FitchRatings

30 Mar 2020 | Rating Changed Outlook to Negative

Fitch Takes Action on 8 French Banking Groups On Coronavirus Growth Uncertainties

Fitch Ratings-Paris-30 March 2020:

Fitch Ratings has taken rating actions on eight French banking groups to reflect the downside risks to their credit profiles resulting from economic and financial market implications of the coronavirus pandemic.

Fitch expects significant deterioration in the eurozone's GDP prospects, including for the French economy. In this severe downturn, Fitch sees the economy recovering in 2H20 on the assumption that the health crisis subsides, fiscal easing measures take effect and pent-up demand pushes growth above trend. The ultimate negative impact of the outbreak on France's GDP is uncertain, as it depends on the duration of the lockdown.

Support measures announced by the French government in reaction to the health crisis are expected to support the banks' asset quality and loan impairment charges in the short- to medium-term and, to a lesser extent, revenue generation. Government support is large in relation to GDP (about 15%) and includes EUR45 billion of budgetary measures to support households and corporates and a state guarantee on up to 90% of ultimate losses banks could face on EUR300 billion of new loans to corporates (close to 30% of loans to French non-financial corporates at end-2019). In contrast, the sector will face earnings pressure from the six-month moratorium it agreed to offer to professionals and corporates facing financial difficulties.

We expect the French banking sector to demonstrate some resilience owing to its concentration and the profitable bancassurance universal business model of large banks. Nonetheless, the French operating environment will likely deteriorate markedly in 2020 and we have revised our assessment of all the banks' operating environment to negative. We expect asset quality to weaken relative to previous expectations and earnings challenges to intensify due to weaker business volumes and rising loan impairment charges. The capitalisation profiles of major French banks will likely be challenged but that of the cooperative banking groups should benefit from higher starting points. French banks generally have a sound liquidity profile balanced between client deposits and wholesale funding, which should further be supported by the new facilities offered by the ECB.

The ratings of BNP Paribas, Canada Branch were withdrawn with the following reason: No Longer Considered By Fitch to Be Relevant to The Agency's Coverage

Key Rating Drivers

CREDIT AGRICOLE AND SUBSIDIARIES

Unless noted below, the key rating drivers for Credit Agricole (CA) and its subsidiaries are those outlined in our Rating Action Commentary published in November 2019 (Fitch Affirms Credit Agricole at 'A+'; Outlook Stable).

We have revised CA's Outlook to Negative from Stable while affirming the group's 'A+' Long-Term Issuer Default Rating (IDR) and 'a+' Viability Rating (VR) because we believe the economic fallout from the coronavirus outbreak represents a medium-term risk to CA's ratings. The bank enters the economic downturn from a relative position of strength given its very diverse business model and leading franchise in multiple segments. The group's low risk appetite, sound asset quality together with a solid capital position, resilient profitability and strong funding are supportive of the ratings.

We believe the economic and financial market fallout from the pandemic creates additional downside risks to its operating environment, asset quality, earnings and capitalisation relative to when we last reviewed CA's ratings.

In line with the rating action on CA, we have revised to Negative the Outlook on the Long-Term IDRs of entities bound by solidarity mechanisms within the CA cooperative group as per under Annex 4 of our Bank Rating Criteria (the central body Credit Agricole S.A. (CA S.A.) and Credit Agricole Corporate and Investment Bank (CACIB)) and of two institutional support-driven French subsidiaries of CA S.A. (Credit Agricole Consumer Finance (CA CF) and CA Leasing and Factoring (CA L&F)) with no change to their Support Ratings (SRs).

CA S.A.'s senior non-preferred debt has been affirmed at 'A+' and removed from being Under Criteria Observation (UCO) as Fitch now expects CA to fill its total minimum requirement for own funds and eligible liabilities (MREL) without recourse to senior preferred debt within up to the next five years.

As a result, Fitch has upgraded the long-term and short-term senior preferred debt ratings of CA S.A. to 'AA-/F1+' from 'A+/F1' to reflect the protection that will accrue to senior preferred debt from more junior debt and equity resolution buffers.

Consequently, Fitch has upgraded by one notch to 'AA-'/'F1+' the senior preferred debt ratings of CACIB, Credit Agricole CIB Finance (Guernsey) guaranteed by CACIB and of Credit Agricole CIB

Financial Solutions guaranteed by CACIB, CA CF, CA L&F and its subsidiaries Auxifip, Finamur, Lixxbail and Unifergie. Fitch expects these issuers to be part of CA's resolution perimeter. CA S.A. downstreams senior non-preferred debt to CACIB, CA CF 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.

