

31 August 2018 – Neuss, Germany

Rating Action:

Creditreform Rating confirms Crédit Agricole SA's (Group) long-term issuer rating at 'A' (Outlook: stable).

Creditreform Rating (CRA) confirms Crédit Agricole Group's (in the following: Crédit Agricole) long-term issuer rating at 'A'. The rating outlook is stable. At the same time, we confirm Crédit Agricole's ratings of 'senior unsecured' debt instruments at 'A', Tier 2 capital at 'BBB-' and AT1 capital at 'BB+'.

Please find a complete list of rating actions regarding the bank at the end of this rating action paper.

Key Rating Drivers

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

- Crédit Agricole retains status as G-SIB
- Above average profitability
- Robust growth of net banking income amid timid increases in operating expenses and very low costs of risk led to a high net profit in 2017
- Solid growth both in deposits and net loans
- Satisfactory capital adequacy and liquidity
- En route to meet financial targets of the "Strategic Ambition 2020" plan

Rating Rationale

The confirmation of Crédit Agricole's long term issuer rating was primarily driven by the exhibited robust growth in deposits, credit and earnings amid satisfactory capital adequacy.

Profitability

The operating income of Crédit Agricole increased again after a downturn in 2016. Responsible for the increase was an increased net banking income through an increase in net fee and net interest income. Operating expense, in the meantime, did increase relatively less, leading to a decrease in the cost income ratio. Amid lower costs of risk, the pre-tax profit was a third higher compared to the previous year. As a result, profitability is still in excess of that of its peers. The cost of risk was significantly below the target set by the "Strategic Ambition 2020" plan, a sharp decrease over the previous year.

Asset Situation and Asset Quality

Crédit Agricole oversaw another year of very robust credit growth, while retaining a very low and declining RWA ratio. The strong credit activity was fueled by home lending, consumer loans and accelerated lending to businesses. Reserves on impaired loans were very adequate with almost 80% of impaired loans.

Refinancing and Capital Quality

As with credit growth, deposits grew dynamically across all regions 2017. The capital ratios of Crédit Agricole remained adequate. As the ratio of CET1 increased, the Tier 1 ratio remained relatively unchanged, while Total Capital decreased both in absolute as well as in relative numbers. The various acquisitions during the fiscal 2017, notably Pioneer Investments and three savings banks in Italy, negatively affected the CET1 ratio by about -50bp to -55bp on group level.

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Liquidity

We deem the liquidity situation of Crédit Agricole satisfactory.

Outlook

We consider the outlook of Crédit Agricole's long-term issuer rating, and its bank capital and bank instruments as 'stable'. Crédit Agricole is well underway to meet its financial targets of the "Strategic Ambition 2020" plan. Both the group and Crédit Agricole SA (in the following: CASA) both have already met their respective cost of risk targets handily, as well as revenue growth figures. Both earnings as well as regulatory capital ratios are already met by CASA, while the group is well under way to meet the regulatory capital ratios as well. If trends continue, CRA is confident that the Group and its subsidiary will meet its ambitious targets.

In addition, we assume a stable political and economic environment in Crédit Agricole's markets of operation.

Scenario Analysis

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

We could upgrade Crédit Agricole's long-term issuer credit rating and its bank capital and debt instruments if we see the bank outperforming its 'Strategic Ambition 2020' plan.

By contrast, a downgrade of Crédit Agricole's long-term issuer credit rating and its bank capital and debt instruments is likely if we see that the bank is not able to reach its targets according to its 'Strategic Ambition 2020' plan.

CRA's rating actions at a glance

Crédit Agricole Group:

- Long-Term Issuer Rating confirmed at 'A', stable outlook
- Short-term rating confirmed at 'L2'
- Senior unsecured debt instruments confirmed at 'A'
- Tier 2 capital confirmed at 'BBB-'
- AT1 capital confirmed 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.

