

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings downgrades the long-term deposit, senior unsecured debt and issuer ratings of seven French banks; outlook changed to stable**

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17 Dec 2024

#### **Rating action follows the downgrade of the Government of France's ratings to Aa3**

Paris, December 17, 2024 -- Moody's Ratings (Moody's) has today downgraded the long-term deposit, senior unsecured debt and long-term issuer ratings, where applicable, of BNP Paribas (BNPP); Credit Agricole S.A. (CASA), Credit Agricole Corporate and Investment Bank (CACIB) and all Groupe Credit Agricole's (GCA) French regional banks; and Banque Federative du Credit Mutuel (BFCM), Credit Industriel et Commercial (CIC) and Credit Mutuel Arkea (CMA) to A1 from Aa3. The outlook on these ratings was changed to stable from negative previously. We also downgraded the long-term Counterparty Risk Assessment (CR Assessment) and Counterparty Risk Ratings (CRR) of BNPP to A1(cr) and A1 respectively from Aa3(cr) and Aa3 respectively. We also downgraded the long-term CR Assessments and CRRs of CASA, CACIB, all GCA's French regional banks, BFCM, CIC and CMA to Aa3(cr) and Aa3 respectively from Aa2(cr) and Aa2 respectively.

We downgraded the long-term CR Assessments and CRRs, where applicable, of BPCE, Natixis S.A., Banque Palatine, all Groupe BPCE's French local banks and La Banque Postale (LBP) to A1(cr) and A1 respectively from Aa3(cr) and Aa3 respectively.

We downgraded the long-term deposit, issuer and senior unsecured debt ratings of SFIL to Aa3 from Aa2. The outlook on these ratings was changed to stable from negative. SFIL's long-term CR Assessment and CRR were downgraded to Aa3(cr) and Aa3 from Aa2(cr) and Aa2 respectively.

We downgraded the long-term deposit, issuer and senior unsecured debt ratings of Caisse Des Depots et Consignations (CDC), the long-term issuer ratings of EPIC

Bpifrance and the backed senior unsecured debt ratings of its subsidiary Bpifrance to Aa3 from Aa2. The outlook on these issuers was changed to stable from negative previously.

We downgraded to Aa3 from Aa2 the ratings of the backed senior unsecured debts of Caisse C'ale du Credit Immobilier de France (3CIF) and IXIS Corporate & Investment Bank (IXIS CIB, now merged into Natixis S.A.), guaranteed by the French government and by CDC, respectively. The outlook on these ratings was changed to stable from negative previously.

Today's action follows the downgrade of the Government of France's rating to Aa3 from Aa2 with a stable outlook, reflecting our view that France's public finances will be substantially weakened over the coming years, because political fragmentation is more likely to impede meaningful fiscal consolidation. On December 4, the successful no-confidence vote from the National Assembly led to a rejection of the 2025 social security bill, forcing the government to resign. While we expect the government to push through a special law ensuring the continuity of the public administration in 2025, the bill will most likely not contain significant fiscal consolidation measures, and there is increasing uncertainty about the next government's ability to reduce the deficit beyond next year. For further information on the sovereign rating action, please refer to our press release dated 14 December 2024 ("Moody's Ratings downgrades France's ratings to Aa3; changes outlook to stable", <https://ratings.moodys.com/ratings-news/434553>).

Please click on this link [https://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL500296](https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL500296) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

All other ratings and assessments of French banks mentioned in this press release, as well as ratings and assessments of banks not mentioned in this press release, remain unaffected by today's rating action.

## RATINGS RATIONALE

### RATING DOWNGRADE OR CHANGE IN OUTLOOK STEMMING FROM REDUCED GOVERNMENT SUPPORT UPLIFT

In line with our approach in many other operational resolution regimes, we assign an unchanged moderate probability of support to the long-term deposit, senior unsecured debt and issuer ratings, where applicable, of French banks we consider to be systemic and strategic. This probability of government support has so far resulted in a one-notch uplift to the ratings of these instrument classes. However, the weakened creditworthiness of the Government of France, reflected in the downgrade of its rating to Aa3 from Aa2, translates into a weakening capacity to support the country's systemic and strategic banks in case of need, and we consider is not sufficient for bank ratings to be in line with the sovereign debt rating.

As a result of the downgrade of the Government of France to Aa3, we removed the one-notch government support uplift from the long-term deposit, issuer and senior unsecured debt ratings, where applicable, of BNPP, CASA, CACIB, GCA's Regional Banks, BFCM, CIC and CMA, which were consequently downgraded to A1. The stable outlook on these ratings reflects the expected stability of these groups' intrinsic creditworthiness, as well as the expectation of limited changes in their liability structures that would trigger a change in the senior instruments' loss-given-failure.

