Credit Agricole

Banks
Universal Commercial Banks
France

Key Rating Drivers

Strong Business and Financial Profile: Credit Agricole's (CA) ratings reflect a very diverse business model, leading franchises in multiple segments, low risk appetite, sound asset quality and profitability, strong capitalisation and funding compared with large European banks.

Cooperative Structure: Fitch Ratings rates CA as a cooperative banking group, bound by an effective mutual support mechanism. This legally established support mechanism encompasses the 39 regional banks (caisses regionales de Credit Agricole), as well as Credit Agricole S.A., the group's listed central body, and Credit Agricole Corporate and Investment Bank (CACIB). The group publishes consolidated accounts and the affiliated entities share a common strategy, brand and joint marketing activities. Risk management is also centralised.

CA S.A. is legally responsible for ensuring the affiliated entities meet liquidity and solvency requirements at all times. To this aim, the central body can access the financial resources of all the member banks that are part of this effective cross-support mechanism.

Leading Franchise in Multiple Segments: CA is the domestic leader in bancassurance, and CA S.A. owns Amundi, the largest European asset manager by assets under management (AUM). Under its 2025 plan, CA aims to strengthen its market positions, mainly through organic growth and additional cross-selling between group entities. We expect the group to continue to selectively perform bolt-on acquisitions to reinforce its franchise in growing businesses. CA also aims to maintain its sound cost-efficiency, and its strong capitalisation.

Low Risk Profile: CA's low risk appetite and prudent underwriting standards reflect its cooperative nature, and support the group's sound asset quality. Low-risk home loans account for around 45% of its loan book and CA follows prudent origination in loans to SMEs and corporates. CA generally has a lower appetite than other French global systemically important banks (G-SIBs) for traded market risk and this positively underpins our assessment.

Resilient Asset Quality: CA's asset quality has been stable, and resilient to the recent economic slowdown in some vulnerable sectors. Despite this, CA's impaired loans ratio was a sound 2.2% at end-September 2023, below the average for large European banks. We expect the impaired loans ratio to weaken, but to remain below 2.5%, by end-2025. CA's high impaired loans coverage relative to European peers supports our assessment.

Sound and Stable Profitability: CA's profitability is resilient and benefits from a diverse business model. Recently, CA has increased its revenue through organic franchise growth and bolt-on acquisitions. The growth of profitability was slowed in 2023 by the temporary net interest margin (NIM) pressure in French retail banking. This has been compensated by good commercial momentum across other businesses. We expect operating profit/risk-weighted assets (RWAs) to be slightly above 2% in 2024, and NIM to gradually recover in 2024.

Solid Capitalisation: CA's capitalisation is strong and underpins its ratings. Its fully loaded common equity Tier 1 (CET1) ratio was 17.3% at end-September 2023. The ratio already meets the group's 2025 target of at least 17%. We expect CA's CET1 ratio to remain slightly above this level for the rest of the strategic plan, as the bank retains a large share of its profits as a cooperative group, offsetting the impact from further RWAs growth and bolt-on acquisitions.

Strong Funding and Liquidity: CA benefits from the strong deposit franchise of its domestic retail and commercial banking operations. It has strong access to a large investor base through diversified wholesale funding sources. The group's liquidity is sound, with high-quality liquid assets (HQLAs) comprising about 13% of the balance sheet, excluding insurance assets, at end-1H23. The stock of cash and HQLAs more than covers short-and long-term funding due within a year.

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	a+
Government Support Rating	ns

Sovereign Risk (France)	
Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA

Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (September 2023)

Related Research

Western European Banks Outlook 2024 (December 2023)

Large European Banks Quarterly Credit Tracker (December 2023)

Global Economic Outlook (December 2023)

French Banks Net Interest Margins to Rebound in 2024 (November 2023)

Fitch Affirms Credit Agricole's Long-Term IDR at 'A+'; Stable Outlook (October 2023)

What Investors Want to Know: French Banks Net Interest Margins (July 2023)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

CA has considerable rating headroom at its current level, even if the economic and business prospects deteriorate further for French banks. We would likely downgrade the ratings of CA, CA S.A. and CACIB if CA's impaired loans ratio increases sustainably above 3% with lower levels of loan loss allowance coverage, the operating profit/RWAs falls durably below 1.5%, and the CET1 ratio decreases durably below 14%.