Senior unsecured debt: **A**
Tier 2 (T2): **BBB-**
Additional Tier 1 (AT1): **BB+**

Ratings Detail and History

Ratings				
Bank Issuer Ratings				
Instruments	Rating Date	Publication Date	Ratings	
LT Issuer / Outlook / Short-Term (Initial Rating)	05.05.2017	16.05.2017	A / stable / L2	
LT Issuer / Outlook / Short-Term	01.02.2018	01.02.2018	A / stable / L2	
LT Issuer / Outlook / Short-Term	31.08.2018	31.08.2018	A / stable / L2	
Bank Capital and Debt Instruments				
Type	Rating Date	Publication Date	Ratings	
Senior Unsecured / T2 / AT1 (Initial Rating)	01.02.2018	01.02.2018	A / BBB- / BB+	
Senior Unsecured / T2 / AT1	31.08.2018	31.08.2018	A / BBB- / BB+	

Appendix

Income Statement	2014	%	2015	%	2016	%	2017	%
Income (€000)								
Net Interest Income	19.516.000	64,9%	19.983.000	61,2%	19.136.000	62,0%	19.677.000	59,7%
Net Fee & Commission Income	8.814.000	29,3%	8.916.000	27,3%	8.770.000	28,4%	9.709.000	29,5%
Net Insurance Income	-7.276.000	-24,2%	-3.967.000	-12,2%	-2.316.000	-7,5%	-5.291.000	-16,1%
Net Trading Income	7.741.000	25,7%	5.679.000	17,4%	3.035.800	9,8%	6.165.000	18,7%
Equity Accounted Results	-387.000	-1,3%	475.000	1,5%	499.000	1,6%	732.000	2,2%
Dividends from Equity Instruments	1.466.000	4,9%	1.310.000	4,0%	1.572.000	5,1%	1.763.000	5,3%
Rental Revenue	122.000	0,4%	215.000	0,7%	168.000	0,5%	296.000	0,9%
Lease and Rental Revenue	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Other Income	80.000	0,3%	32.000	0,1%	-22.000	-0,1%	-93.000	-0,3%
Operating Income	30.076.000	100%	32.643.000	100%	30.842.800	100%	32.957.000	100%
Expenses (€000)								
Depreciation and Amortisation	1.016.000	5,3%	1.048.000	5,3%	1.111.000	5,4%	1.184.000	5,6%
Personnel Expense	11.044.000	57,2%	11.319.000	57,7%	11.432.000	56,0%	11.857.000	55,9%
Occupancy & Equipment	NA	0,0%	NA	0,0%	NA	0,0%	NA	0,0%
Tech & Communications Expense	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	150.000	0,8%	-218.000	-1,1%	199.000	1,0%	339.000	1,6%
Other Expense	7.108.000	36,8%	7.467.000	38,1%	7.670.000	37,6%	7.842.000	37,0%
Operating Expense	19.318.000	100%	19.616.000	100%	20.412.000	100%	21.222.000	100%
Operating Profit & Impairment (€000)								
Pre-impairment Operating Profit	10.758.000		13.027.000		10.430.800		11.735.000	
Asset Writedowns	2.990.000		2.903.000		3.063.000		1.663.000	
Net Income (€000)								
Non-Recurring Revenue	0		NA		355.200		408.000	
Non-Recurring Expense	0		NA		0		11.000	
Pre-tax Profit	7.768.000		9.440.000		7.723.000		10.469.000	
Income Tax Expense	2.478.000	31,9%	2.988.000	31,7%	2.582.000	33,4%	3.479.000	33,2%
Discontinued Operations	-7.000		-21.000		31.000		20.000	
Net Profit	5.283.000		6.431.000		5.172.000		7.010.000	

Figure 2: Group income statement
(Source: S&P Global Market Intelligence)

Income Ratios (%)	2014	%	2015	%	2016	%	2017	%
Return on Average Assets (ROAA)	0,31	0,02	0,37	0,06	0,30	-0,07	0,40	0,10
Return on Average Equity (ROAE)	6,10	-0,93	6,79	0,69	5,13	-1,66	6,64	1,51
Return on Risk-Weighted Assets (RORWA)	1,06	-0,05	1,27	0,21	1,00	-0,27	1,35	0,34
Net Interest Margin (NIM)	1,22	0,05	1,22	0,00	1,16	-0,07	1,19	0,03
Cost Income Ratio ex. Trading (CIRex)	86,49	12,60	72,75	-13,74	73,41	0,66	79,21	5,80
Cost Income Ratio (CIR)	64,23	2,22	60,09	-4,14	66,18	6,09	64,39	-1,79
Change in %Points								

