

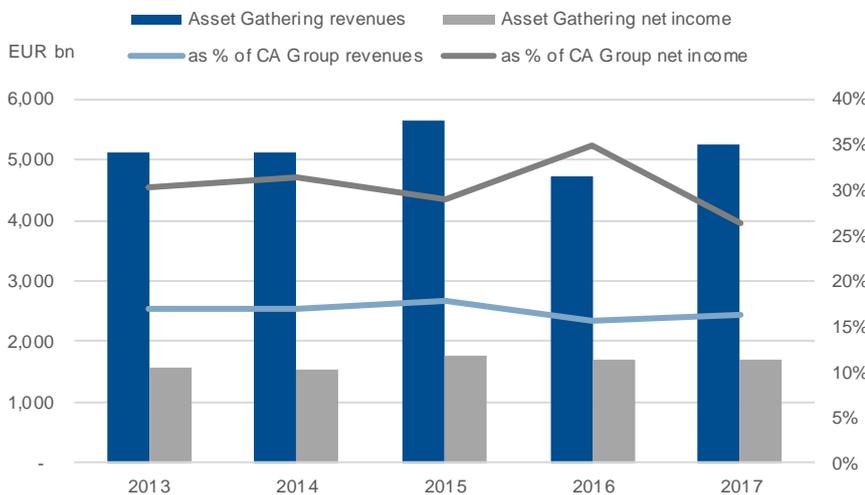
Crédit Agricole's Asset Gathering Business is a Source of Earnings Strength



The insurance and asset management activities of Crédit Agricole SA (rated AA-, Stable) are key parts of the Crédit Agricole Group's product offering and earnings. They underpin the universal banking model and provide opportunities to strengthen customer relationships and support customer retention. This is increasingly important considering competitive dynamics in the banking industry, such as evolving regulations and the proliferation of digital players and platforms that provide customers with more flexibility and choice.

The asset gathering business line comprises asset management (2017 revenues of EUR 2.3bn), insurance (EUR 2.2bn), and wealth management (EUR 0.8bn). Supported by leading market positions, efficient business models, and relatively lower capital intensity, they generate higher returns than the group's other businesses.

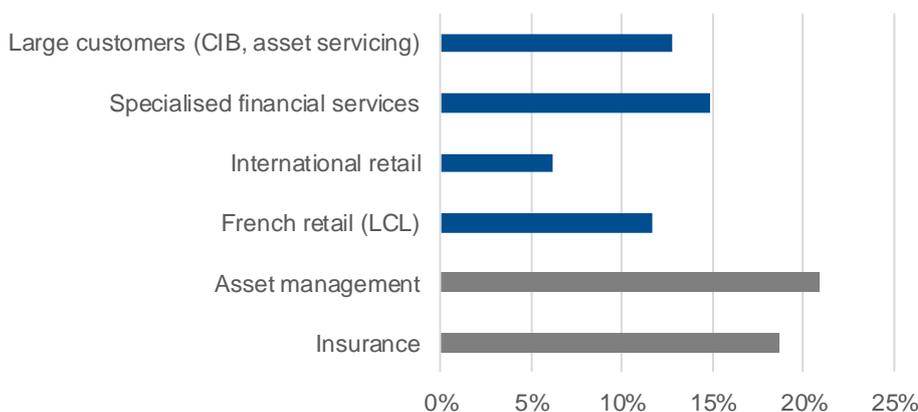
Figure 1: Important and consistent source of revenues and net income



Note: Net income is Net income group share. Calculations exclude the Corporate Centre.
Source: Company data, Scope Ratings

While they make up just 16% of CA Group's reported revenues, they account for 26% of reported net income group share (excluding Corporate Centre).

Figure 2: Crédit Agricole SA's net income group share % Allocated capital



Note: Data for FY 2017.
Source: Company data, Scope Ratings calculations

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Largest insurer in France

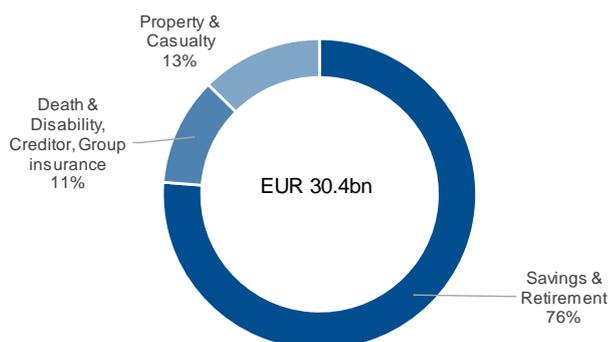
Crédit Agricole Assurance (CAA) is the largest insurer in France and the eighth largest in Europe based on premium income.¹ Over the last 30 years, CAA has grown into a diversified and international insurer that is integrated into the group's banking activities. Over 90% of premium income stems from the group's banking networks, under a bancassurance model. Another 6% comes from internal financial partners with complementary distribution channels, such as Crédit Agricole Consumer Finance and BforBank (CA Group's online bank), and the remainder from external partnerships such as local banks in Japan.

