history: www.creditreform-rating.de

Inhalt

SWOT-Analysis

Strengths

+ Profitable and stable business model, broad diversification
+ Strong market position
+ Well above average earnings figures (especially ROAA and ROAE)
+ Cost-Income-Ratio exceeds peers
+ Moderate payout ratio policy of Crédit Agricole SA strengthens capital base

Weaknesses

- Despite above average earnings figures, net interest margin sub-par compared to peers
- Significantly worse LCR compared to peers
- Interbank ratio reversed; break from previous years

Opportunities / Threats

+ Convincing Strategic Ambition 2020 plan
+ Broad diversification provides many avenues of potential growth
+ Dividend payout policy is moderate
+/- Moderate liquidity
- High reliance on French and Italian market
- High volatility in net insurance and net trading income in periods analyzed

Analysts

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Lead-Analyst

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Co-Analyst / Senior Analyst

Company Overview

The Crédit Agricole Mutuel was founded as a mutual bank on November 5th, 1894. The listed Crédit Agricole S.A. (CASA) acts as a central institution and, together with 2,471 local banks and 39 regional banks, forms the cooperative banking group of Crédit Agricole S.A. (hereinafter “CA” or “group”). The group has around 27 million retail customers in France, over 9 million mutual shareholders and about 140,000 employees worldwide.

The group is a leading actor in many fields in its home market of France, for example as the biggest provider of credit to the French economy. The group’s asset manager Amundi S.A. has just recently become the biggest in Europe with the acquisition of an Italian asset manager. The group also has set its eyes on three Italian savings banks to increase its customer base and foothold in Italy. The group has launched a comprehensive modernization and efficiency driven plan to boost profitability and to make it future-proof. The so-called “Strategic Ambition 2020” is now in its second year as of 2017.

The structure of the banking group and the services offered are as follows:

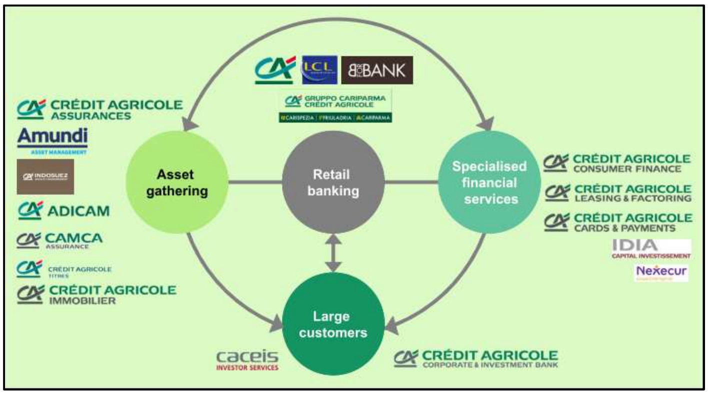

Chart 1: Group structure and services of Crédit Agricole Group
(Source: website of Crédit Agricole)

The 39 regional banks and their 2,471 local banks hold the majority of the shares in Crédit Agricole S.A. through the holding company SAS Rue La Boétie. The regional banks are independent companies, but share common group values. The Fédération nationale du Crédit Agricole (FNCA) is regarded as the "parliament of the regional banks”, in which the regional banks are represented, managed, and where strategic goals and directions are set. Crédit Agricole S.A., as a central institution, coordinates all the activities of the group and the strategies of the specialized branches in France as well as abroad. The ownership structure of CASA is as follows:

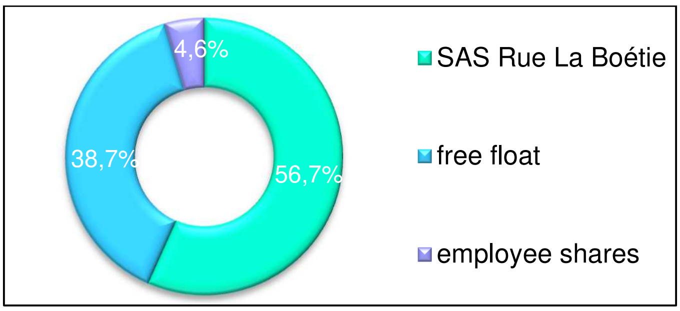

Chart 2: Major shareholders of Crédit Agricole S.A.

