Creditreform Bank Rating
Crédit Agricole SA (Group)

Creditreform Rating

Long-Term Issuer Rating: A
Outlook: stable

Short-Term Rating: L2

Preferred Sen. Unsec. Debt: A
Non-Preferred Sen. Unsec. Debt: A-
Tier 2 Capital: BBB-
AT1 Capital: BB+

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Rating Action:

Creditreform Rating affirms the long-term issuer rating of Crédit Agricole SA (Group) at 'A' (Outlook: stable). In addition, our ratings of the Group's bank capital and debt instruments are affected by the change in our rating methodology.

Creditreform Rating (CRA) has affirmed the long-term issuer rating of Crédit Agricole SA (Group) – in the following: Crédit Agricole – at 'A' and the short-term rating at 'L2'. The rating outlook is stable.

At the same time, we affirm the rating of the Additional Tier 1 capital at 'BB+' and the rating of the Tier 2 capital at 'BBB-'. In addition, adjustments in our rating methodology for bank capital and debt instruments occurred because of legislative alterations in the European Union. As a result, CRA reclassifies its rating of senior unsecured debt to preferred senior unsecured debt and affirms it at 'A'. Moreover, CRA assigns the non-preferred senior unsecured debt, which ranks junior to preferred senior unsecured debt, the following rating: 'A-'.

Please find a complete list of rating actions regarding the bank and its affected subsidiaries at the end of this rating update. In addition, we refer to the more detailed report of the Group from 5 May 2017 and the Rating Update of 31 August 2018 on our homepage.

Key Rating Drivers

CRA has affirmed the rating of Crédit Agricole and its bank capital and debt instruments as a result of its periodic monitoring process for the following reasons:

- Stable profitability
- Good asset quality with low NPL figures
- Robust growth in lending and deposits
- Adequate, above average capitalization

Rating Rationale

Crédit Agricole's credit rating affirmation was primarily driven by Crédit Agricole's stable profits, maintaining good asset quality amidst robust growth in lending and deposits while keeping an adequate level of capitalization.

Profitability

Crédit Agricole displayed a moderately improved earnings situation over the previous year, predominantly through a significant decrease in income tax expense due to a deferred tax charge (€34m vs €815m in the previous year). Meanwhile, operating income increased very slightly over the previous year. A strong decline in net interest income and trading income was counteracted by a stark increase in net insurance revenues. The net interest income declined amidst lower interest earned and higher interest expense. Net trading income was down because of negative market developments. Net insurance income jumped due to an increase in premium inflows,

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while expenses decreased through market developments in unit-linked contracts. Net fees remained relatively unchanged over the previous year.

Another positive influence on operating income was exerted by the acquisition of Pioneer by Amundi (+€394m) and the integration of three Italian banks (>€100m in the first half of 2018, afterwards integration into CA Italia). The bank notes that without the acquisitions, the operating profit would have remained stable.

Operating expense increased moderately, with overall only moderate cost increases. The cost impact of the integration of Pioneer and the Italian banks was measured at €255n for Pioneer and €97m for the Italian banks for the first half of 2018.

Cost of risk was marginally lower in 2018 compared to the previous year, with figures well below the Medium Term Plan (MTP). Both Crédit Agricole SA as well as Crédit Agricole Group had costs of risk at about half their targeted value for 2019.

As a result, pre-tax profit was down slightly over the previous year. Through lesser income tax expense, however, overall net profit increased. Income ratios depending on the net profit subsequently increased slightly as well. Compared to the peer group, Crédit Agricole is positioned solidly in the middle in terms of profitability, with a slightly above average result in the cost income ratio.

Asset Situation and Asset Quality

The asset situation and quality improved over the previous year. Net loans to customers increased yet again markedly year-over-year by over €50bn or ca. 6%. This marks the fourth consecutive robust growth in the observed period. Securities increased at a similar rate through debt securities, while the level of investment in equity instruments declined.

Asset quality ratios generally remained practically unchanged over the previous year. The RWA-ratio decreased very marginally. The NPL ratio for IFRS9 adhering banks will henceforth be calculated through stage 3 loans divided by net loans to customers, while potential problem loans (PPL) are now defined as stage 2 loans. As such, NPL and PPL ratios are not directly comparable year-over-year. The NPL ratio was generally low in comparison to the bank's overall peer group, as well as in comparison to other large French lenders.