CA's ratings are also sensitive to material expansion into higher-risk businesses, especially in weaker operating environments, such as Italy, and emerging markets, or in complex and more volatile capital-market activities.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of CA, CA S.A. and CACIB's ratings would require a material improvement in the group's operating profit/RWAs ratio to above 2.5%, and improved asset quality with an impaired loans/gross loans ratio close to 1%–1.5%, while maintaining capitalisation metrics at least at current levels. While not impossible, this is highly unlikely whilst economic prospects in France and the eurozone remain weak.

Other Debt and Issuer Ratings

Rating level	Rating
CA S.A.	
Deposits	AA-/F1+
Senior preferred debt	AA-/F1+
Senior non-preferred debt	A+
Subordinated Tier 2 debt	A-
Deeply subordinated debt and additional Tier 1	BBB
CACIB	
Senior preferred debt	AA-/F1+

Source: Fitch Ratings

Short-Term IDR

CA's Short-Term IDR of 'F1' is the lower of two options mapping to a 'A+' Long-Term IDR due to Fitch's funding and liquidity assessment of 'a+' for the group.

Derivative Counterparty Rating, Deposits and Senior Debt

We rate the senior preferred debt one notch above CA's IDRs to reflect the protection that will accrue to senior preferred debt from more junior debt and equity resolution buffers. Fitch expects CA to continue complying with its total minimum requirement for own funds and eligible liabilities (MREL), without recourse to senior preferred debt. CA's MREL was about 27.1% at end-September 2023, when excluding senior preferred debt, compared with a total requirement of 25%. For the same reason, we rate CA S.A.'s senior non-preferred debt in line with CA S.A.'s Long-Term IDR.