Fitch has also upgraded CA.S.A. and CACIB's Derivative Counterparty Ratings (DCRs) to 'AA-(dcr)' from 'A+(dcr)', in line with equally ranking senior preferred debt, and assigned long and short-term deposit ratings of 'AA-' and 'F1+' to CA S.A. as deposits rank pari passu with senior preferred debt and derivatives claims in France.

CA's subordinated tier 2 debt ratings have been downgraded by one notch to 'A-' from 'A' and removed from UCO to reflect the change in our baseline notching for loss-severity to two notches (from one previously) from the VR. This reflects our view that recoveries are likely to be poor for this type of debt in case of default/non-performance of the bank.

CA S.A.'s deeply subordinated additional Tier 1 (AT1) debt ratings have been upgraded by one notch to 'BBB' and removed from UCO to reflect a change in our baseline notching to four notches (from the previous five) from the VR, reflecting a reduction in incremental non-performance risk relative to our previous assumptions. Our assessment is based on the banking group operating with a common equity Tier 1 (CET1) ratio that is comfortably above coupon-omission points and the presence of substantial distributable reserves and our expectation that this will continue.

CREDIT MUTUEL ALLIANCE FEDERALE AND SUBSIDIARIES

Unless noted below, the key rating drivers for Credit Mutuel Alliance Federale (CM AF) and its subsidiaries are those outlined in our Rating Action Commentary published in November 2019 (Fitch Affirms CM Alliance Federale at 'A+'; Stable Outlook).

We have revised CM AF's Outlook to Negative from Stable while affirming the group's 'A+' Long-Term IDR and 'a+' VR because we believe the economic fallout from the pandemic represents a medium-term risk to CM AF's ratings. The bank enters the economic downturn from a relative position of strength, given its stable and diverse business model and fairly low risk appetite. The group's strong capitalisation, sound asset quality and resilient profitability are supportive of the ratings.

We believe the economic and financial market fallout from the pandemic creates additional downside risks to our assessment of its operating environment, asset quality, earnings and capitalisation relative to when we last reviewed CM AF's ratings.

As a consequence of the rating actions on CM AF, Fitch has revised the Outlook on Banque Federative du Credit Mutuel S.A. (BFCM) and Credit Industriel et Commercial S.A. (CIC) to Negative from Stable. BFCM and CIC share common VRs and IDRs with CM AF as their credit profiles cannot be disentangled from CM AF's.

Fitch has upgraded the long- and short-term senior preferred debt ratings of BFCM and CIC to 'AA-'/'F1+' from 'A+'/'F1' and removed them from UCO. The upgrade reflects the protection that we expect to accrue to senior preferred debt from debt and equity resolution buffers held at the level of CM AF. Fitch expects CM AF to comply with its share of Credit Mutuel's (CM) minimum requirement for MREL without recourse to senior preferred debt over a time horizon of up to five years.

Fitch has upgraded BFCM's DCR to 'AA-(dcr)' from 'A+(dcr)', in line with equally ranking senior preferred debt. In addition, Fitch has assigned long- and short-term deposit ratings of 'AA-' and 'F1+' to BFCM and CIC as deposits rank pari passu with senior preferred debt and derivatives claims in France. Fitch has also affirmed the senior non-preferred debt rating of BFCM at 'A+'.

BFCM's subordinated Tier 2 debt ratings have been downgraded by one notch to 'A-' and removed from UCO to reflect the change in baseline notching for loss-severity to two notches (from one previously) from the VR. This reflects our view that recoveries are likely to be poor for this type of debt in case of default/non-performance of the bank.

CREDIT MUTUEL ARKEA

Unless noted below, the key rating drivers for Credit Mutuel Arkea (CM Arkea) are those outlined in our Rating Action Commentary published in July 2019 (Fitch Affirms Credit Mutuel Arkea at 'A-'; Outlook Stable).

We have revised CM Arkea's Outlook to Negative from Stable while affirming the group's 'A-' Long-Term IDR and 'a-' VR because we believe the economic fallout from the pandemic represents a medium-term risk to CM Arkea's ratings. However, the bank enters the economic downturn from a relative position of strength, given its sound asset quality, resilient earnings, solid capitalisation and prudent liquidity management. We believe the economic and financial market fallout from the pandemic creates additional downside risks to our assessment of its operating environment, asset quality and earnings relative to when we last reviewed CM Arkea's ratings.