Business Development

Performance

Over three fifths of the Group's operating income stems from net interest payments. This figure has declined over the years, both as a fraction as well as in total value. As many other banks, Crédit Agricole Group suffers from the low interest rate environment. The main driver of lower interest income was lower customer interest income which could not be offset by generally lower interest expenses. This net interest decline was not countered by the other large driver of operating income, net fees and commission income, which account for more than a fourth of the total. The share has largely stagnated over the past years, both in fraction as in total value. The other large staple of operating income, net trading income, shows high volatility and an overall decrease in importance as a major constituent of operating income. Responsible for the year-over-year (YOY) decrease were lower net gains for securities held at fair value and lesser realized gains on securities. Total net expenses related to the insurance business have been greatly reduced over the past years, where lower euro policy reserves were the major driver of the YOY decrease. The net insurance business – before investment income – is still unprofitable and therefore has a negative impact on income. For details see Figure 1. In total, operating income over the last years has at best been stagnant with the exception of 2015. As of 2016, operating income decreased by €1.8bn (5.5%) to €30.8bn.

At the same time, expenses have steadily crept up each year. Personnel expense accounts for well over half of total expenses, but its share of total expenses has decreased YOY. Other expenses, which account for over a third of total expenses, have moderately expanded as well. The main driver of the total increase is other provisions, which account for almost half of the entire increase. Compared to the other years, however, 2015 was an anomalous year due to a fine of €691m ($787m) which was charged against provisions (€350m). If not for the fine, expenses would have increased at rates comparable to previous years.

As a result, the pre-impairment operating profit is down by almost €2.6bn. Paired with similar asset write-downs and a nonrecurring profit of €355.2m (buyout of Visa Europe by American Visa Inc.), the pre-tax profit is only down by €1.7bn compared to 2015 and in line with profits of the years prior. In 2016, the group posted a net profit of almost €5.2bn, down about €1.3bn YOY but in line with previous years.

A detailed group income statement for the years 2013-2016 can be found in Figure 1 below:

Income Statement	2013	%	2014	%	2015	%	2016	%
Income (€000)								
Net Interest Income	20,980,000	67.4%	19,516,000	64.9%	19,983,000	61.2%	19,136,000	62.0%
Net Fee & Commission Income	8,758,000	28.1%	8,814,000	29.3%	8,916,000	27.3%	8,770,000	28.4%
Net Insurance Income	-5,047,000	-16.2%	-7,276,000	-24.2%	-3,967,000	-12.2%	-2,316,000	-7.5%
Net Trading Income	5,007,000	16.1%	7,741,000	25.7%	5,679,000	17.4%	3,035,800	9.8%
Equity Accounted Results	190,000	0.6%	-387,000	-1.3%	475,000	1.5%	499,000	1.6%
Dividends from Equity Instruments	1,113,000	3.6%	1,466,000	4.9%	1,310,000	4.0%	1,572,000	5.1%
Rental Revenue	129,000	0.4%	122,000	0.4%	215,000	0.7%	168,000	0.5%
Lease and Rental Revenue	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other Noninterest Income	9,000	0.0%	80,000	0.3%	32,000	0.1%	-22,000	-0.1%
Operating Income	**31,139,000**	**100%**	**30,076,000**	**100%**	**32,643,000**	**100%**	**30,842,800**	**100%**
Expenses (€000)								
Depreciation and Amortisation	1,034,000	5.4%	1,016,000	5.3%	1,048,000	5.3%	1,111,000	5.4%
Personnel Expense	10,971,000	56.9%	11,044,000	57.5%	11,319,000	57.7%	11,432,000	56.1%
Occupancy & Equipment	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Marketing and Promotion Expense	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Other Provisions	90,000	0.5%	32,000	0.2%	-217,000	-1.1%	173,000	0.8%
Other Expense	7,185,000	37.3%	7,108,000	37.0%	7,467,000	38.1%	7,670,000	37.6%
Operating Expense	**19,280,000**	**100%**	**19,200,000**	**100%**	**19,617,000**	**100%**	**20,386,000**	**100%**
Operating Profit & Impairment (€000)								
Pre-impairment Operating Profit	**11,859,000**		**10,876,000**		**13,026,000**		**10,456,800**	
Asset Writedowns	4,295,000		3,108,000		2,902,000		3,089,000	
Net Income (€000)								
Nonrecurring Revenue	NA		0		NA		355,200	
Nonrecurring Expense	NA		0		NA		0	
Pre-tax Profit	**7,565,000**		**7,768,000**		**9,440,000**		**7,723,000**	
Income Tax Expense	2,159,000	28.5%	2,478,000	31.9%	2,988,000	31.7%	2,582,000	33.4%
Discontinued Operations	99,000		-7,000		-21,000		31,000	
Net Profit	**5,505,000**		**5,283,000**		**6,431,000**		**5,172,000**	