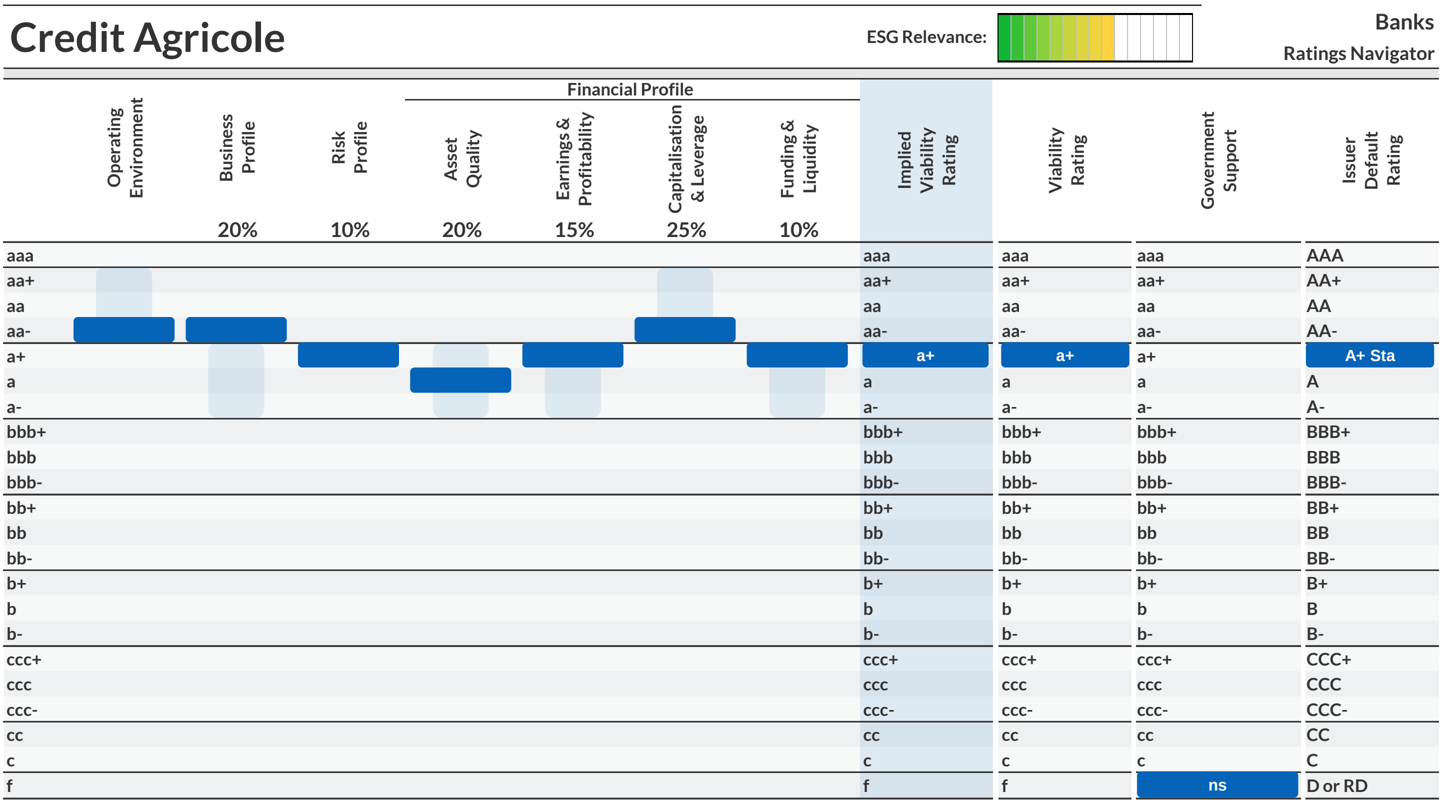
The 'AA-'/'F1+' senior preferred debt ratings of CACIB are one notch above the issuer's IDRs. CACIB is part of CA's resolution scope. CA S.A. downstreams senior non-preferred debt to CACIB, which supports our view that junior debt and equity buffers are available at the regional banks, and that CA S.A. would also protect CACIB's senior preferred creditors in a resolution.

The Derivative Counterparty Ratings (DCRs) of CA S.A. and CACIB are at the same level as the entities' senior preferred debt ratings. Derivative counterparties in France have no preferential status over other senior preferred obligations in a resolution scenario.

Subordinated Debt and Junior Subordinated Debt

We rate CA S.A.'s subordinated Tier 2 debt two notches below CA's Viability Rating (VR) to reflect our baseline notching for loss severity for those instruments. Additional Tier 1 and deeply subordinated legacy hybrid Tier 1 securities are rated four notches below CA's VR, reflecting Fitch's baseline notching for loss severity and for non-performance. Our assessment is based on our expectation that the group and CA S.A. will continue to operate with CET1 ratios and regulatory leverage ratios comfortably above their respective coupon-omission thresholds, and on the presence of substantial distributable reserves.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The business profile score of 'aa-' has been assigned above the implied 'a' category score due to the following adjustment reason: business model (positive).

Company Summary and Key Qualitative Factors

Business Profile

Diversified and Leading Universal Banking Business Model

CA's leading franchises in several sectors support the group's strong and very diverse business model. CA leads the market in French bancassurance, with strong market shares of almost 25% for loans and deposits and a leading market share in life insurance savings. Its subsidiary Amundi (A+/Stable) has about EUR2 trillion of AUM, and is focused on the mass retail segment. Its franchise benefits from long-term distribution agreements with CA and several partnerships with European banks. The group also has solid pan-European franchises in consumer finance and in corporate and investment banking. Volatile investment banking activities or businesses in emerging markets have a modest contribution to revenue (consistently below 10%), comparing favourably with some large French and European peers.