As a consequence of the rating actions on CM Arkea, Fitch has revised to Negative the Outlook on Credit Mutuel Arkea S.A.C.C.V., the group's central institution, which is part of a mutual support mechanism, as referred to in Annex 4 of our Bank Rating Criteria.

Credit Mutuel Arkea S.A.C.C.V.'s subordinated Tier 2 debt has been downgraded by one notch to 'BBB' and removed from UCO to reflect the change in baseline notching for loss-severity to two notches (from one previously) from the VR. This reflects our view that recoveries are likely to be poor for this type of debt in case of default/non-performance of the bank.

ROTHSCHILD MARTIN MAUREL S.C.S. AND N M ROTHSCHILD & SONS LIMITED

Unless noted below, the key rating drivers for Rothschild Martin Maurel S.C.S. (RMM) and N M Rothschild & Sons Limited (NMR) are those outlined in our Rating Action Commentary published in May 2019 (Fitch Upgrades N M Rothschild & Sons to 'A-' and Downgrades Rothschild Martin Maurel to 'A-').

We have revised RMM's and NMR's Outlook to Negative from Stable while affirming the institutions' 'A-' Long-Term IDRs and RMM's 'a-' VR because we believe the economic fallout from the pandemic represents a medium-term risk to their ratings. RMM and NMR are key operating entities of Rothschild & Co (RCO), a leading financial advisory group headquartered in France. The rating actions and alignment of IDRs reflect Fitch's recognition that RCO operates as an integrated and centrally managed group. The ratings are assigned on a common-ratings approach, in line with Fitch's criteria.

RMM and NMR enter the economic downturn from a relative position of strength owing to their collective franchise strength in financial advisory services in their key markets of France and the UK as well as across Europe, and a stable business model that includes some diversification from asset-gathering activities for RMM. We believe the economic and financial market fallout from the pandemic creates additional downside risks to our assessment of their operating environment, company profile and earnings relative to when we last reviewed RMM's and NMR's ratings.

BNP PARIBAS S.A. AND SUBSIDIARIES

Unless noted below, the key rating drivers for BNP Paribas (BNPP) and its subsidiaries are those outlined in our Rating Action Commentary published in June 2019 (Fitch Upgrades BNPP's Senior Preferred Debt to 'AA-', Affirms IDR at 'A+').

Fitch has placed BNPP's 'A+' Long-Term IDR, 'a+' VR, and the bank's DCR, short- and long-term deposit and debt ratings on RWN because the economic fallout from the pandemic represents a near-term risk to the ratings. This is because the bank enters the economic downturn with moderate rating headroom, in particular in a scenario where earnings generation could be materially weakened, dampening the group's organic capital-generation capacity. We believe the economic and financial market fallout from the pandemic creates additional downside risks to our assessment of the group's operating environment, earnings and capitalisation relative to when we last reviewed the ratings.

Fitch has affirmed the 'F1' Short-Term IDR of BNPP as we do not expect the RWN on the bank's VR and Long-Term IDR to result in a downgrade by more than one notch, which would remain commensurate with the current Short-Term IDR.

As a result of the rating actions on BNPP, Fitch has placed on RWN the 'A+' Long-Term IDR of BNP Paribas Securities Services and the 'BBB+' Long-Term and 'F1' Short-Term IDRs of Opel Bank S.A., Germany Branch, two support-driven subsidiaries of BNPP with no impact on their respective SRs. The Short-Term IDR of Opel Bank S.A., Germany Branch is placed on RWN as it would not withstand a downgrade of its Long-Term IDR. Fitch has affirmed BNP Paribas Securities Services' Short-Term IDR for the same reason as its parent's.

Fitch has placed on RWN the 'AA-' long-term senior debt ratings of BNP Paribas Issuance B.V. guaranteed by BNPP and the 'BBB+' long-term debt rating of Opel Finance International B.V., which is aligned with the Long-Term IDR of Opel Bank as we expect the notes to be repaid from the financial resources of Opel Bank.

Fitch has placed on RWN and then withdrawn the Long-Term IDR of BNP Paribas S.A., Canada Branch and affirmed and withdrawn the Short-Term IDR as these ratings are no longer considered by Fitch as relevant to the agency's coverage.