Refinancing and Capital Quality

The robust growth in lending and security positions was enabled by a very strong increase in total deposits from customers and debt at amortised cost. Both accounted for an increase of roughly €77.5bn out of a total €91.5bn increase in total equity and liabilities. As total equity increased less than the balance sheet as a whole, the total equity ratio declined marginally.

The regulatory capital ratios increased amidst a slight decrease in RWA over the previous year and maintain values slightly above the peer group average and well above regulatory requirements. Crédit Agricole seeks to strengthen its capital base according to the "Medium Term Plan" further. By 2022 the bank aims for a CET1 ratio above 16% (15.0% currently), an additional 1% of AT1 (1.2%) and additional 3% of T2 (2.5%). In addition, a buffer of 4-5% of non-preferred senior unsecured is sought to reach a combined MREL ratio of 24-25%.

Liquidity

The liquidity situation remains satisfactory, with the liquidity coverage ratio slightly above the previous year's level.

Outlook

We consider the outlook of Crédit Agricole's long-term issuer rating and its bank capital and debt instruments as stable. This reflects our view that Crédit Agricole is likely to keep being profitable in the upcoming years amidst a stable political and economic environment in Crédit Agricole's markt of operations.

Scenario Analysis

In a scenario analysis, Crédit Agricole's rating developed significantly better in the "best case" scenario and only slightly worse in the "worst case" scenario. The ratings of bank capital and senior unsecured debt would behave similarly based on our rating mechanism. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

We could upgrade the long-term issuer credit rating and its bank capital and debt instruments if we see Crédit Agricole making significant advances in terms of profitability. Conversely, a decline in the bank's profitability and/or asset quality could provide a reason for a downgrade of the rating. In addition, we will monitor the bank's implementation of the "Medium Term Plan 2022" closely; a failure to meet the self-set goals might lead to a downgrade of the associated ratings, conversely reaching the goals early might lead to an upgrade.

CRA's rating actions at a glance

Crédit Agricole SA (Group):

- Long-Term Issuer Rating affirmed at 'A', stable outlook
- Short-term rating affirmed at 'L2'
- Senior unsecured debt reclassified to preferred senior unsecured debt and affirmed at 'A'
- Non-preferred senior unsecured debt rated at 'A-'
- Tier 2 capital affirmed at 'BBB-'
- AT1 capital affirmed at 'BB+'

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

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):	**A**
Non-preferred senior unsecured debt (NPS):	**A-**
Tier 2 (T2):	**BBB-**
Additional Tier 1 (AT1):	**BB+**

Ratings Detail and History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 1: Rating History

Bank Issuer Rating	Rating Date	Result
LT / Outlook / Short-Term (Initial)	05.05.2017	A / stable / L2
Rating Update	01.02.2018	A / stable / L2
Rating Update	31.08.2018	A / stable / L2
Rating Update	22.11.2019	A / stable / L2
Bank Capital and Debt Instruments	**Rating Date**	**Result**
Senior Unsecured / T2 / AT1 (Initial)	01.02.2018	A / BBB- / BB+
Senior Unsecured / T2 / AT1	31.08.2018	A / BBB- / BB+
PSU / NPS / T2 / AT1	22.11.2019	A / A- / BBB- / BB+

Appendix

Figure 2: Group income statement | Source: eValueRate / CRA

Income Statement	2015	2016	2017	%	2018
Income (€000)					
Net Interest Income	19.983.000	19.136.000	19.677.000	-5,9	18.516.000
Net Fee & Commission Income	8.916.000	8.770.000	9.709.000	-0,2	9.688.000
Net Insurance Income	-3.967.000	-2.316.000	-5.291.000	< -100	6.634.000
Net Trading Income	5.679.000	3.391.000	6.165.000	< -100	-3.806.000
Equity Accounted Results	475.000	499.000	732.000	-63,7	266.000
Dividends from Equity Instruments	1.310.000	1.572.000	1.763.000	-37,4	1.103.000
Other Income	273.000	174.000	296.000	> +100	828.000
Operating Income	**32.669.000**	**31.226.000**	**33.051.000**	**+0,5**	**33.229.000**
Expenses (€000)					
Depreciation and Amortisation	1.115.000	1.715.000	1.041.000	+5,9	1.102.000
Personnel Expense	11.319.000	11.432.000	11.857.000	+2,9	12.198.000
Tech & Communications Expense	-	-	-	-	-
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Expense	7.467.000	7.670.000	7.963.000	+1,8	8.105.000
Operating Expense	**19.901.000**	**20.817.000**	**20.861.000**	**+2,6**	**21.405.000**
Operating Profit & Impairment (€000)					
Pre-impairment Operating Profit	**12.768.000**	**10.409.000**	**12.190.000**	**-3,0**	**11.824.000**
Asset Writedowns	3.309.000	2.658.000	1.737.000	-1,0	1.719.000
Net Income (€000)					
Non-Recurring Income	35.000	58.000	63.000	-	-
Non-Recurring Expense	54.000	86.000	47.000	-	-
Pre-tax Profit	**9.440.000**	**7.723.000**	**10.469.000**	**-3,5**	**10.105.000**
Income Tax Expense	2.988.000	2.582.000	3.479.000	-21,4	2.733.000
Discontinued Operations	-21.000	31.000	20.000	< -100	-3.000
Net Profit (€000)	**6.431.000**	**5.172.000**	**7.010.000**	**+5,1**	**7.369.000**
Attributable to minority interest (non-controlling interest)	388.000	347.000	474.000	+10,8	525.000
Attributable to owners of the parent	6.043.000	4.825.000	6.536.000	+4,7	6.844.000