CA's domestic retail and commercial banking activities (the regional banks and Le Credit Lyonnais) historically contribute to about half of operating revenue (9M23: about 44%), and generate solid and consistent earnings. International operations focus on Europe, and primarily on Italy, a strategic market where the group rolls out its key businesses. CA completed the exit of some non-core emerging markets (Morocco and Serbia), where its retail banking operations were subscale and offered limited synergies. CACIB has strong positions in asset-based finance (aircraft, shipping, commercial real estate and project finance), and has leading market shares in loan syndication in Europe. CACIB is also building up its global market franchise, which is mainly concentrated on fixed-income and client flows.

Strong Execution on Medium Term Targets

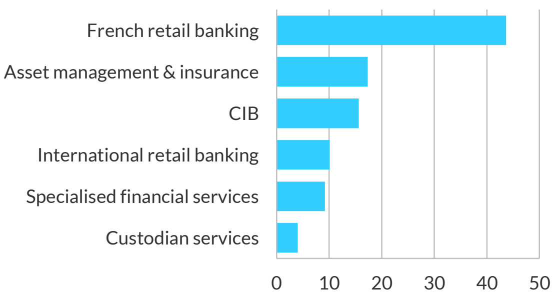
CA's management has a very high degree of credibility, depth and experience, with a strong track record in executing the group's strategy. CA, as a cooperative group, has a strong corporate culture, enforced by the executive committee members, most of whom were promoted internally and have spent almost their entire careers within the group. CA S.A. is owned by the 39 regional banks.

CA's strategy has been very consistent, and mainly consists of developing revenue synergies between its core franchises and continue to grow its market shares. The group also aims at setting up partnerships with foreign financial institutions, mostly in Europe, to offer its products (insurance, asset management, leasing and factoring and consumer finance) through channels other than its own banking networks.

CA is deploying its capital to develop its different franchises through bolt-on acquisitions. The group recently absorbed the Royal Bank of Canada's custodian business in Europe and plans to acquire the Belgium-based private bank Degroof Petercam (EUR71 billion AUM). CA's key strategic objectives also include the development of its business line specialised in mobility services, through CA Auto Bank and Leasys S.p.A, and the creation of a major entity in payments in France through a partnership with Wordline.

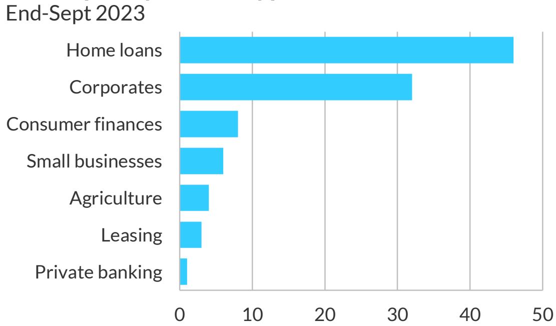
CA is in a good position to execute on its 2025 objectives, which include a conservative CET1 ratio target of at least 17%, a total loss-absorbing capacity (TLAC) ratio of at least 26% – excluding senior preferred debt – and a working assumption of LICs/gross loans of 25bp at group level (40bp on CA SA's scope). The group also aims to continue improving CA S.A.'s profitability, with a cost/income ratio target below 58% (revised target post IFRS 17 application) and a return on tangible equity ratio of above 12%.

Income Split by Segment (%)
9M23



Source: Fitch Ratings, Fitch Solutions, CA

Loan Split by Client Type (%)
End-Sept 2023



Source: Fitch Ratings, Fitch Solutions, CA

Risk Profile

Conservative Risk Appetite

CA's low risk appetite reflects the group's cooperative nature, its focus on France, and its centralised and robust risk controls. CA is mainly exposed to credit risk. The French portion of CA's loan book accounts for slightly more than 70% of the group's, while the second-largest geographic exposure is Italy, which represented about 9% of credit exposure, or nearly EUR100 billion, at end-September 2023.