BNPP's Tier 2 debt has been downgraded by one notch to 'A-', removed from UCO and placed on RWN. The downgrade reflects the change in baseline notching for loss-severity to two notches (from one previously) from the VR, as recoveries are likely to be poor for this type of debt in case of default/non-performance of the bank.

BNPP's deeply subordinated AT1 debt has been upgraded by one notch to 'BBB', removed from UCO and placed on RWN. The upgrade reflects a change in our baseline notching to four notches (from the previous five) from the VR, due to reduction in incremental non-performance risk relative to our previous assumptions. Our assessment is based on the bank operating with a CET1 ratio that is materially above coupon-omission points and the presence of substantial distributable reserves and our expectation that this will continue.

GROUPE BPCE AND SUBSIDIARIES

Unless noted below, the key rating drivers for Groupe BPCE (GBPCE) and its subsidiaries are those outlined in our Rating Action Commentary published in November 2019 (Fitch Affirms Groupe BPCE at 'A+'; Stable Outlook)

Fitch has placed GBPCE's 'A+' Long-Term IDR and 'a+' VR on RWN because the economic fallout from the pandemic represents a near-term risk to GBPCE's ratings. This is because the bank enters the economic downturn with moderate rating headroom in particular in a scenario where Fitch no longer expects an improvement in earnings and asset quality. We believe the economic and financial market fallout from the pandemic creates additional downside risks to our assessment of its operating environment, asset quality and earnings relative to when we last reviewed the group's ratings.

Fitch has affirmed the 'F1' Short-Term IDR of GBPCE as we do not expect the RWN on the group's VR and Long-Term IDR to result in a downgrade by more than one notch, which would remain commensurate with the current Short-Term IDR.

As a result of the rating actions on GBPCE, Fitch has placed on RWN the Long-Term IDRs, DCRs and long-term senior preferred debt ratings of entities that are part of GBPCE's cooperative group solidarity mechanism as per under Annex 4 of our Bank Rating Criteria. They are BPCE S.A., the Banques Populaires, the Caisses d'Epargne, Natixis, Credit Foncier de France S.A. and Banque Palatine S.A. The Short-Term IDRs and debt ratings of these entities have been affirmed for the same reason as the parent's Short-Term IDR.

Fitch also placed on RWN the long-term senior preferred debt issued by Natixis Structured Products Limited that are guaranteed by Natixis and affirmed the short-term ratings of the commercial paper programmes of BPCE Factor S.A., BPCE Lease S.A., BPCE Lease Immo S.A., BPCE Bail S.A. and Cicobail S.A. that are guaranteed by BPCE S.A.

Fitch has downgraded BPCE S.A.'s senior non-preferred debt ratings by one notch to 'A', removed the ratings from UCO and placed them on RWN. The downgrade reflects the risk of below-average recoveries arising from the possible use of senior preferred debt to meet total MREL requirements over the medium-term and buffers of subordinated and senior non-preferred debt being unlikely to exceed 10% of risk-weighted assets (RWAs) on a sustained basis.

BPCE S.A.'s and Natixis's subordinated tier 2 debt ratings have been downgraded by one notch to 'A-', removed from UCO and placed on RWN. The downgrade reflects the change in baseline notching for loss-severity to two notches (from one previously) from the VR as recoveries are likely to be poor for this type of debt in case of default/non-performance of the bank.

ODDO BHF SCA AND ODDO BHF AG

Unless noted below, the key rating drivers for Oddo BHF SCA and Oddo BHF AG are those outlined in our Rating Action Commentary published in December 2019 (Fitch Affirms Oddo BHF SCA and Oddo BHF AG at 'BBB'; Outlooks Stable)

Fitch has placed Oddo BHF SCA's and Oddo BHF AG's 'BBB' Long-Term IDRs and 'bbb' common VRs on RWN because the economic fallout from the coronavirus crisis represents a near-term risk to the group's ratings. We believe that the economic and financial market fallout from the pandemic creates additional downside risks to our assessment of the institutions' operating environment, asset quality and earnings relative to when we last reviewed the bank's ratings

The group's established but niche franchise in asset management, private banking and investment banking in France and Germany leaves Oddo BHF exposed to the expected downturn and market dislocation, although it has an established record in navigating through adverse market conditions.

