



Press release

Credit Agricole S.A. specifies its rigorous writedown policy related to financial instruments exposed to the credit crisis

Paris, 20 December 2007: Taking into account the levels of writedowns made by a number of major global banks, and following the negative development of the credit rating of several monolines, Credit Agricole S.A. has decided to strengthen its already strict writedown policy related to financial instruments exposed to the current credit crisis, and already now announce the impact it is expected to have on the 2007 accounts.

This approach will lead to the bank taking an additional accounting writedown on its super-senior CDOs, as well as taking into account the situation of ACA Financial Guaranty, and the significant strengthening of general provisions on credit instrument counterparty risk. In total, the impact of these measures on the 2007 results should be around €1.6 billion (e.g. €2.5 billion before tax). Credit Agricole S.A. reiterates that this writedown does not correspond to an actual loss on the related assets but a conservative appreciation of the current worsening market conditions. Calyon, the corporate and investment banking division of the group, will thus present negative results for financial year 2007. As indicated at the time of the announcement of the 2007 half year accounts, closed 30 June 2007, Calyon has not initiated any new CDO structuring transactions since February 2007.

Credit Agricole S.A.'s nine months results at 30 September 2007 amounted to €4,901 million and €4,920 million for the full financial year 2006.

This prudent approach should be put into the context of Credit Agricole S.A.'s strong financial situation, and does not change the group's internal target for its Tier 1 solvency ratio, between 7.5 and 8.0 per cent either at 31 December 2007 or at 31 March 2008, and this without issuing any new ordinary shares. The bank also confirms there will be no cut in the 2007 dividend.

All these measures have been taken in full agreement with SAS La Boétie, majority shareholder of the group, which has reiterated its commitment to Credit Agricole S.A.

Details of non-hedged super senior CDO tranches

								TOTAL
Nominal after discount (€ million)	841	619	415	587	411	588	501	3 962
Attachment point	51%	51%	7%	51%	51%	40%	30%	
Underlying	high grade	high grade	high grade	high grade	mezzanine	mezzanine	mezzanine	
% of underlying assets issued in 2006 and 2007	77%	20%	50%	50%	47%	92%	54%	

(data post-discount at 30 September 2007)

Potential risk scenario used to value the portfolio at 31 December 2007

Default rate on outstanding subprime products in 2006/2007: 40%
 Final loss rate on outstanding subprime products in 2006/2007: 20%
 Loss emerging period: 40 months

The use of this scenario on outstandings with an attachment point below 50 per cent would lead to a writedown with discounts between 55 and 90 per cent

Glossary

✓ Equity tranche

- In a CDO, the equity tranche is the one that absorbs the first losses in the underlying asset portfolio. The equity tranche of a CDO is generally sold to a hedge fund or to the CDO manager
- Typically, a CDO's equity tranche makes up between 1% and 5% of the transaction

✓ Mezzanine tranche

- CDO's mezzanine tranches absorb the losses not absorbed by the equity tranche. Asset managers and proprietary investors are traditional buyers of CDO mezzanine tranches

✓ Super senior tranche

- CDO super-senior tranches are rated AAA and are protected by both the loss absorption structure within the ABSs making up the CDO, and by the CDO's equity and mezzanine tranches. As a result, super-senior tranches are extremely unlikely to suffer losses, even in the most severe stress scenarios considering its various levels of protection. They are traditionally bought by monoline insurers specialising in this type of product

Press contacts

Crédit Agricole S.A.

Alain Berry ☎ +33 1 43 23 59 44

Anne-Sophie Gentil ☎ +33 1 43 23 37 51

M : Communications

Louise Tingström ☎ +44 789 906 6995