CA's housing loans in France are conservatively underwritten, and represent around 40%-45% of the group's loan portfolio. In France, lending is based on borrowers' ability to repay, and housing loans have low-risk features, being fully amortising and with fixed interest rates. The bank's lending standards in relation to self-employed and SME borrowers are among the most prudent in the French banking sector.

In corporate banking, CACIB follows an originate-to-distribute strategy, reducing on-balance-sheet risk. Corporate exposures are well diversified by sectors. In Italy, CA has aligned underwriting standards and recovery processes with group standards. CA has been actively selling impaired loans portfolios in Italy, resulting in improving asset quality metrics, which, however, remain weaker than the Italian banks' average.

Non-traded market risks primarily arise from CA's French retail banking activities, and notably the excess of fixed-rate loans over fixed-rate liabilities. Therefore, the transition towards higher euro-interest rates is putting pressure on CA's net interest income in the short term, as the group's assets repriced slower than its liabilities (notably regulated savings and wholesale funding). This is mitigated by macro-hedges and the repricing of corporate loans at floating rates, as well as exposure towards international retail markets such as Italy and Poland. Nevertheless, we expect higher euro area interest rates to result in wider NIM over the next 18 months.

CA has a fairly low appetite for traded market risks. CA's value at risk (99%; 1 day) is moderate, and has recently been EUR10 million–20 million.

Financial Profile

Asset Quality

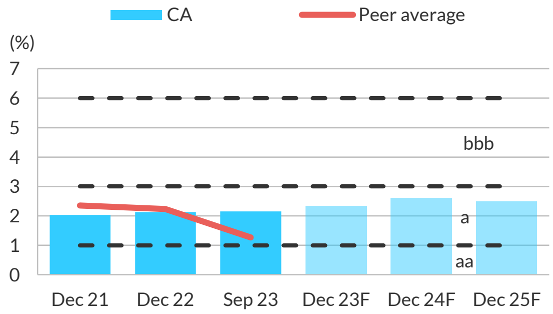
Slightly Better Asset Quality than French Peers

CA's asset quality is sound, and supported by stringent underwriting standards, diversification of credit exposure, and the fixed-rate nature of a large proportion of the portfolio through French housing loans. It has limited risk appetite for riskier lending and more volatile sectors. Therefore, we expect CA's impaired loans ratio to only slightly deteriorate despite the higher inflows of defaulted loans. CA's stock of impaired loans has increased by about EUR3.6 billion since end-2021, mainly from consumer finance exposure, large single corporate files, retail bank portfolios, and perimeter effects. We believe the active management of the stock impaired loans, and high provision coverage, should mitigate the impact from higher defaults from weaker borrowers.

CACIB's exposure to large corporates can also occasionally generate quarterly spikes of LICs. However, the group's non-financial corporates exposure shows no significant sector concentration, except to energy and real estate (including construction), which together represent about a third of corporate exposure. Individually no sector exceeds 20% of gross corporate loans. CA's exposure to more volatile sectors – such as shipping or aviation – are generally of good quality and diversified.

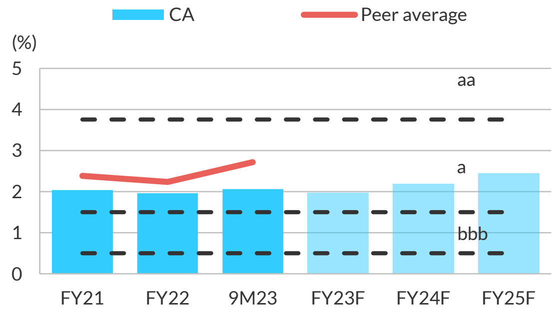
The securities portfolio is of good quality and mainly comprises sovereign and public-sector bonds. CA has a higher exposure to Italian sovereign bonds than other French peers, but we view concentration risks as acceptable.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Resilient Profitability Benefits from Diverse Business Profile

French retail and commercial banking activities are CA's largest revenue contributors, generating solid and consistent earnings along with asset management and insurance. CACIB's business profile is diversified towards structured finance and corporate banking, which counterbalances the inherent revenue volatility of global markets. CA's average pre-impairment profit has been more than EUR13 billion a year over the past four years, which provides the group with a strong capacity to absorb large shocks.