Figure 1: Group income statement
(Source: S&P Global Market Intelligence)

The developments above are mirrored in key earnings figures. Important metrics such as ROAA, ROAE, RoRWA and net interest margin are all down over the previous year. However, when compared to the peer group, these metrics are still well above average, even after relatively drastic, negative changes YOY. The exceptional 2015 numbers proved unattainable in 2016. The net interest margin continues to suffer amid a low interest environment, whereas the return on equity is subject to increasing capital requirements and falling net profit. The return on average assets is subject to the same falling net profit, as is the return on risk-weighted assets. The cost income ratio, especially ex trading, gives the group a competitive edge over its peers. It has suffered a setback in 2016 which can be attributed mostly to lower profits in trading, as the ratio changed only very little ex trading.

Q3 2017 numbers indicate stable earnings. Barring any surprises in the last quarter, the ROAA should meet or exceed the full year 2016 figure. ROAE and RoRWA are down compared to Q3 2016.

A detailed view of key earnings figures for the years 2013-2016 can be found in Figure 2 below:

Income Ratios (%)	2013	%	2014	%	2015	%	2016	%
Return on Average Assets (ROAA)	0.28	NA	0.31	0.02	0.37	0.06	0.30	-0.07
Return on Equity (ROAE)	7.03	NA	6.10	-0.93	6.79	0.69	5.13	-1.66
RoRWA	1.11	NA	1.06	-0.05	1.27	0.21	1.00	-0.27
Net Interest Margin	1.17	NA	1.22	0.05	1.22	0.00	1.16	-0.07
Cost income Ratio ex. Trading	73.78	NA	85.96	12.18	72.75	-13.21	73.31	0.56
Cost income Ratio	61.92	NA	63.84	1.92	60.10	-3.74	66.10	6.00
Change in % Points								

Figure 2: Group key earnings figures
(Source: S&P Global Market Intelligence)

Assets and Asset Quality

Financial assets make up to 95% of the balance sheet, where net loans to customers provide the majority with total securities close behind, cash being a distant third. In the past few years we have observed a growth in retail lending in excess of 4% a year, while the position of total securities has fallen. The cash positions have fallen from a share of almost 10% in 2013 to 7.4% in 2016. Financial assets of over €350bn held by the group's insurance companies are found in the financial assets categories set out in IAS 39, contrary to its liabilities which remain partially valued under French GAAP (see Figure 5 in the section below).

A detailed look at the asset side for the years 2013-2016 can be taken in Figure 3 below:

Assets (€000)	2013	%	2014	%	2015	%	2016	%
Cash and Cash Equivalents	166,927,000	9.9%	159,555,000	9.1%	129,340,000	7.6%	127,361,000	7.4%
Net Loans to Customers	710,796,000	42.1%	709,884,000	40.3%	740,386,000	43.6%	773,964,000	44.9%
Total Securities	712,155,000	42.2%	791,984,000	44.9%	740,417,000	43.6%	729,354,000	42.3%
Financial Assets	**1,590,447,000**	**94%**	**1,661,883,000**	**94%**	**1,610,669,000**	**95%**	**1,631,148,000**	**95%**
Equity Accounted Investments	4,595,000	0.3%	4,278,000	0.2%	6,570,000	0.4%	7,021,000	0.4%
Other Investments	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Insurance Assets	1,472,000	0.1%	1,530,000	0.1%	1,596,000	0.1%	1,695,000	0.1%
Noncurrent Assets HFS & Discontinued Ops	1,296,000	0.1%	246,000	0.0%	441,000	0.0%	591,000	0.0%
Tangible and Intangible Assets	26,504,000	1.6%	27,026,000	1.5%	28,731,000	1.7%	28,786,000	1.7%
Tax Assets	6,590,000	0.4%	5,710,000	0.3%	6,189,000	0.4%	5,512,000	0.3%
Total Other Assets	57,360,000	3.4%	62,041,000	3.5%	44,663,000	2.6%	48,096,000	2.8%
Total Assets	**1,688,264,000**	**100%**	**1,762,714,000**	**100%**	**1,698,859,000**	**100%**	**1,722,849,000**	**100%**