Fitch has affirmed the 'F3' Short-Term IDRs of Oddo BHF SCA and Oddo BHF AG, the short-term senior preferred debt rating of Oddo BHF SCA and the short-term deposit rating of Oddo BHF AG as we do not expect the RWN on the common VRs and Long-Term IDRs to result in a downgrade by more than one notch, which would remain commensurate with the current Short-Term IDR.

As a consequence of the rating actions on Oddo BHF, Fitch placed on RWN the long-term senior preferred debt rating of Oddo BHF SCA and the long-term deposit rating of Oddo BHF AG.

SOCIETE GENERALE S.A. AND SUBSIDIARIES

Unless noted below, the key rating drivers for Societe Generale S.A. (SG) and its subsidiaries are those outlined in our Rating Action Commentary published in June 2019 (Fitch Affirms Societe Generale at 'A'; Outlook Stable)

Fitch has placed SG's 'A' Long-Term IDR, 'a' VR and its long-term deposit and debt ratings on RWN because the economic fallout from the pandemic represents a near-term risk to SG's ratings. This is because the bank enters the economic downturn with moderate rating headroom in particular in a scenario where earnings generation could be materially weakened and would dampen its organic capital generation.

The group is in the middle of a refocusing strategy, which saw it exit from many central and eastern European countries, which is yet to produce results in terms of profitability and business development. The bank's ratings remain supported by a diversified company profile, resilient earnings generation and a sound liquidity profile. We believe the economic and financial market fallout from the pandemic creates additional downside risks to our assessment of its operating environment, management and strategy, in particular execution, and earnings relative to when we last reviewed the bank's ratings.

Fitch has affirmed the 'F1' Short-Term IDR, short-term deposit and short-term senior preferred debt ratings of SG as we do not expect the RWN on the bank's VR and Long-Term IDR to result in a downgrade by more than one notch, which would remain commensurate with the current short-term ratings.

As a result of the rating actions on SG, Fitch has placed on RWN the 'A+' long-term senior preferred debt rating of Societe Generale Acceptance N.V. that is guaranteed by SG and the 'A' Long-Term IDR of Compagnie Generale de Location d'Equipement S.A. (CGLE) with no change to its SR. Fitch has affirmed the Short-Term IDR and debt rating of CGLE for the same reason as its parent's.

SG's Tier 2 debt has been downgraded by one notch to 'BBB+', removed from UCO and placed on RWN. The downgrade reflects the change in baseline notching for loss-severity to two notches (from one previously) from the VR. This reflects our view that recoveries are likely to be poor for this type of debt in case of default/non-performance of the bank.

SG's deeply subordinated AT1 debt has been upgraded by one notch to 'BBB-', removed from UCO and placed on RWN. The upgrade reflects a change in baseline notching to four notches (from the previous five) from the VR, reflecting a reduction in incremental non-performance risk relative to our previous assumptions. Our assessment is based on the bank operating with a CET1 ratio that is materially above coupon-omission points and the presence of substantial distributable reserves and our expectation that this will continue.

RATING SENSITIVITIES

Unless otherwise stated below, existing rating sensitivities as defined in the latest rating action commentaries on each issuer and its respective debt classes continue to apply and are available at www.fitchratings.com.

The most immediate downside rating sensitivity for banks' IDRs, VRs and debt ratings is now the economic and financial market fallout arising from the pandemic. The crisis is a clear risk to our assessment of the operating environment, asset quality and earnings for most banks and, in some instances, capitalisation. Pressure on the ratings could nevertheless be mitigated by the extent of support packages by the government and central bank to offset the ultimate impact on the banks' financial metrics of the probable significant contraction in French and eurozone GDP in 2020.

CREDIT AGRICOLE AND SUBSIDIARIES

CA's ratings would likely be downgraded over the next one to two years if the group experiences a simultaneous and sharp deterioration in asset quality, the CET1 ratio and operating profitability metrics. The Outlook on the Long-Term IDR could be revised back to Stable if the impact of the pandemic to the French and eurozone economy is short and the recovery swift, given the strength of its company profile, low risk appetite and the current health of its assets, capitalisation and funding profile.

In the event CA is able to withstand rating pressure arising from the pandemic, the most likely trigger for an upgrade would be further improvement of the impaired loans ratio, core capitalisation metrics and operating profit/RWA as well as strong execution of the group's 2022 strategic plan.