Over 80% of business premium income is domestic. The largest international markets are Italy and Luxembourg; there are also significant operations in Poland and Japan.

CAA maintains leading positions in the various insurance markets: savings and retirement, death and disability, creditor/group insurance, and property and casualty. For example, in France CAA ranks first in individual death and disability insurance, second in life insurance with 15% market share, and fourth in household insurance.²

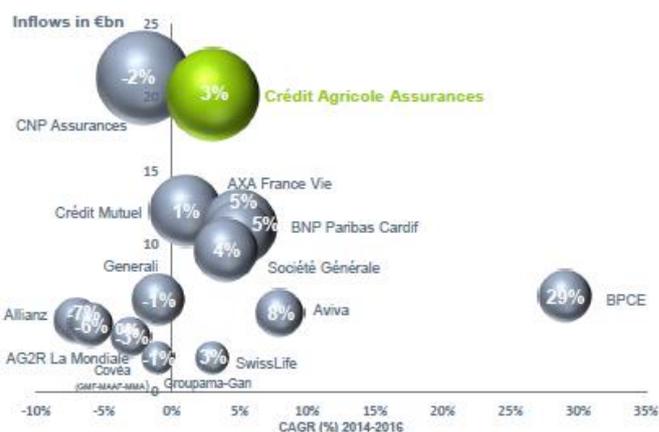
In savings and retirement (the group's largest business, Figure 3), CAA serves all customer segments, including individuals, farmers, small businesses, and corporates. Supported by comparatively low acquisition and management costs as well as IT costs, both premium income and assets under management (AuM) have demonstrated solid growth. CAGR between 2014-2016 was 3% for premium income and 4% for AuM (Figure 4). During 2017, premium income declined 3.6% while AuM increased 3.4%. To achieve better returns, CAA has been shifting its focus to unit-linked business. During 2017, the proportion of unit-linked contracts continued to grow, reaching more than 21% of outstanding AuM at year-end 2017.

Figure 3: Breakdown of insurance premium income



Note: Data as of 31 Dec 2017.
Source: Company data, Scope Ratings

Figure 4: Life insurance premium income growth



Source: Company data

As presented in the group's medium-term plan, "Strategic Ambition 2020", the aim is to further increase the contribution of the insurance business to group revenues and net income. Targets for 2019 include approximately EUR 1.3bn in net income group share (2017: EUR 1.2bn), a cost-income ratio below 30%, 10% growth in savings and retirement AuM, and more than 25% growth in property and casualty premium income.

¹ Source: Argus de l'Assurance.

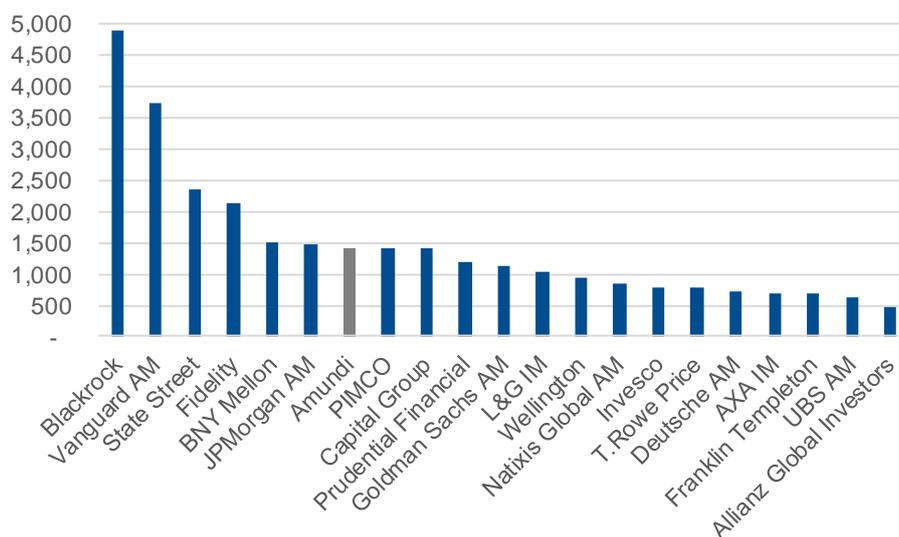
² Crédit Agricole – Insurance Workshop, December 2017 presentation.