CA's revenue rose steeply in 9M23, by nearly 7% year-on-year, supported by good commercial momentum in most businesses and bolt-on acquisitions in securities servicing and car financing businesses. CA achieved a satisfactory operating profit/RWAs ratio of 2.1% in 9M23, higher than its four-year average of 1.8%. Nevertheless, CA continued to underperform most non-French large European banks, as its profitability benefits far less from higher rates. CA is indeed largely exposed to French retail banking, which has been experiencing significant NIM pressure from the faster repricing of liabilities than assets amid increasing interest rates in 2023. Margin pressure in French retail reduced in 3Q23, as the NIM increased quarter-on-quarter. We expect a sharper recovery of margins starting mid-2024.

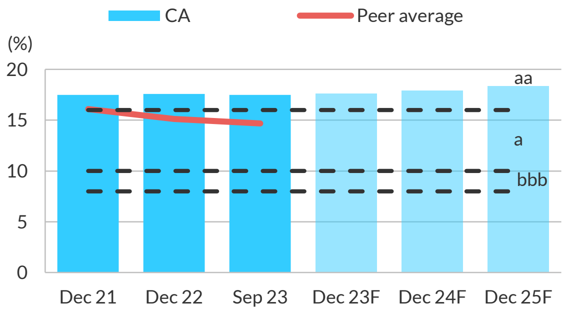
Private banking, securities services and international retail banking performed well in 9M23, as they benefit from higher interest rates. In corporate and investment banking, product diversification supports revenue growth with good performance in global markets activities, notably in fixed income, as well as high activity in asset financing and transaction banking. Insurance revenue grew strongly, pro-forma IFRS17, driven by favourable market effects, good business momentum and lower claims related to climate events. Higher revenue, the implementation of IFRS17 and good cost control contributed to lower the group's cost/income ratio to 59% in 9M23, lower than the four-year average of 64%. We expect the ratio to improve further in 2024, notably due to lower regulatory levies and stronger revenue generation in French retail banking.

Capital and Leverage

Solid Capitalisation Provides Significant Headroom

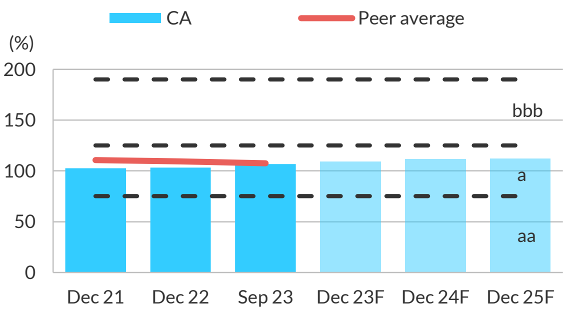
High regulatory capital ratios, moderate pay-out ratios due to CA's cooperative structure combined with solid earnings retention, and low unreserved impaired loans (below 5% of CET1 capital) support CA's capitalisation. The CET1 ratio has been very stable at high levels since end-2020, highlighting CA's strong capital management and high financial flexibility. The current level provides a significant buffer of about 780bp above the 9.7% CET1 capital requirement from January 2024, putting the group in a good position to withstand even a significant economic downturn. Despite a lower RWA density than peers, at only 25%, partly due to its large insurance subsidiary, CA had a satisfactory phased-in regulatory leverage ratio of 5.6% at end-September 2023.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Strong Deposit Franchise and Liquidity Coverage

The customer deposits make up 60%–65% of total funding. CA's large and granular deposit base benefits from its strong franchise in French retail banking, as well as good access to institutional and corporate deposits through CACIB and CACEIS S.A., and some geographical diversification in Italy and Poland. CA's loans/deposits ratio (end-September 2023: 107%) increased moderately due to the loans book growing faster than the deposits. Nevertheless, the deposit base is significantly higher than pre-pandemic. CA also has strong access to diversified wholesale funding under different forms and currencies. The bank has a large volume of short-term wholesale funding (EUR156 billion at September 2023, or less than 10% of total funding), which has increased from pre-pandemic levels. This remains manageable in light of the large liquidity buffer and good access to a large investor base.

