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French Retail Powers Credit Agricole's Strong 1H26

Credit Comment

Credit Agricole's (CA) solid 1H26 results again benefitted from the gradual recovery in French retail banking. Increased cost discipline supported positive jaws, with the group's cost/income ratio improving to 58% (2025: 60%). Growth accelerated in 2Q26, largely on a sharp rise in the regional banks' net interest income (NII). Easing of pressures from higher-than-expected loan impairment charges (LICs) and risk-weighted asset (RWA) growth led to a slightly improved operating profit/RWAs ratio of 2%.

This performance is consistent with Fitch Ratings' expectation that CA's profitability will increase toward its higher structural potential through 2026, supported by the French retail recovery, business diversification, and generally stable LICs. The integration of recent acquisitions, including the increased stake in Banco BPM (BBB+/Stable), should add to this momentum.

French Retail Recovery Remains Key Growth Driver

French retail activity was 45% of group revenue. It underpinned CA's performance, supported by strong customer acquisition and a rise in loan production in 2Q26, particularly in home loans (+10% year on year; yoy) and corporate lending. Regional banks' NII rose sharply (+38% yoy), and LCL's record quarterly revenue was supported by the Milleis integration.

Asset management and insurance both posted strong net inflows, pushing assets under management and savings to record levels. The CIB division had a mixed performance compared to European peers, but was overall sound, driven by structured equity and equity capital markets, with fixed income stable at a high level. The specialised financial services (SFS) division remained weaker due to an unfavourable automotive market and falling residual values.

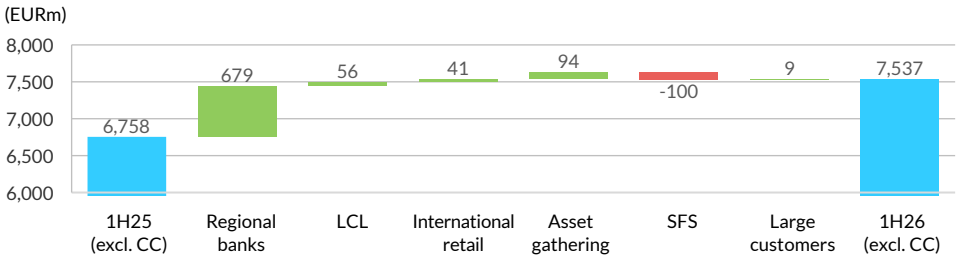
LICs Remain High, Asset Quality Still Sound

LICs again exceeded CA's medium-term assumption of 25bp, at 30bp in 1H26. This was mainly driven by higher Stage 3 charges in consumer finance, and the technical migration of a few significant files to Stage 3 in 2Q26. We expect LICs to be broadly contained in 2H26. The impaired loans ratio of 2.3% at end-June 2026 was the lowest among the large French banks.

Capital Remains a Strength, Supports Further M&A

The common equity Tier 1 ratio edged up slightly over the quarter, still comfortably above regulatory requirements. This capital strength has allowed CA to keep pursuing its external growth strategy, including a further increase in its Banco BPM stake to 29.3% (-10bp capital impact), and a newly announced multi-year investment in artificial intelligence via the launch of Credit Agricole Artificial Intelligence. CA is expanding further in Europe, having signed a long-term partnership agreement with BCC-Grupo Cajamar.

Rising Operating Profit Driven by French Retail Recovery



Regional banks' operating profit excludes dividend from SAS Rue La Boetie. CC = Corporate centre
Source: Fitch Ratings, Fitch Solutions

Ratings

Foreign Currency	
Long-Term IDR	AA-
Short-Term IDR	F1+
Viability Rating	a+
Government Support Rating	ns
Sovereign Risk (France)	
Long-Term Foreign-Currency IDR	A+
Long-Term Local-Currency IDR	A+
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

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Analysts

Charlotte Pernel
+33 1 44 29 91 23
charlotte.pernel@fitchratings.com

Rafael Quina, CFA
+33 1 44 29 91 81
rafael.quina@fitchratings.com

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