Figure 3: Group key earnings figures
(Source: S&P Global Market Intelligence)

Assets (€000)	2014	%	2015	%	2016	%	2017	%
Cash and Balances with Central Banks	57.904.000	3,3%	39.262.000	2,3%	31.254.000	1,8%	54.119.000	3,1%
Net Loans to Banks	101.651.000	5,8%	90.078.000	5,3%	96.107.000	5,6%	92.074.000	5,2%
Net Loans to Customers	710.344.000	40,3%	740.912.000	43,6%	774.433.000	45,0%	816.358.000	46,3%
Total Securities	791.984.000	44,9%	740.417.000	43,6%	729.354.000	42,3%	714.282.000	40,5%
Financial Assets	1.661.883.000	94%	1.610.669.000	95%	1.631.148.000	95%	1.676.833.000	95%
Equity Accounted Investments	4.278.000	0,2%	6.570.000	0,4%	7.021.000	0,4%	5.106.000	0,3%
Other Investments	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Insurance Assets	1.530.000	0,1%	1.596.000	0,1%	1.695.000	0,1%	1.935.000	0,1%
Non-current Assets HFS & Discontinued Ops	246.000	0,0%	441.000	0,0%	591.000	0,0%	495.000	0,0%
Tangible and Intangible Assets	27.026.000	1,5%	28.731.000	1,7%	28.786.000	1,7%	32.671.000	1,9%
Tax Assets	5.710.000	0,3%	6.189.000	0,4%	5.512.000	0,3%	5.554.000	0,3%
Total Other Assets	62.041.000	3,5%	44.663.000	2,6%	48.096.000	2,8%	40.575.000	2,3%
Total Assets	1.762.714.000	100%	1.698.859.000	100%	1.722.849.000	100%	1.763.169.000	100%
Net Loans to Customers Growth*	-0,14	NA	4,30	NA	4,52	NA	5,41	NA
*Change in %								

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

Asset-Quality (%)	2014	%	2015	%	2016	%	2017	%
Non-Performing Loans (NPL) / Loans	NA	NA	NA	NA	NA	NA	NA	NA
Risk-Weighted Assets (RWA) / Total Assets	28,08	-0,17	29,99	1,91	30,24	0,25	29,58	-0,66
NPL / RWA	NA	NA	NA	NA	NA	NA	NA	NA
Potential Problem Loans / NPL	NA	NA	NA	NA	NA	NA	NA	NA
Reserves / Impaired Loans	82,25	-0,49	82,45	0,20	79,54	-2,91	78,84	-0,70
Net Write-Offs / RWA	NA	NA	NA	NA	NA	NA	NA	NA
Change in %Points								

Figure 5: Development of asset quality
(Source: S&P Global Market Intelligence)

Liabilities (€000)	2014	%	2015	%	2016	%	2017	%
Total Deposits from Banks	102.957.000	6,2%	96.762.000	6,0%	82.953.000	5,1%	91.859.000	5,5%
Total Deposits from Customers	626.500.000	37,5%	670.382.000	41,9%	699.063.000	43,2%	738.457.000	44,6%
Total Debt	313.047.000	18,7%	268.222.000	16,7%	267.500.000	16,5%	295.008.000	17,8%
Derivative Liabilities	229.715.000	13,7%	194.293.000	12,1%	181.960.000	11,2%	130.324.000	7,9%
Securities Sold, not yet Purchased	34.876.000	2,1%	22.097.000	1,4%	19.940.000	1,2%	22.598.000	1,4%
Other Financial Liabilities	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Total Financial Liabilities	1.307.095.000	78%	1.251.756.000	78%	1.251.416.000	77%	1.278.246.000	77%
Insurance Liabilities	285.215.000	17,1%	294.831.000	18,4%	308.027.000	19,0%	322.075.000	19,5%
Non-current Liab. HFS & Discontinued Ops	0	0,0%	385.000	0,0%	374.000	0,0%	354.000	0,0%
Unit-Linked Insurance and Investment Contr.	NA	0,0%	NA	0,0%	NA	0,0%	NA	0,0%
Tax Liabilities	2.892.000	0,2%	2.505.000	0,2%	2.658.000	0,2%	2.618.000	0,2%
Non-current Asset Retirement Obligations	2.041.000	0,1%	1.913.000	0,1%	2.042.000	0,1%	2.116.000	0,1%
Other Provisions	4.785.000	0,3%	4.199.000	0,3%	4.468.000	0,3%	4.249.000	0,3%
Total Other Liabilities	68.984.000	4,1%	45.849.000	2,9%	50.690.000	3,1%	45.775.000	2,8%
Total Liabilities	1.671.012.000	94,8%	1.601.438.000	94,3%	1.619.675.000	94,0%	1.655.433.000	93,9%
Total Equity	91.702.000	5,2%	97.421.000	5,7%	103.174.000	6,0%	107.736.000	6,1%
Total Liabilities and Equity	1.762.714.000	100%	1.698.859.000	100%	1.722.849.000	100%	1.763.169.000	100%
Deposits from Customers Growth*	-2,22	NA	7,00	9,22	4,28	-2,73	5,64	1,36
*Change in %								