Senior preferred and senior non-preferred debt, deposit ratings and DCRs of the abovementioned entities of the group could be downgraded if CA's Long-Term IDR is downgraded or if Fitch no longer expects CA to meet its resolution buffer requirements with only senior non-preferred debt and more junior instruments in the next five years.

Subordinated and deeply subordinated instruments' ratings are sensitive to CA's VR. In addition, AT1 ratings could be downgraded if non-performance risk increases relative to the risk captured in the bank's VR, for example if capital buffers over regulatory requirements are eroded.

CREDIT MUTUEL ALLIANCE FEDERALE AND SUBSIDIARIES

CM AF's ratings would likely be downgraded over the next one to two years on a combination of a pronounced and sustained deterioration in impaired loans associated with a lower coverage ratio, a significant and sustained reduction of the bank's operating profitability/RWAs ratio and deterioration in the CET1 ratio significantly below our expectations. The Outlook on the Long-Term IDR could be revised back to Stable if the impact of the pandemic to the French and eurozone economy is short and the recovery swift given the strength of its company profile, fairly low risk appetite, and sound capital position.

In the event CM AF is able to withstand rating pressure arising from the pandemic, the most likely trigger for an upgrade would be a significant franchise expansion or demonstration of even stronger or stable financial metrics. In particular, we would expect an impaired loans ratio closer to 2%, higher profitability and higher coverage of funding due within a year by high-quality liquid assets.

Senior preferred and senior non-preferred debt, deposit ratings and DCRs of the abovementioned entities of the group could be downgraded if CM AF's Long-Term IDR is downgraded or if Fitch no longer expects CM AF to meet its resolution buffer requirements with only senior non-preferred debt and more junior instruments within three to five years.

BFCM's subordinated Tier 2 debt ratings are sensitive to the bank's VR.

CREDIT MUTUEL ARKEA

CM Arkea's ratings would likely be downgraded over the next one to two years on a combination of pronounced deterioration in impaired loans associated with a lower coverage ratio, a significant and sustained reduction of the bank's operating profitability/RWAs ratio and deterioration in the CET1 ratio materially below our expectations. The Outlook on the Long-Term IDR could be revised back to Stable if the impact of the pandemic to the French and eurozone economy is short and the recovery swift given the strength of its company profile, moderate risk appetite, sound asset quality and capitalisation.

In the event CM Arkea is able to withstand rating pressure arising from the pandemic, the most likely trigger for an upgrade would be prudent and progressive development of its franchise, a build-up of the capital base, further improvement in asset quality and better operating efficiency.

CM Arkea S.A.C.C.V's subordinated Tier 2 instruments' ratings are sensitive to the bank's VR.

ROTHSCHILD MARTIN MAUREL S.C.S. AND N M ROTHSCHILD & SONS LIMITED

RMM's and NMR's ratings would likely be downgraded over the next one to two years on a combination of a pronounced and durable decline in revenue and profitability and if the resilience of the business model is materially weaker than we expected. The bank has a strong ability to adjust costs and not doing so in the current crisis would be negative for the ratings. A tarnishing of the group's reputation would put pressure on RMM's and NMR's ratings.

A decline in existing capital buffers at the level of RCO or pronounced deterioration in asset quality would also be negative for the ratings. While not expected, a materially reduced level of integration within RCO for RMM and NMR coinciding with lower strategic importance would be rating-negative.

The Outlook on the Long-Term IDRs could be revised back to Stable if the impact of the pandemic to the European and North American economies is short and the recovery swift given its franchise, and sound capital, funding and liquidity profile.

In the event RMM and NMR are able to withstand rating pressure arising from the pandemic, the most likely trigger for an upgrade would be the development of RMM's and NMR's global franchise in M&A and greater diversification of the business model through a significant strengthening of the private-banking franchise for RMM. A continued decrease in the stock of impaired loans and a shrinking of RMM's corporate loan book could also be rating-positive.

BNP PARIBAS S.A. AND SUBSIDIARIES

BNPP's ratings are primarily sensitive to the near-term risks arising from the pandemic, which could result in materially weaker earnings. Ratings would likely be downgraded if BNPP faces a significant and sustained reduction of its operating profitability, or sharp deterioration in asset quality, the combination of which would make BNPP's capitalisation more vulnerable in this downturn.

