ISSUER COMMENT
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Credit Agricole S.A.

Strong performance in French retail banking underpins robust first-half earnings

Groupe Credit Agricole (GCA) reported net income group share of €4.9 billion in the first half (H1) of 2026, up 6.8% from H1 2025 (the increase in net income group share adjusted for the impact of the capital gain related to the deconsolidation of Amundi US in Q2-25 was 14.5%). GCA reported a strong business performance in most divisions in H1 2026, including wealth management, insurance and large customers, and most notably French retail banking, driven by the upturn in loan production and the gradual repricing of the portfolio. GCA launched its digital platform Crédit Agricole Savings in Germany and increased its stake in Banco BPM to 29.3% in Q2, in line with the ambition set out in the strategic plan 2025-28 unveiled on 18 November 2025 to further diversify group activities in order to achieve a stronger share of revenues generated outside of France, and a deeper penetration into the German market in particular,

Strong **underlying revenue** growth of 7.8% in H1 2026 was mainly supported by dynamic growth of 12.6% at Regional Banks and LCL (combined). The sharp increase stemmed from both dynamic fee and commission income from savings and non-life insurance, and an increase in the net interest margin. While GCA had been negatively affected in 2023 and 2024 by the high cost of French regulated savings and from shifts of sight deposits to remunerated term deposits, the successive cuts in the Livret A rate in 2025 have since alleviated margin pressures. We expect the upcoming regulated savings' limited rate increase on 1 August to drive contained pressure on GCA's earnings and to still support net interest margin recovery year-on-year in 2026.

Operating expenses in H1 2026 increased by a mere 2.6%, mainly reflecting the increase in variable compensation at Amundi together with investments in strategic projects (CA Savings, CA Deutschland and LCL transformation plan), offset by the full impact of synergies from the integration of RBC Europe at CACEIS. As a result, the cost-to-income ratio at group level improved to 58.3% in H1 2026, down 3 percentage point compared with H1 2025. We expect cost discipline to drive the group's operating expenses in coming quarters, but continued investment in the digitalisation of processes to continue weighing on the bank's expenditures.

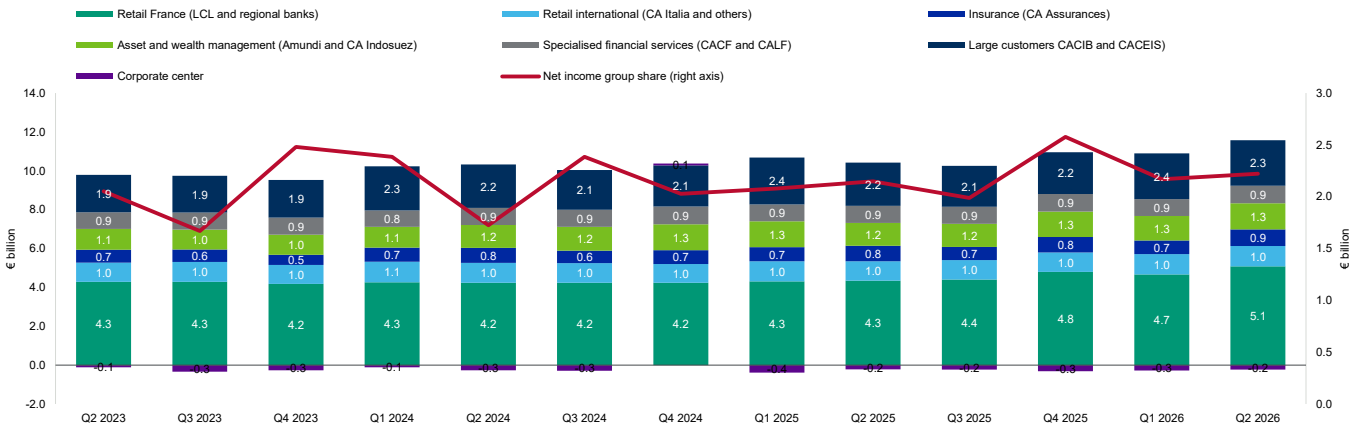
The group's **cost of risk** surged by 15.7% year-on-year in H1 2026, reaching 29 basis points (bps) of gross loans, but was 3% down compared to H2 2025. This level, higher than the pre-COVID risk charge of around 20 bps in 2019, remains close to the bank's Medium-Term Plan assumption of 25 bps over the period 2025-28, while the composition of risk charges has been less skewed towards provisions on impaired loans (so-called stage 3 loans under IFRS 9) than towards forward-looking provisions on performing loans. In the first half of 2026, 82% of new provisions were booked as stage 3 provisions, compared with 97% in the first half of 2025, reflecting the provisioning on performing loans (stages 1 and 2) in the first quarter mainly related to the conflict in the Middle East. While incurred risk on