Figure 3: Group key earnings figures | Source: eValueRate / CRA

Income Ratios (%)	2015	2016	2017	%	2018
Cost Income Ratio (CIR)	60,92	66,67	63,12	+1,30	64,42
Cost Income Ratio ex. Trading (CIRex)	73,73	74,79	77,59	-19,79	57,80
Return on Assets (ROA)	0,38	0,30	0,40	-0,00	0,40
Return on Equity (ROE)	6,60	5,01	6,51	+0,06	6,57
Return on Assets before Taxes (ROAbT)	0,56	0,45	0,59	-0,05	0,54
Return on Equity before Taxes (ROEbT)	9,69	7,49	9,72	-0,71	9,01
Return on Risk-Weighted Assets (RORWA)	1,26	0,99	1,34	+0,02	1,36
Return on Risk-Weighted Assets before Taxes (RORWAbT)	1,85	1,48	2,01	-0,14	1,87
Net Interest Margin (NIM)	1,63	1,42	1,59	-0,73	0,86
Pre-Impairment Operating Profit / Assets	0,75	0,60	0,69	-0,05	0,64
Cost of Funds (COF)	1,30	1,22	1,07	+0,00	1,07
Change in %- Points					

Figure 4: Development of assets | Source: eValueRate / CRA

Assets (€000)	2015	2016	2017	%	2018
Cash and Balances with Central Banks	39.262.000	31.254.000	54.119.000	+30,4	70.584.000
Net Loans to Banks	89.433.000	96.107.000	92.076.000	+5,6	97.194.000
Net Loans to Customers	822.751.000	846.064.000	909.150.000	+5,9	962.742.000
Total Securities	425.172.000	432.048.000	439.447.000	+5,8	465.089.000
Total Derivative Assets	195.140.000	182.741.000	130.441.000	-10,1	117.263.000
Other Financial Assets	-	-	-	-	72.000
Financial Assets	**1.571.758.000**	**1.588.214.000**	**1.625.233.000**	**+5,4**	**1.712.944.000**
Equity Accounted Investments	6.570.000	7.021.000	5.106.000	+23,5	6.308.000
Other Investments	5.878.000	6.129.000	6.744.000	+3,3	6.967.000
Insurance Assets	38.911.000	42.934.000	51.600.000	-0,4	51.385.000
Non-current Assets & Discontinued Ops	441.000	591.000	495.000	-48,1	257.000
Tangible and Intangible Assets	22.853.000	22.657.000	25.927.000	+1,4	26.284.000
Tax Assets	6.189.000	5.512.000	5.554.000	+12,0	6.223.000
Total Other Assets	46.259.000	49.791.000	42.510.000	+4,4	44.395.000
Total Assets	**1.698.859.000**	**1.722.849.000**	**1.763.169.000**	**+5,2**	**1.854.763.000**

Figure 5: Development of asset quality | Source: eValueRate / CRA

Asset Ratios (%)	2015	2016	2017	%	2018
Net Loans/ Assets	48,43	49,11	51,56	+0,34	51,91
Risk-weighted Assets/ Assets	29,99	30,24	29,58	-0,37	29,21
NPLs*/ Net Loans to Customers	3,35	3,34	3,12	-0,73	2,39
NPLs*/ Risk-weighted Assets	5,42	5,42	5,44	-1,19	4,25
Potential Problem Loans**/ NPLs*	38,36	38,95	9,94	+275,08	285,03
Reserves/ NPLs*	78,79	76,76	71,48	+13,01	84,50
Reserves/ Net Loans	2,64	2,56	2,23	-0,21	2,02
Net Write-offs/ Net Loans	0,40	0,31	0,19	-0,01	0,18
Net Write-offs/ Risk-weighted Assets	0,65	0,51	0,33	-0,02	0,32
Level 3 Assets/ Total Assets	0,55	0,50	0,45	+0,19	0,64
Change in %-Points					

* NPLs are represented from 2018 onwards by Stage 3 Loans.
** Potential Problem Loans are represented from 2018 onwards by Stage 2 Loans.