CA's liquidity has not been affected by significant repayments of TLTRO drawings (about EUR38 billion outstanding at end-September 2023), as it was mostly replaced at the central bank. CA manages its liquidity coverage ratio (LCR) and net stable funding ratio with comfortable headroom relative to requirements. The LCR averaged 151% over the 12 months to end-September 2023 but decreased to 143% at end-September 2023. However, we expect both ratios to gradually decline as refinancing and liquidity conditions normalise and CA optimises its funding structure.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category. Light-blue columns represent Fitch's forecasts.

Peer average includes Groupe BPCE (VR: a), Credit Mutuel Alliance Federale (a+), BNP Paribas S.A. (a+), Societe Generale S.A. (a-), ING Groep N.V. (a+), Cooperatieve Rabobank U.A. (a+), Lloyds Banking Group plc (a), Nordea Bank Abp (aa-).

Financials

Financial Statements

	30 Sep 23		31 Dec 22	31 Dec 21	31 Dec 20
	9 months - 3rd quarter	9 months - 3rd quarter	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Not disclosed	Not disclosed	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	n.a.	n.a.	22,148	21,018	19,858
Net fees and commissions	n.a.	n.a.	10,945	10,750	9,443
Other operating income	29,570	27,912	5,489	5,446	4,713
Total operating income	29,570	27,912	38,582	37,214	34,014
Operating costs	17,376	16,402	24,453	23,081	21,827
Pre-impairment operating profit	12,194	11,510	14,129	14,133	12,187
Loan and other impairment charges	2,308	2,179	2,893	2,193	3,651
Operating profit	9,885	9,331	11,236	11,940	8,536
Other non-operating items (net)	121	114	145	476	-1,178
Tax	2,428	2,292	2,508	2,463	2,165
Net income	7,578	7,153	8,873	9,953	5,193
Other comprehensive income	n.a.	n.a.	-6,747	-254	-878
Fitch comprehensive income	7,578	7,153	2,126	9,699	4,315
Summary balance sheet					
Assets					
Gross loans	1,240,298	1,170,756	1,126,111	1,066,624	981,361
- Of which impaired	26,703	25,206	23,966	21,641	23,326
Loan loss allowances	22,095	20,856	19,862	18,946	19,584
Net loans	1,218,203	1,149,900	1,106,249	1,047,678	961,777
Interbank	134,544	127,000	104,970	90,824	82,300
Derivatives	19,281	18,200	154,275	111,566	149,377
Other securities and earning assets	912,567	861,400	701,345	750,866	742,547
Total earning assets	2,284,595	2,156,500	2,066,839	2,000,934	1,936,001
Cash and due from banks	170,245	160,700	210,804	241,191	197,792
Other assets	111,025	104,800	101,477	81,432	83,719
Total assets	2,565,866	2,422,000	2,379,120	2,323,557	2,217,512
Liabilities					
Customer deposits	1,162,691	1,097,500	1,091,467	1,040,793	959,152
Interbank and other short-term funding	117,170	110,600	350,733	380,300	349,266
Other long-term funding	664,032	626,800	168,170	155,746	154,710
Trading liabilities and derivatives	26,485	25,000	204,568	149,539	180,172
Total funding and derivatives	1,970,377	1,859,900	1,814,938	1,726,378	1,643,300
Other liabilities	446,325	421,300	430,386	463,124	447,265
Preference shares and hybrid capital	n.a.	n.a.	7,739	6,973	8,106
Total equity	149,163	140,800	126,057	127,082	118,841
Total liabilities and equity	2,565,866	2,422,000	2,379,120	2,323,557	2,217,512
Exchange rate		USD1 = EUR0.943931	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963