corporates has been stable in France, provisions on stage 3 loans at LCL have surged by 28% compared to the first half of 2025, illustrating our expectation of continued challenges faced by professionals and SMEs in France in a context of more elevated borrowing costs and subdued economic growth. We expect the group's cost of risk to remain close to the Medium-Term Plan assumption of 25 bps. Even as stage 3 provisions normalise from very low levels in previous years, the bank has accumulated provisions on performing loans in previous years that constitute a significant buffer against a material and sudden increase in risk charges. The coverage rate of impaired loans by provisions (including collective reserves) remains close to 80%.

Exhibit 1

GCA's H1 2026 revenue surge was largely driven by the improved performance in French retail banking

Stated revenues and net profit per quarter



Source: Company reports

Asset Gathering businesses, which include asset management, insurance and wealth management activities, posted a 3.4% increase in revenue compared with H1 2025, supported by favourable market conditions and commercial activity in insurance, as well as higher fees and volumes of AuM in asset and wealth management. Insurance revenue increased by 3.2% with high net inflows, favourable market effects and dynamic commercial activity in life segment, as well as higher tariffs and portfolio growth in non-life. Asset management revenue increased by 3.9%, driven by record AuM reaching €2.6 trillion and higher management fees.

LCL's (French retail banking) revenue increased by 10.5% from H1 2025, driven by a much stronger NIM supported by higher volumes, and because of lower deposit costs and gradual loan repricing. Fee and commission income also increased, supported by life and non-life insurance products. Outstanding loans increased by 2% from the end of June 2025.

French Regional Banks' revenue increased by 13% in H1 2026, supported by the intermediation margin thanks to lower cost of resources and higher rate on the outstanding stock of loans (+14 bps). Outstanding loans increased by 2% from the end of June 2025 to €665 billion, supported by a pick up in new loans origination from low levels in 2025 (+7.5% in Q2 and +10% in Q1 year-on-year).

International retail businesses' revenue in Italy, the group's second domestic market, increased by 3.6% in H1 2026, mostly supported by higher commissions. Outstanding loans at CA Italia increased by 2.6%. Other regions' underlying revenue remained almost stable as the strong revenue growth in Egypt was offset by decreases in Poland and Ukraine, despite the overall outstanding volumes progressing by almost +8% year-on-year.

Specialised Financial Services' revenue remained broadly stable, driven by stable results in Personal Finance & Mobility (-0.1%) and rather dynamic growth of Leasing & Factoring (+4.7%). Consumer finance gross managed loans increased by 2.8%[1] and gross consolidated leasing outstandings increased by 6.5% from the end of June 2025. Higher volumes of factoring and higher pricing of consumer finance loans were offset by adverse developments on the automotive loans market, namely lower margins on secondary market and lower volumes of rentals.