Figure 3: Development of assets
(Source: S&P Global Market Intelligence)

Asset quality has remained largely unchanged compared to the previous year. The decrease in reserve / impaired loans ratio is due to an increase in impaired loans; however, as a fraction of total loans, impaired loans have decreased overall. Problem loans / risk-weighted assets (RWA) has increased slightly after a 3-year decrease. RWA as a fraction of total assets has grown slightly to surpass 30%. When compared to the peer group, the asset quality of Crédit Agricole Group is average. Only the group's reserve as a fraction of impaired loans is significantly higher compared to its peers, especially compared to French rival banks.

As of Q2 2017, the Impaired Loans Ratio was further declining and the ratio of Reserves and Impaired Loans was stable.

A detailed look at the Asset Quality for the years 2013-2016 can be taken in Figure 4 below:

Asset-Quality (%)	2013	%	2014	%	2015	%	2016	%
Gross Impaired Loans / Loans	3.73	NA	3.68	-0.05	3.46	-0.22	3.42	-0.04
Problem Loans / RWA	5.74	NA	5.45	-0.30	5.18	-0.27	5.23	0.05
Potential Problem Loans / NPL	NA	NA	NA	0.00	NA	0.00	NA	0.00
Reserve / Impaired Loans	82.75	NA	82.25	-0.50	82.45	0.20	79.54	-2.91
Net Write-offs / Risk-adjusted Assets	NA	NA	NA	0.00	NA	0.00	NA	0.00
Risk-weighted Assets/ Assets	28.25	NA	28.08	-0.17	29.99	1.91	30.24	0.25
*Change in %Points								

Figure 4: Development of asset quality
(Source: S&P Global Market Intelligence)

Refinancing and Capital Adequacy

Financial liabilities make up 77% of total liabilities and equity, a share which has declined slightly over the past years. Deposits of banks have waned, while deposits of customers are up. The latter make up over 43% of the total. Total debts as well as derivative liabilities as other major financial liabilities have decreased both in relative as well as in total terms over the course of the last 4 years. Insurance liabilities make up the biggest slice of the remainder of liabilities which are not financial, a share which has steadily increased over the course of the last years.

Equity, with increased capital demands in accordance to the Basel accords, has increased by over one fourth over the last 4 years and now stands at 6% of total assets, a figure which is average across peers.

A detailed look at the Liabilities side for the years 2013-2016 can be taken in Figure 5 below:

Liabilities (€000)	2013	%	2014	%	2015	%	2016	%
Total Deposits from Banks	103,019,000	6.4%	102,957,000	6.2%	96,762,000	6.0%	82,953,000	5.1%
Total Deposits from Customers	640,725,000	39.9%	626,500,000	37.5%	670,382,000	41.9%	699,063,000	43.2%
Total Debt	322,663,000	20.1%	313,047,000	18.7%	268,222,000	16.7%	267,500,000	16.5%
Derivative Liabilities	189,389,000	11.8%	229,715,000	13.7%	194,293,000	12.1%	181,960,000	11.2%
Securities Sold, not yet Purchased	30,246,000	1.9%	34,876,000	2.1%	22,097,000	1.4%	19,940,000	1.2%
Other Financial Liabilities	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total Financial Liabilities	**1,286,042,000**	**80%**	**1,307,095,000**	**78%**	**1,251,756,000**	**78%**	**1,251,416,000**	**77%**
Insurance Liabilities	256,542,000	16.0%	285,215,000	17.1%	294,831,000	18.4%	308,027,000	19.0%
Unit-Linked Insurance and Investment Contr.	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Tax Liabilities	2,239,000	0.1%	2,892,000	0.2%	2,505,000	0.2%	2,658,000	0.2%
Noncurrent Asset Retirement Obligations	1,683,000	0.1%	2,041,000	0.1%	1,913,000	0.1%	2,042,000	0.1%
Other Provisions	4,700,000	0.3%	4,785,000	0.3%	4,199,000	0.3%	4,468,000	0.3%
Total Other Liabilities	54,520,000	3.4%	68,984,000	4.1%	45,849,000	2.9%	50,690,000	3.1%
Total Liabilities	**1,606,604,000**	**95.2%**	**1,671,012,000**	**94.8%**	**1,601,438,000**	**94.3%**	**1,619,675,000**	**94.0%**
Total Equity	**81,660,000**	**4.8%**	**91,702,000**	**5.2%**	**97,421,000**	**5.7%**	**103,174,000**	**6.0%**
Total Passiva	**1,688,264,000**	**100%**	**1,762,714,000**	**100%**	**1,698,859,000**	**100%**	**1,722,849,000**	**100%**
Deposits from Customers Growth*	0.27	NA	-2.22	-2.49	7.00	9.22	4.28	-2.73
*Change in %Points								