In contrast with the aforementioned banks, SFIL's long-term deposit, issuer and senior unsecured debt ratings benefit from a very high government support assumption, reflecting CDC's commitment, as the reference direct shareholder, and the government's commitment, as the ultimate owner, to support SFIL's solvency and liquidity, as well as the key role of SFIL in the financing of the French local authorities, hospitals and large export contracts. Under our unchanged very high government support assumption, however, the downgrade of the French sovereign's rating resulted in a decrease in government support uplift in SFIL's long-term deposit, issuer and senior unsecured debt ratings to one notch from two notches previously, implying a downgrade of these ratings to Aa3 from Aa2. The stable outlook on these ratings reflects the stable outlook on the French sovereign's rating.

#### DOWNGRADE OF THE RATINGS ALIGNED WITH THE RATING OF THE GOVERNMENT OF FRANCE

The downgrades of the long-term deposit, issuer and senior unsecured debt ratings of Caisse Des Depots et Consignations (CDC), the long-term issuer ratings of EPIC Bpifrance and the backed senior unsecured debt ratings of its subsidiary Bpifrance to Aa3 from Aa2 reflect the downgrade of the Government of France's rating to Aa3. The stable outlooks on these issuers are in line with the stable outlook on the French sovereign debt rating.

CDC is intrinsically linked to the French government, given its governance structure as well as operational and financial ties. As a result, we align CDC's ratings and outlook with those of the French government.

EPIC Bpifrance is fully owned by the French government and benefits from an implicit state guarantee through its status as an "Etablissement public à caractère industriel et commercial" (EPIC). It is thus intrinsically tied to the French state, both operationally and financially. As such, its long-term issuer ratings and outlook are aligned with those of the Government of France.

The downgrade of the backed senior unsecured debt ratings of IXIS CIB and 3CIF also reflects the downgrade of the Government of France's rating. The stable outlook in these ratings reflects the stable outlook on the Government of France's rating.

Following the creation of Groupe BCPE in 2009, the backed senior unsecured debt issued by IXIS CIB continues to be directly guaranteed by, or to benefit from recourse

to CDC. Therefore, the rating of this debt continues to be aligned with CDC's issuer rating and therefore the Government of France's ratings and outlook.

The backed senior unsecured debt rating of 3CIF is based on the unconditional and irrevocable guarantee from the French government.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

An upgrade of the long-term deposit, issuer and senior unsecured debt ratings, where applicable, of BNPP, CASA, CACIB, GCA's Regional Banks, BFCM, CIC, CMA and SFIL could result from an improvement in the entities' respective intrinsic creditworthiness. It could also stem from a decrease, where applicable, in the instruments' respective loss-given-failure resulting from an increase in instrument volume or subordinated instruments. An upgrade of the Government of France's rating could also result in an upgrade of these instruments through a recovery of the previous government support uplift.

An upgrade of the Government of France's rating would result in an upgrade of the backed senior unsecured debt ratings of 3CIF and IXIS CIB, as well as that of the long-term deposit, issuer and senior unsecured debt ratings, where applicable, of CDC, EPIC Bpifrance and Bpifrance.

A downgrade of the long-term deposit, issuer and senior unsecured debt ratings, where applicable, of BNPP, CASA, CACIB, GCA's Regional Banks, BFCM, CIC, CMA and SFIL could result from a material deterioration in the entities' respective intrinsic creditworthiness. It could also result from an increase in the instruments' respective loss-given-failure stemming from a lower level of instrument volume or subordinated instruments. However, the negative effect of a decrease in the Baseline Credit Assessment (BCA) or higher loss-given-failure on these ratings could at least be partly offset by a recovery of a one-notch government support uplift, which was previously incorporated in those ratings.

Since the ratings of BNPP, CASA, CACIB, GCA's Regional Banks, BFCM, CIC, CMA do no longer incorporate any government support uplift, they would not be directly sensitive to a further downgrade of the French sovereign debt rating.

A downgrade of the Government of France's rating would result in a downgrade of the backed senior unsecured debt ratings of 3CIF and IXIS CIB, as well as that of the long-term deposit, issuer and senior unsecured debt ratings, where applicable, of CDC, EPIC Bpifrance and Bpifrance.

Please click on this link [https://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL500296](https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL500296) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Principal Methodologies

## REGULATORY DISCLOSURES

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