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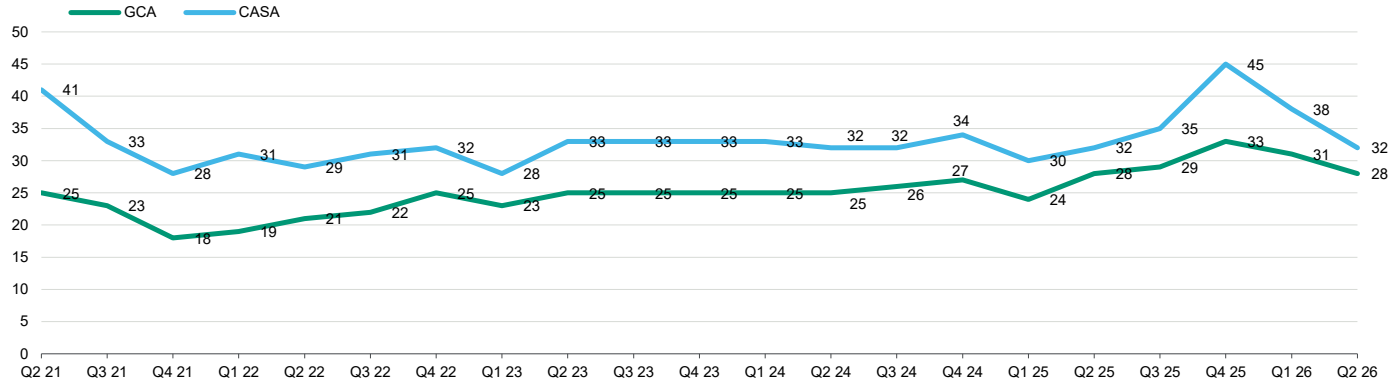
The **Large Customers division**, including corporate and investment banking activities as well as asset servicing, posted a 1.5% increase in revenue. Revenue from financing activities contracted by -3%, driven by a negative foreign exchange impact, while revenue from capital market and investment banking activities increased by 2.8%, driven by particular strong performances in investment banking and structured equity activities, offset by underperformance in treasury against a backdrop of central bank balance sheet reductions. CACEIS' revenue increased by 6.6% in the context of higher volumes.

The group's **nonperforming loans** (NPL) to gross loans ratio was 2.3% at the end of June 2026, just slightly higher than as of end of December 2025 (2.2%). We expect further provisions and NPL formation to materialise in the coming quarters as some categories of borrowers, SMEs and highly leveraged companies will be vulnerable to the combined effect of subdued household spending, high corporate fiscal pressure, and the lagging effect of interest rate rises in 2022 and 2023. However, the bank's prudent provisioning of performing loans and high NPL coverage ratio (including so-called collective reserves), one of the highest among large European banks (79.5%), provides a large buffer to absorb future asset quality deterioration.

Exhibit 2

GCA's cost of risk has increased year-on-year but has been slightly decreasing in recent quarters

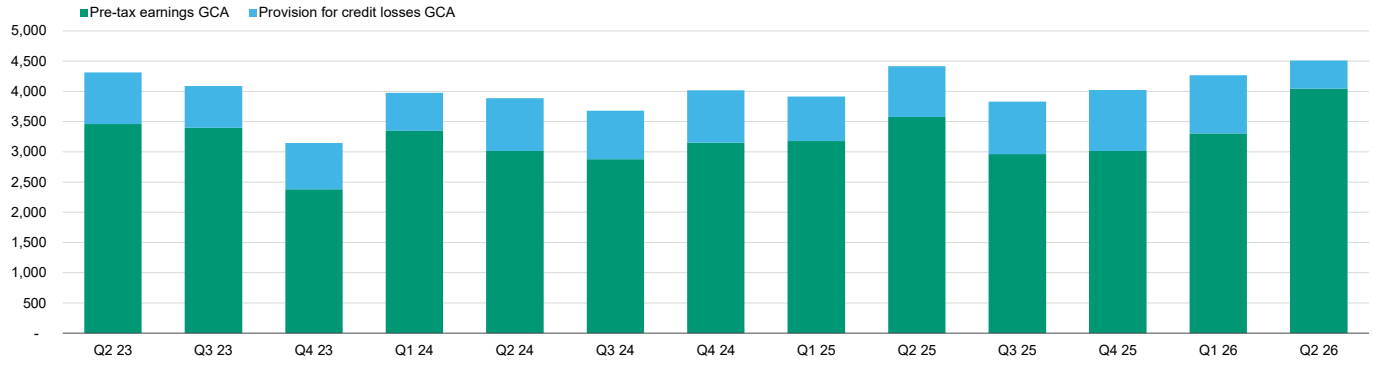
Loan loss provisions in basis points of gross loans (rolling quarter)