We expect to resolve the RWN in the near term, when the impact of the pandemic on the bank's credit profile becomes more apparent. In resolving the RWN, Fitch will seek to understand the extent to which compensation by the French government for direct pandemic-related losses will cushion the financial impact on the bank's earnings. We will also assess the financial impact on BNPP's solvency and asset-quality metrics, which are already weaker than similarly rated peers'.

In the event BNPP is able to withstand rating pressure arising from the pandemic, the most likely trigger for an upgrade is significant strengthening of its capitalisation and a reduction of its stock of impaired loans. However, the ratings are also constrained by the risks of running a large and complex banking group with material trading activities.

Subordinated debt and deeply subordinated debt are primarily sensitive to a change in BNPP's VR. In addition, deeply subordinated AT1 ratings could be downgraded if non-performance risk increases relative to the risk captured in the bank's VR, for example if capital buffers over regulatory requirements are eroded.

GROUPE BPCE AND SUBSIDIARIES

GBPCE's ratings are primarily sensitive to the near-term risks arising from the pandemic, which could result in material deterioration in its asset quality and profitability. GBPCE has moderate rating headroom in the face of the economic disruption posed by the pandemic.

We would expect to downgrade BPCE's ratings if the bank suffers a combination of pronounced deterioration in asset quality together with lower coverage of impaired loans by loan loss allowances, a significant and sustained reduction of GBPCE's operating profit/RWAs ratio, which is already lower than similarly rated peers'.

Additional failures in risk controls as recently experienced at the level of Natixis in Asia and H2O Asset Management or deterioration in the group's CET1 ratio below our expectations could also constitute additional downgrade triggers.

We expect to resolve the RWN in the near term, when the impact of the pandemic on the bank's credit profile becomes more apparent. In resolving the RWN, Fitch will seek to understand the extent to which the support offered by the French government to individuals and corporates in relation with the pandemic will cushion the financial impact of the crisis on GBPCE's asset quality and earnings.

In the event GBPCE is able to withstand rating pressure arising from the pandemic, the most likely trigger for an upgrade would be a significant franchise expansion, significant improvement in profitability and liquidity coverage, lower short-term wholesale funding as well as a materially lower stock of impaired loans significantly below 3% of gross loans. Further improvement in capitalisation would also be positive for the ratings.

The senior preferred and non-preferred debt ratings of group entities could be upgraded by one notch if we obtain more clarity and certainty that the group will not need to rely on preferred senior debt to comply with its total MREL requirement over the medium-term or if the group's subordinated and senior non-preferred debt buffer is expected to increase above 10% of RWAs.

BPCE S.A.'s and Natixis' Subordinated Tier 2 debt ratings are primarily sensitive to a change in GBPCE's VR.

ODDO BHF SCA AND ODDO BHF AG

Oddo BHF SCA's and Oddo BHF AG's ratings are primarily sensitive to the near-term risks arising from the pandemic, which could result in materially weaker earnings and asset quality. Oddo BHF has moderate rating headroom in the face of the economic disruption posed by the pandemic. We would expect to downgrade the bank if it suffers a combination of a significant and sustained reduction in operating profitability, in particular if this results from an impaired franchise in the asset and wealth management business and a significant and sustained reduction in assets under management or materially weaker asset quality (loans or securities portfolios) due to credit events.

We expect to resolve the RWN in the near term, when the impact of the pandemic on the bank's credit profile becomes more apparent. In resolving the RWN, Fitch will seek to understand the extent to which compensation by the French and German governments for direct pandemic-related losses will cushion the financial impact on the bank's earnings and asset quality.

In the event Oddo BHF is able to withstand rating pressure arising from the pandemic, the most likely trigger for an upgrade would be the strengthening of the group's franchise. Further growth in income-producing assets under management from Oddo BHF's wealth and asset management businesses and a longer record in reaching profitability targets would also be positive for the ratings.

SOCIETE GENERALE S.A. AND SUBSIDIARIES

SG's ratings are primarily sensitive to the near-term risks from the pandemic and our expectations of materially weaker earnings and difficulties in finalising the bank's refocusing strategy in the short-term. This in turn means SG has moderate rating headroom in the face of the economic disruption posed by the pandemic. Potential downgrade triggers are a combination of a significant and sustained reduction of SG's operating profitability and evidence of weaker strategic execution capabilities, which have been underpinning the bank's ratings. Ultimately, permanent erosion in the bank's capital-generation capacity, an unexpected decline in capital buffers or deterioration in asset quality beyond our expectations would also lead to a downgrade.

