Financial Institutions Ratings
Crédit Agricole SA – Tier 2 rating report

Security Ratings

Outlook	Stable
8.125% USD 1.0bn Contingent Capital Subordinated Fixed Rate Resettable Notes due 2033	A-

The ratings have not been solicited by the issuer; the analysis is based solely on public information.

Rating rationale

On 7 April 2016, Scope upgraded to A- from BBB+ the Tier 2 8.125% USD 1.0bn Contingent Capital Subordinated Fixed Rate Resettable Notes due 2033 issued in September 2013 by Credit Agricole SA following the upgrade of the issuer credit-strength rating (ICSR). The rating on the security is based on the following:

- Senior unsecured debt rating: A+, Stable Outlook
- Minimum notches down from senior unsecured debt rating: 2
- Additional notches: 0

In accordance with our recently updated rating methodology, the starting point for notching down when rating capital instruments is the senior unsecured debt rating and no longer the issuer credit-strength rating (ICSR). Please refer to Scope's *Bank Capital Instruments Rating Methodology* published in May 2016 for more details.

Under the Bank Recovery and Resolution Directive (BRRD), Tier 2 capital instruments should be written-down or converted when the issuer has reached the point-of-non-viability (PONV). While the security has a trigger for write-down if Crédit Agricole Group's CET1 ratio falls below 7%, we take the view that the PONV may be below or above this level. Therefore, in our view the current two notches sufficiently capture the potential principal loss absorption risks.

We further note that the trigger is measured at the level of Crédit Agricole Group (CA Group), which is better capitalised than Crédit Agricole SA (CASA). CA Group targets a CET1 ratio of 16% by end-2019, at the higher end of French and international peers.

Issuer credit profile

The A+ ICSR on Crédit Agricole reflects the success of the group's de-risking and refocusing on its core businesses, mainly domestic and selected international retail, while leveraging its size and expertise in savings products (asset management and insurance). The group is well positioned to benefit from closer integration – cross-selling products and services group-wide. We note that the 2016-2020 medium-term plan continues to be underpinned by a focus on core businesses and a commitment to financial prudence.

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Summary terms

Issuer	Crédit Agricole SA
Issue Date	19 September 2013
Amount	USD 1.0bn
Coupon	• 8.125% per annum • Payable semi-annually in arrears
Format	Contingent Capital Subordinated Fixed Rate Resettable Notes due 2033
ISIN	US225313AC92 (Rule 144A)/ USF22797QT87 (Regulation S)

Capital Treatment	Tier 2
Principal Loss Absorption	• If a trigger event occurs, a contingent write-down will occur and the full principal amount of each note will automatically be written down to zero and the notes will be cancelled. • A trigger event will be deemed to have occurred if CA Group's CET1 capital ratio falls below 7%. • While it is possible that a contingent write-down will have occurred by the time the issuer reaches the Point of Non Viability (PONV), there may be cases in which the PONV occurs before the CET1 ratio of CA Group falls below the trigger event threshold. As a result, bail-in measures may provide for additional circumstances, beyond those contemplated in the T&Cs, in which the notes might be written down.
Trigger for Principal Loss Absorption	CET1 ratio of CA Group <7% (transitional basis)

Source: Prospectus, Scope Ratings

Key risk: principal loss absorption

The Notes are permanently written-down to zero when the trigger level is breached. The trigger level is breached when CA Group's CET1 ratio is less than 7% on a transitional basis. Further, as noted in the "risk factors" of the prospectus, the PONV of the group may be higher than the trigger level of 7%.

Distance to trigger

CA Group is targeting a fully-loaded CET1 ratio target of 16% by YE2019, a materially higher target than most other French and international peers.

We note that the distance to the trigger of 7% should be based on the transitional CET1 ratio of CA Group. As per the YE2015 results presentation, the transitional CET1 ratio of CA Group stands at 13.5%, lower than the 13.7% on a fully-loaded basis. As shown in Table 1, the distance to trigger should increase as CA Group meets its CET1 target.

Table 1: Distance to trigger

	2015	2016 E	2017 E	2018 E	2019 E
Trigger level	7.0%	7.0%	7.0%	7.0%	7.0%
CA Group transitional CET1 / FL target	13.5%				16% FL target
Gap (%)	6.5%				9.0%
Gap (bn EUR)[1]	33				

1. Based on EUR 509.4bn RWA as of YE2015. Source: Company data, Scope Ratings

Regulatory Disclosures

Information pursuant to Regulation (EC) No 1060/2009 on credit rating agencies, as amended by Regulations (EU) No. 513/2011 and (EU) No. 462/2013

Responsibility

The party responsible for the dissemination of the financial analysis is Scope Ratings AG, Berlin, District Court for Berlin (Charlottenburg) HRB 161306 B, Executive Board: Torsten Hinrichs (CEO), Dr. Stefan Bund.

The rating analysis has been prepared by Pauline Lambert, Executive Director

Responsible for approving the rating: Sam Theodore, Managing Director

The rating concerns a newly-issued financial instrument which was evaluated for the first time by Scope Ratings AG.

The rating outlook indicates the most likely direction of the rating if the rating were to change within the next 12 to 18 months. A rating change is, however, not automatically ensured.

Information on interests and conflicts of interest

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Prior to publication, the rated entity was given the opportunity to examine the rating and the rating drivers, including the principal grounds on which the credit rating or rating outlook is based. The rated entity was subsequently provided with at least one full working day, to point out any factual errors, or to appeal the rating decision and deliver additional material information. Following that examination, the rating was not modified.

Methodology

The methodologies applicable for this rating "Bank Rating Methodology" (May 2015) & "Bank Capital Instruments Rating Methodology" (May 2016) are available on www.scoperatings.com. The historical default rates of Scope Ratings can be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA): http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml. A comprehensive clarification of Scope's credit rating, definitions of rating symbols and further information on the analysis components of a rating can be found in the documents on methodologies on the rating agency's website.

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