Cost of risk in basis points on outstanding customer loans on an annualized basis. The bank provided it on a trailing four quarter basis for Q2 2026 at 38 bps for CASA and 30 bps for GCA.
Source: Company reports, Moody's Ratings

Exhibit 3

GCA's underlying pre-tax income and provisions for credit losses in € millions



Source: Company reports, Moody's Ratings

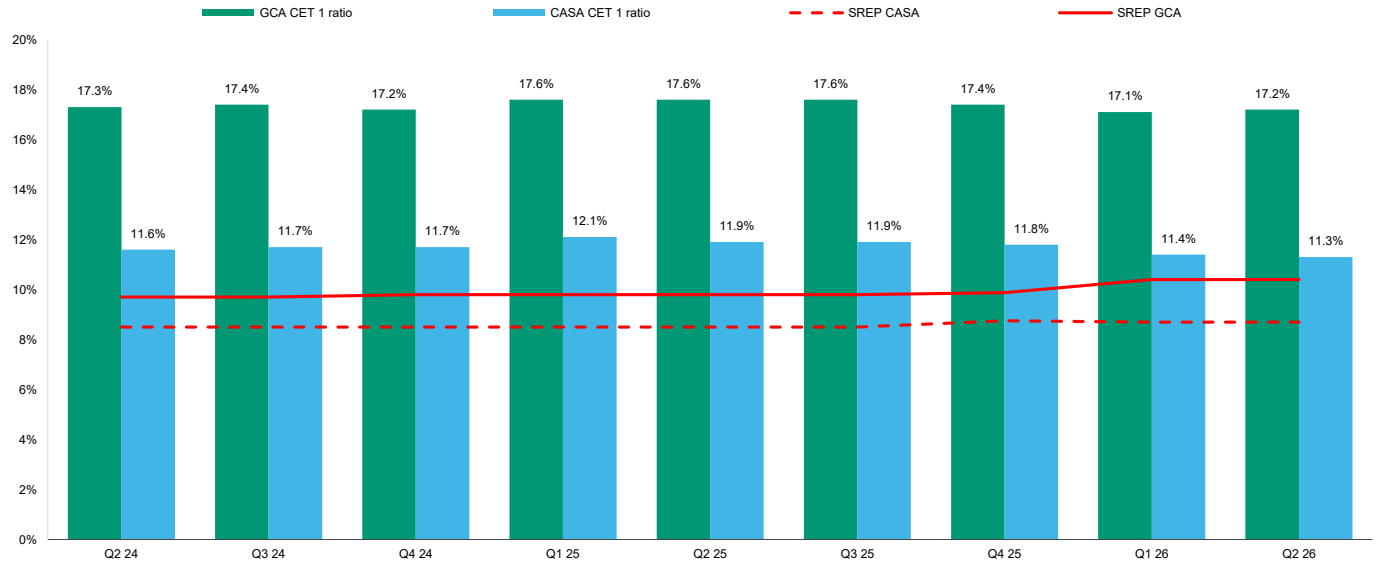
The group's Core Equity Tier 1 ratio slightly decreased to 17.2% at the end of June 2026, from 17.3% at the end of December 2025. Over the semester, retained results contributed to a 44 bps increase, together with methodology & models effects (+21 bps), which were offset by risk-weighted assets (RWA) increases from organic growth (-24 bps), M&A (-21 bps), distribution and share buy-back (-19 bps), OCI and other items (-7 bps). The CET1 ratio at the GCA level remains comfortably above the minimum required CET1 ratio of 10.38% notified by the European Central Bank's Supervisory Review and Evaluation Process (SREP) at 1 January 2026 (including 2.5%

capital conservation buffer, G-SIB buffer of 1.5%, 1.01% Pillar 2 requirement, 0.78% countercyclical buffer and 0.09% systemic risk buffer). The group CET1 ratio is above the 17% target set in the Medium-Term Plan 2028.

Exhibit 4

GCA's capitalisation and buffers above regulatory requirements were stable at group level at the end of June 2026

CET1 ratios and minimum requirements (SREP) in %



Source: Company reports

Endnotes

1 Crédit Agricole Personal Finance & Mobility's (CAPFM) division has consolidated 100% of CA Auto Bank since Q2 2023.

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