Figure 6: Development of refinancing and capital adequacy
(Source: S&P Global Market Intelligence)

Capital (€000)	2014	%	2015	%	2016	%	2017	%
Total Capital	90.938.000	16,98	98.254.000	8,05	100.667.000	2,46	97.172.000	-3,47
Total risk-weighted Assets	494.934.000	3,78	509.403.320	2,92	520.963.000	2,27	521.516.000	0,11
Capital Ratios (%)								
Core Tier 1 Ratio	12,83	0,19	13,52	0,68	14,39	0,87	14,84	0,45
Tier 1 Ratio	14,78	1,68	15,26	0,49	16,11	0,85	16,16	0,05
Total Capital Ratio	18,37	2,07	19,29	0,91	19,32	0,04	18,63	-0,69
Leverage Ratio	5,20	0,80	5,70	0,50	5,70	0,00	5,50	-0,20
Fully Loaded: Common Equity Tier 1 Ratio	13,07	0,43	13,68	0,60	14,49	0,81	14,88	0,39
Fully Loaded: Tier 1 Ratio	13,90	0,80	14,55	0,64	15,53	0,98	15,83	0,31
Fully Loaded: Risk-weighted Capital Ratio	16,67	0,37	18,15	1,48	18,55	0,40	18,20	-0,35
Total Equity/ Total Assets	5,20	0,37	5,73	0,53	5,99	0,25	6,11	0,12
Change in %Points								

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

Liquidity (%)	2014	%	2015	%	2016	%	2017	%
Liquidity Coverage Ratio (LCR)	110,00	NA	100,00	-10,00	110,00	10,00	133,30	23,30
Interbank Ratio	98,73	6,17	93,09	-5,64	115,86	22,76	100,23	-15,62
Loan to Deposit (LTD)	113,38	2,36	110,52	-2,86	110,78	0,26	110,55	-0,23
Change in %Points								

Figure 8: Development of liquidity
(Source: S&P Global Market Intelligence)

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 S&P Global Market Intelligence. Subject to a peer group analysis were 21 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 unsolicited 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".

On 31 August 2018, 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 the bank. There was no change in the rating score.

The rating is subject to one-year monitoring from the rating date and is valid until withdrawal of the rating. Within this period, the rating can be updated. At the latest after one year, a monitoring 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 this registration, Creditreform Rating AG (CRA) is permitted to issue credit ratings within the EU, and is obligated 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 nor any other natural persons 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 in approving credit ratings and rating outlooks.

In the event 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 'Rating Committee' policy, 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 the following substantially material sources:

1. Transaction structure and participants
2. Transaction documents
3. Issuance documents

There are no other attributes and limitations of the credit rating or rating outlook other than those 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 the available historical data as sufficient.

Between the time of 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 cases 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 rating report and indicates how the different methodologies or 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 and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated including any rating outlooks is indicated clearly and prominently in the 'Basic Data' card as a "rating action"; initial 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, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating 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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