Largest European asset manager

In July 2017, Amundi (the group's asset management business) completed the acquisition of Pioneer Investments, the former asset management subsidiary of UniCredit, for EUR 3.5bn. Consequently, CA Group's ownership in Amundi decreased to 70% from around 75%; the remaining 30% is publicly traded. Integration is expected to take two years, with projected annual cost and revenue synergies of EUR 150m and EUR 30m, respectively. In its recently detailed 2018-2020 strategic plan, Amundi targets more than EUR 1bn in net income for 2020 (2017: EUR 0.7bn).

The acquisition of Pioneer added about EUR 240bn in AuM, bringing combined AuM to EUR 1,426bn as of 31 December 2017. Based on AuM, Amundi is the number one asset manager in Europe and ranks top 10 worldwide.³

Figure 5: Assets under management (EUR bn)



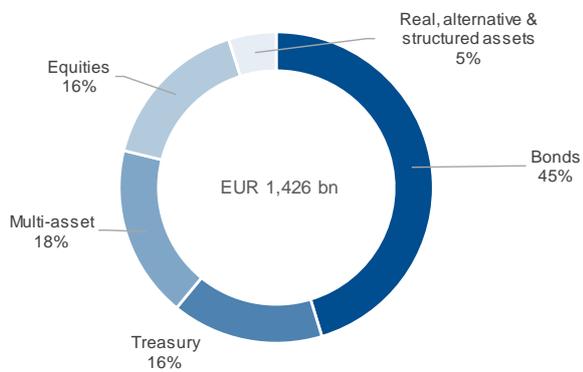
Notes: Data as of YE 2016, except for Amundi (31/12/2017), Fidelity (31/03/2017), PIMCO (31/03/2017) and AXA IM (30/09/2016).
Source: IPE, Top 400, June 2017

The combination further geographically diversifies the client base, with the proportion of international AuM increasing to 42% from 29%. Amundi ranks number one in France, within the top three in Italy and Austria, and is the second largest foreign player in Germany.

The combination also increases the share of equities and multi-asset AuM to 34% from 26%, reducing the reliance on fixed-income products (Figure 6). There is also a shift in the customer mix to higher-margin retail AuM (37% vs. 28%) from institutional AuM.

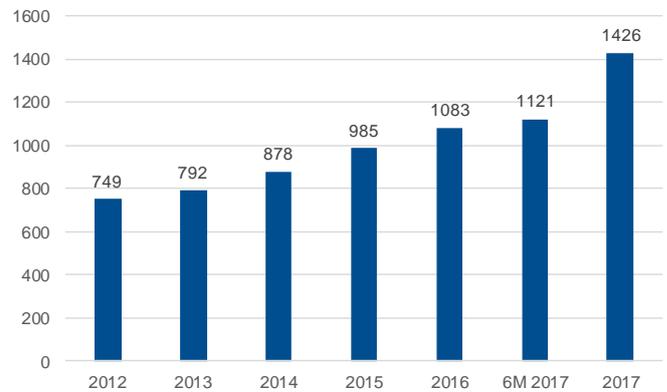
³ Source: IPE Top 400 Asset Managers survey.

Figure 6: Breakdown of AuM



Note: Data as of 31 Dec 2017.
Source: Company data, Scope Ratings calculation.

Figure 7: Growth in AuM (EUR bn)



Source: Company data, Scope Ratings

Amundi's franchise benefits from extensive distribution agreements with CA Group and Société Générale (a former minority shareholder). In 2017, over 35% of AuM stemmed from the French banking networks and insurance companies of CA Group and Société Générale. Amundi is the manager of CA Group's insurance assets and is a key supplier of asset management products for the group's retail networks.

With the Pioneer acquisition, Amundi should further benefit from a long-term distribution partnership with UniCredit's network. As of year-end 2017, the international retail networks of CA Group and Société Générale combined with the retail networks of UniCredit accounted for almost 10% of AuM, with the bulk coming from UniCredit.



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