Figure 5: Development of refinancing and capital adequacy
(Source: S&P Global Market Intelligence)

Capital ratios have generally increased over the last years, in line with increasing capital adequacy requirements. Both Core Tier 1 as well as Tier 1 ratios have increased markedly and remain slightly above ratios achieved by the group's peer group. The 2016 improvement was chiefly due to the inclusion of the year's net income after adjustments, offset in part by an increase in RWA.

The EU-wide stress test conducted by the EBA in 2016 left the capital ratios of Crédit Agricole Group well above Pillar 1 requirements. Based off 2015 numbers, the stress test left the group with a projected CET1 ratio of 10.5% and a projected Leverage Ratio of 5%

(4.7% fully loaded) in 2018, both well above requirements. On average, the adverse scenario resulted in a 4.5% lower CET1 ratio. Crédit Agricole Group fared better with a 3% reduction. The leverage ratio in the adverse scenario received an average hit of 1%, lowering it to 4.2% in 2018. Crédit Agricole Group started off higher and received a smaller hit (0.6%), yielding a leverage ratio of 5% in 2018, and a result in the top 25%.

As of Q3 2017, all regulatory capital ratios were generally higher than at the end of 2016. The CET1 ratio was 14.9%, the Tier 1 ratio was 16.2%. Only the Total Capital Ratio was lower than that of 2016 with 18.8% due to lower eligible subordinate debt as well as higher Tier 2 adjustments. The Leverage Ratio stood at 5.4%, 0.3% lower than at year's end.

A detailed look at Crédit Agricole's capital ratios for the years 2013-2016 can be taken in Figure 6 below:

Capital (€000)	2013	%	2014	%	2015	%	2016	%
Total Capital	77,739,000	NA	90,938,000	16.98	98,254,000	8.05	100,667,000	2.46
Total Risk-weighted Assets	476,928,000	NA	494,934,000	3.78	509,403,320	2.92	520,963,000	2.27
Capital Ratios (%)								
Core Tier 1 Ratio	12.64	NA	12.83	0.19	13.52	0.68	14.39	0.87
Tier 1 Ratio	13.10	NA	14.78	1.68	15.26	0.49	16.11	0.85
Total Capital Ratio	16.30	NA	18.37	2.07	19.29	0.91	19.32	0.04
Leverage Ratio	4.40	NA	5.20	0.80	5.70	0.50	5.70	0.00
Fully Loaded: Common Equity Tier 1 Ratio	12.64	NA	13.07	0.43	13.68	0.60	14.49	0.81
Fully Loaded: Tier 1 Ratio	13.10	NA	13.90	0.80	14.55	0.64	15.53	0.98
Fully Loaded: Risk-weighted Capital Ratio	16.30	NA	16.67	0.37	18.15	1.48	18.55	0.40
Total Equity/ Total Assets	4.84	NA	5.20	0.37	5.73	0.53	5.99	0.25
Change in %Points								

Figure 6: Development of capital ratios
(Source: S&P Global Market Intelligence)

Liquidity

The liquidity figures of the group are worthy of improvement. While the Loan-to-Deposit Ratio (LTD) figure exceeds that of peers, both the Interbank Ratio as well as the Liquidity Coverage Ratio (LCR) significantly differs negatively from the peer's average. The Interbank Ratio has jumped over 20% due to significant reductions in interbank liabilities. The LCR has been a weak spot for years now, significantly underperforming its peers. While the peer group average is well above 140%, Crédit Agricole merely provides a statement that it's LCR is above 110%. The matching maturities structure rounds off the picture, but of all four overall business development parts, the liquidity figures show Crédit Agricole at it's weakest.