Source: Fitch Ratings, Fitch Solutions, CA

Key Ratios

	30 Sep 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.1	2.0	2.0	1.5
Net interest income/average earning assets	n.a.[a]	1.1	1.1	1.0
Non-interest expense/gross revenue	59.2	64.1	62.7	65.0
Net income/average equity	7.2	7.0	7.9	4.4
Asset quality				
Impaired loans ratio	2.2	2.1	2.0	2.4
Growth in gross loans	4.0	5.6	8.7	5.7
Loan loss allowances/impaired loans	82.7	82.9	87.6	84.0
Loan impairment charges/average gross loans	0.3	0.3	0.2	0.4
Capitalisation				
Common equity Tier 1 ratio	17.5	17.6	17.5	17.2
Fully loaded common equity Tier 1 ratio	17.3	17.2	17.2	16.9
Tangible common equity/tangible assets	5.0	4.5	4.6	4.5
Basel leverage ratio	5.6	5.3	6.1	6.1
Net impaired loans/common equity Tier 1	4.1	4.1	2.6	3.9
Funding and liquidity				
Gross loans/customer deposits	106.7	103.2	102.5	102.3
Gross loans/customer deposits + covered bonds	n.a.	98.7	98.2	97.7
Liquidity coverage ratio	150.8	167.6	183.0	178.5
Customer deposits/total non-equity funding	59.8	65.9	64.0	63.6
Net stable funding ratio	115.9	118.0	125.6	n.a.

a This ratio was not available for 9M23; it reached 1.0% in 1H23
Source: Fitch Ratings, Fitch Solutions, CA

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a or a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AA-/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

No Reliance on Sovereign Support

CA's Government Support Rating of 'no support' (ns) reflects Fitch's view that, although possible, sovereign support cannot be relied on. Legislative, regulatory and policy initiatives, including the implementation of the EU's Bank Recovery and Resolution Directive, have substantially reduced the likelihood of sovereign support for EU commercial banks in general, in our view. This implies that senior creditors would probably be required to participate in losses, if necessary, instead of the bank receiving sovereign support, despite CA's systemic importance in France.

Subsidiaries and Affiliates

The Shareholder Support Ratings (SSRs), Long- and Short-Term IDRs of CA Consumer Finance (CACF) and Credit Agricole Leasing and Factoring (CAL&F), which are not covered by the group's mutual support mechanism, are based on shareholder support from CA S.A., and, ultimately, CA. Their IDRs are equalised with those of CA as we view them as key, growing and integral parts of the group as providers of consumer finance, and leasing and factoring solutions. They are also highly integrated within the group in terms of management, capital and liquidity.

Fitch does not assign a VR to CACF or to CAL&F as they do not have a meaningful standalone franchise that could exist without the ownership of the parent due to high levels of financial and operational integration.

The 'AA-'/'F1+' senior preferred debt ratings of CACF and CAL&F and its subsidiaries, Auxifip, Finamur, Lixxbail and Unifergie, are one notch above their respective issuer or guarantor's IDRs. CACF and CAL&F are part of CA's resolution scope. CA S.A. downstreams senior non-preferred debt to CACF and CAL&F, which supports our view that junior debt and equity buffers available at the regional banks and CA S.A. would also protect these subsidiaries' senior preferred creditors in a resolution.

Environmental, Social and Governance Considerations

FitchRatings **Credit Agricole**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Credit Agricole has 5 ESG potential rating drivers

- Credit Agricole has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a strength of '3', unless otherwise disclosed in this section. A strength of '3' means ESG is credit neutral or has only a minimal credit impact, either due to their nature or the way they are managed. The scores are not inputs in the process; they are an observation on the relevance and materiality of ESG in the rating. For more information, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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