CRÉDIT AGRICOLE S.A.

**Press release**

Paris, 28 September 2011

# Crédit Agricole: adapting to the new environment

**Changes in the operating environment**

**Initiatives to boost liquidity already paying off**

Short-term debt down from €170bn at 30 June 2011 to €145bn at 14 September 2011
Withdrawal from money-market funds deftly dealt with
Secure medium- and long-term refinancing

**Objectives for adapting to the new environment:**

€50bn structural reduction in debt between June 2011 and December 2012
€12bn of medium- and long-term financing to be raised in the markets in 2012, down from €22bn in 2011

**Our plan of action**

Corporate and Investment Banking: €15-18bn reduction in financing requirements
Specialised Financial Services: €9-11bn reduction in financing requirements
French and International Retail Banking: €21-23bn reduction in financing requirements

**Liquidity reserves**

More than €110bn of available liquidity reserves
Large base of high-quality assets available for securitisation

**Limited and manageable exposure to peripheral eurozone countries**

**Our advantages: a resilient business model and the strength of the Crédit Agricole group**

**Changes in the operating environment**

Banks have experienced sustained pressure on liquidity in the last few months. Access to long-term financing is limited and short-term financing has diminished, particularly in dollars. Prudential requirements have become tougher and banks need to reduce leverage and strengthen balance sheets.

Crédit Agricole is adjusting to this new operating environment.

**Refinancing initiatives already paying off**

The refinancing model is robust and diversified in terms of currencies, investors and treasuries (more than 25 worldwide). This helped the Credit Agricole group deal with the reduction in dollar liquidity in the summer of 2011. The proportion of short-term debt denominated in USD fell from 44% at 30 June 2011 to 27% at 14 September 2011. The proportion of USD debt originating in the USA fell from 37% to 14%. The contribution of treasuries in Asia and the Middle East is increasing.

As a result, the Group has reduced short-term debt from €170bn at 30 June 2011 to €145bn at 14 September 2011. The withdrawal from money-market funds has been deftly dealt with. US money-market funds now only have €6bn of financing outstanding. There is an ongoing surplus USD cash position, with USD8bn of overnight deposits at the US Federal Reserve.

The Group's medium- and long-term refinancing is secure: the 2011 market programme (€22bn) is 100% complete; the €5bn retail banking programme is 83% complete and ahead of schedule, with €600m of investments attracted in September.

Overall, €26.4bn has been raised with an average term of 6.6 years and a competitive average spread of 84bp above 6-month swaps.

**Objectives for adapting to the new environment**

Crédit Agricole expects a €50bn structural reduction in debt between June 2011 and December 2012, including a €45bn cut in short-term debt (-26%). The Group will also reduce its annual programme of medium- and long-term refinancing through the markets, from €22bn in 2011 to €12bn in 2012 (-45%).

**Our plan of action**

To reduce the Group's financing needs, a number of measures will be taken in the various business areas:

- In Corporate and Investment Banking, the ongoing financing requirement will be cut by €15-18bn with the gradual discontinuation of some businesses following a review, a scheduled reduction in structured financing, commercial banking and capital markets activities and the closure of non-strategic international operations. An initial €9bn reduction will be completed by the end of the year. Implementation of the 2014 plan will also be stepped up, with a faster withdrawal from some discontinuing operations and efforts to focus growth on businesses that generate strong intrinsic returns and show the highest cross-selling rates.

  CIB accounts for 15% of the Crédit Agricole group's business revenues. Since 2007, the refinancing requirement has already been reduced by €35bn through the 2008-2010 refocusing plan.

- In Specialised Financial Services, the financing requirement will be reduced by €9-11bn, through disposals of loan portfolios, withdrawal from certain businesses and, more generally, a reduction in the refinancing requirement together with an increase in alternative sources of funding in certain countries where the Group has no retail banking operations.
- The group will focus on French and International Retail Banking, with the share of capital allocated to these activities rising from 70% to 75%. The reduction in the financing requirement will be €21-23bn in retail banking. The group has €370bn of deposits, and this figure is constantly increasing. It also has €324bn of off-balance sheet deposits, with the potential to shift some growth to on-balance sheet savings.

**Liquidity reserves**

As regards liquidity, the Crédit Agricole group has more than €110bn of available liquidity reserves, and aims to increase them further. The Group has a large base of high-quality assets available for securitisation.

**Limited and manageable exposure to peripheral eurozone countries**

The net exposure of Group banking operations to peripheral eurozone countries (Greece, Ireland, Portugal, Spain and Italy) equals 0.7% of total assets. The net exposure of Group insurance operations to European countries that have received international aid (Greece, Ireland and Portugal) equals 0.07% of total assets.

Predica has a large amount of accessible reserves, with €1.6bn of unrealised capital gains at 30 June 2011. Predica's main reserve consists of €4.2bn of provisions for policyholders' participation at 30 June 2011. In addition, 97% of its non-sovereign bond portfolio is investment-grade.

Measures regarding Emporiki have been reinforced. These include steps to diversify Emporiki's sources of funding by using alternative deposits, offering better interest rates on term accounts and using ECB facilities (€500 million in July, to be increased to more than €800 million by end-September). There are also efforts to raise gross operating income and reduce the cost of risk (cutting costs, stepping up debt-recovery efforts, maintaining the highly restrictive policy on new lending).

**Our advantages: a resilient business model and the strength of the Crédit Agricole group**

In this new operating environment, the Crédit Agricole group is confident on the basis of its solid base in full-service retail banking services that support the real economy, and its strategy of generating organic growth and making the most of group synergies.

Crédit Agricole is structurally solid, with cross-guarantees and reciprocal commitments between Crédit Agricole S.A. and the Regional Banks. The Switch mechanism is a new manifestation of solidarity within the group, and €50bn of Crédit Agricole S.A.'s risk-weighted assets will be transferred to the Regional Banks by the end of the year.

Crédit Agricole S.A. is one of Europe's most solid and highly-rated banking groups.

Its strength can also be seen in the ongoing improvement in solvency ratios, with a Core Tier I ratio of 9.1% and a Tier I ratio of 10.5% (Crédit Agricole group). The aim is to achieve a Common Equity Tier I ratio of 9% in 2013.

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This information was developed from scenarios based on a number of economic assumptions for a given competitive and regulatory environment. Therefore, these assumptions are by nature subject to random factors that could cause actual results to differ from projections.

Likewise, financial information is based on estimates, particularly in calculating market value and asset impairment.

Readers must take all these risk factors and uncertainties into consideration before making their own judgement.

The figures presented in this document were not reviewed by auditors