In Q3 2017 the LCR stood at 132%, far above the ">110%" ratio given at the end of 2016.

A detailed look at the bank's liquidity for the years 2013-2016 can be taken in Figure 7 below:

Liquidity (%)	2013	%	2014	%	2015	%	2016	%
Liquidity Coverage Ratio	>100	NA	>110	NA	>110	NA	>110	NA
Interbank Ratio	92.56	NA	98.73	6.17	93.09	-5.64	115.86	22.76
Loan to Deposit (LTD)	110.94	NA	113.31	2.37	110.44	-2.87	110.71	0.27
Change in %Points								

Figure 7: Development of liquidity
(Source: S&P Global Market Intelligence)

Conclusion

The Crédit Agricole Group continues to perform in a difficult market environment, marked by low interest rates due to ECB policy as well as the rapid digitalization of retail banking. The group's broad diversification proves fruitful in retaining competitiveness and profitability in this challenging environment.

The group had by and large satisfactory asset quality in 2016. Reserves and Level 3 Assets figures exceeded those of its peers. Earnings figures were the strong suit of Crédit Agricole in 2016, with consistently better than average figures compared to peers, impressive in a low interest environment. While the net profit decreased almost 20%, this can also been portrayed as a return to previous years' earnings with 2015 being an exceptionally good year. Capital adequacy was satisfactory, with figures slightly exceeding the average and well above regulatory requirements. A comparatively low payout ratio of the central institute allows the group to continue strengthening its capital base. Liquidity figures are the weakest link amongst all other figures. The liquidity coverage ratio, while above requirements, remained well below that of peers.

While the current macro-economic as well as socio-political environment is encouraging, especially with the latest election results, one must not lose focus of potential risks. The group focuses heavily on its French home market, as well as Italy. Regional risks to profitability and stability remain as both countries are major hotspots for a potential euro area upheaval. As regulatory capital requirements are handily exceeded, liquidity figures across the board are worthy of improvement.

In a Best Case scenario one would observe a significant upgrade of the bank's rating score, and in a Worst Case scenario one would observe a considerable downgrade of the rating score. The ratings of bank capital and (preferred) senior unsecured debt would behave similarly due to our rating mechanics. These ratings are especially sensitive to changes in total equity and the bank capital and debt structure in general.

Ratings Detail

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 / Short-Term / Outlook **A** / **L2** / **Stable**

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: **A**
Tier 2 (T2): **BBB-**
Tier 1 (AT1): **BB+**

Ratings Detail and History

Ratings		
Bank Capital and Debt Instruments		
‘preferred’ senior unsecured	12 January 2018	A
Tier 2	12 January 2018	BBB-
Tier 1	12 January 2018	BB+
Bank Issuer Rating History		
LT Issuer / Short-Term / Outlook	12 January 2018	A / L2 / Stable.
	05 May 2017	A / L2 / Stable.

Figure 8: Ratings

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third parties 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 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 S&P Global Market Intelligence Subject to a peer group analysis were 21 competing institutes.

The information and documents processed satisfied the requirements according to the rating system of Creditreform Rating AG published on the website www.creditreform-rating.de. The rating was carried out on the basis of the rating methodology for unsolicited bank ratings as well as the methodology for the rating of bank capital and unsecured debt instruments.

On 05 May 2017, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Crédit Agricole Group and the preliminary rating report was made available to it. There was no change in the rating score.

The rating is subject to one-year monitoring from the creation date (see cover sheet). Within this period, the rating can be updated. At the latest after one year, a follow-up is required to maintain the validity of the rating.

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.

In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy “Rating Committee,” all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

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

1. External service provider for aggregated data base

2. Website of the rated bank

3. Annual report

4. Abridged version of the annual report

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.

The "Basic data" information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In case where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings as well as best-case scenario credit ratings are explained.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the "Basic data" card as a "Rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within „Basic data" information card.

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

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