Figure 6: Development of refinancing and capital adequacy | Source: eValueRate / CRA

Liabilities (€000)	2015	2016	2017	%	2018
Total Deposits from Banks	96.762.000	82.953.000	91.859.000	+5,7	97.110.000
Total Deposits from Customers	663.135.000	693.260.000	732.420.000	+7,8	789.835.000
Total Debt	221.608.000	223.321.000	228.540.000	+8,8	248.641.000
Derivative Liabilities	194.293.000	181.960.000	130.324.000	-11,8	114.977.000
Securities Sold, not yet Purchased	22.097.000	19.940.000	22.598.000	+12,5	25.433.000
Other Financial Liabilities	53.861.000	49.982.000	72.505.000	+12,9	81.882.000
Total Financial Liabilities	**1.251.756.000**	**1.251.416.000**	**1.278.246.000**	**+6,2**	**1.357.878.000**
Insurance Liabilities	294.799.000	307.998.000	322.051.000	+1,2	325.910.000
Non-current Liabilities & Discontinued Ops	385.000	374.000	354.000	-35,3	229.000
Tax Liabilities	2.505.000	2.658.000	2.618.000	-6,7	2.442.000
Provisions	6.112.000	6.510.000	6.365.000	+27,4	8.107.000
Total Other Liabilities	45.881.000	50.719.000	45.799.000	+4,8	48.009.000
Total Liabilities	**1.601.438.000**	**1.619.675.000**	**1.655.433.000**	**+5,3**	**1.742.575.000**
Total Equity	**97.421.000**	**103.174.000**	**107.736.000**	**+4,1**	**112.188.000**
Total Liabilities and Equity	**1.698.859.000**	**1.722.849.000**	**1.763.169.000**	**+5,2**	**1.854.763.000**

Figure 7: Development of capital ratios | Source: eValueRate / CRA

Capital Ratios (€000)	2015	2016	2017	%	2018
Total Equity/ Total Assets	5,73	5,99	6,11	-0,06	6,05
Leverage Ratio	5,70	5,50	5,60	-0,17	5,43
Phased-in: Common Equity Tier 1 Ratio (CET1)	13,50	14,40	14,80	+0,20	15,00
Phased-in: Tier 1 Ratio (CET1 + AT1)	15,30	16,10	16,20	+0,00	16,20
Phased-in: Total Capital Ratio (CET1 + AT1 + T2)	19,30	19,30	18,60	+0,10	18,70
Fully Loaded: Common Equity Tier 1 Ratio (CET1)	13,70	14,50	14,90	+0,10	15,00
Fully Loaded: Tier 1 Ratio (CET1 + AT1)	14,50	15,50	15,80	+0,10	15,90
Fully Loaded: Total Capital Ratio (CET1 + AT1 + T2)	18,10	18,60	18,20	+0,10	18,30
Change in %- Points					

Figure 8: Development of liquidity | Source: eValueRate / CRA

Liquidity (%)	2015	2016	2017	%	2018
Net Loans/ Deposits (LTD)	124,07	122,04	124,13	-2,24	121,89
Interbank Ratio	92,43	115,86	100,24	-0,15	100,09
Liquidity Coverage Ratio	-	-	133,00	+0,36	133,36
Customer Deposits / Total Funding (excl. Derivates)	47,13	48,22	48,02	+0,50	48,53
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 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 well as the methodology for the rating of bank capital and unsecured debt instruments in conjunction with Creditreform`s basic document "Rating Criteria and Definitions".

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document "Rating Criteria and Definitions" is published on the following homepage:

www.creditreform-rating.de/de/regulatory-requirements/.

On 22 November 2019, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Crédit Agricole SA (Group), 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.

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. Aggregated data base by eValueRate

2. Annual Report and interim reports

3. Investors relations information and other publications

4. Website of the rated bank

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 in mentioned methodologies and / or in the credit rating report.

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.

An explanatory statement of the meaning of Creditreform's default rates are available in the credit rating methodologies disclosed on the website.

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