We expect to resolve the RWN in the near term, when the impact of the pandemic on the bank's credit profile becomes more apparent. In resolving the RWN, Fitch will seek to understand the extent to which compensation by the French government for direct pandemic-related losses will cushion the financial impact on the bank's earnings. We will also assess the financial impact on SG's solvency and asset- quality metrics, which are already weaker than similarly rated peers' on some aspects.

In the event SG is able to withstand rating pressure arising from the pandemic, the most likely trigger for an upgrade would be significant improvements to the bank's franchise, a lower contribution of capital-market revenue and funding needs, and stronger capitalisation and asset quality, while maintaining resilient earnings and a sound liquidity profile.

Subordinated debt and deeply subordinated debt are primarily sensitive to a change in SG's VR. In addition, deeply subordinated AT1 ratings could be downgraded if non-performance risk increases relative to the risk captured in the bank's VR, for example if capital buffers over regulatory requirements are eroded.

Best/Worst Case Rating Scenario

Ratings of financial institutions issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings https://www.fitchratings.com/site/re/10111579.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING
The principal sources of information used in the analysis are described in the Applicable Criteria.

Public Ratings with Credit Linkage to other ratings

The Long- and Short-Term IDRs of CACF and CAL&F are equalised with those of CA. The ratings of Auxifip's, Finamur's, Lixxbail's and Unifergie's senior preferred negotiable European (NEU) MTN programmes that are guaranteed by CAL&F are aligned with CAL&F's senior preferred debt ratings. The long-term ratings of the senior preferred debt issued by Credit Agricole CIB Finance (Guernsey) and Credit Agricole CIB Financial Solutions - all guaranteed by CACIB - are aligned with CACIB's Long-Term senior preferred debt.

The ratings of BNP Paribas Issuance B.V., BNP Paribas Securities Services, BNP Paribas, Canada Branch, Opel Bank S.A., Germany Branch and Opel Finance International B.V. are driven by the ratings of BNPP.

The ratings of commercial paper programmes of BPCE Factor S.A., BPCE Lease S.A., BPCE Lease Immo S.A., BPCE Bail S.A. and Cicobail S.A. that are guaranteed by BPCE S.A. are aligned with the short-term preferred debt rating of BPCE S.A. The rating of the long-term debt issued by Natixis Structured Products Limited that is guaranteed by Natixis is driven by the long-term senior preferred debt rating of Natixis.

The ratings of CGLE and of the long-term debt issued by Societe Generale Acceptance N.V. that is guaranteed by SG are driven by the ratings of the latter.

ESG Considerations
ESG issues are credit neutral or have only a minimal credit impact on the entity(ies), either due to their nature or the way in which they are being managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Contacts:
Primary Rating Analyst
Francois-Xavier Deucher,
Director
+33 1 44 29 92 72
Fitch France S.A.S.
60 rue de Monceau
Paris 75008

Primary Rating Analyst
Andreea Playoust,
Director

+33 1 44 29 91 71
Fitch France S.A.S.
60 rue de Monceau
Paris 75008

Primary Rating Analyst
Nalini Kaladeen-Chabot,
Director
+44 20 3530 1806
Fitch Ratings Ltd
30 North Colonnade, Canary Wharf
London E14 5GN

Primary Rating Analyst
Rafael Quina,
Associate Director
+33 1 44 29 91 81
Fitch France S.A.S.
60 rue de Monceau
Paris 75008

Secondary Rating Analyst
Julien Grandjean,
Associate Director
+33 1 44 29 91 41

Secondary Rating Analyst
Rafael Quina,
Associate Director
+33 1 44 29 91 81

Secondary Rating Analyst
Lukas Rollmann,
Associate Director
+33 1 44 29 91 22

Secondary Rating Analyst
David Pierce,

Director
+44 20 3530 1014

Committee Chairperson
Claudia Nelson,
Senior Director
+44 20 3530 1191

Media Relations: Louisa Williams, London, Tel: +44 20 3530 2452, Email:
louisa.williams@thefitchgroup.com

Additional information is available on www.fitchratings.com

Applicable Criteria

Bank Rating Criteria (pub. 28 Feb 2020) (including rating assumption sensitivity)
Non-Bank Financial Institutions Rating Criteria (pub. 28 Feb 2020) (including rating assumption sensitivity)

Additional Disclosures

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