

Morningstar DBRS Confirms Crédit Logement's Long-Term Issuer Rating at AA (low) With a Stable Trend

BANKING ORGANIZATIONS

DBRS Ratings GmbH (Morningstar DBRS) confirmed Crédit Logement, SA's (CL or the Company) Long-Term Issuer Rating at AA (low) and the Short-Term Issuer Rating at R-1 (middle). The trend on all credit ratings is Stable. Morningstar DBRS also confirmed CL's Intrinsic Assessment (IA) at AA (low). The Company's Support Assessment is SA3, meaning that timely systemic support is not expected. The Company's Long-Term Issuer Rating is positioned one notch below the IA. A full list of credit rating actions is included at the end of this press release.

KEY CREDIT RATING CONSIDERATIONS

The credit rating confirmations consider the Company's strong franchise and leading position in the home loan guarantee market in France. They also incorporate CL's low risk profile, supported by conservative underwriting and significant expertise in the recovery of doubtful exposures; a strong capital position; and the shareholders' commitment to maintaining the Company's solvency in the case of stress. CL's shareholders are major French banking groups; Groupe Crédit Agricole (AA (low), Stable), Société Générale, SA (A (high), Stable), and BNP Paribas SA (AA (low), Stable) are the three largest shareholders.

The Intrinsic Assessment (IA) for CL is AA (low) while its Support Assessment remains SA3, meaning that timely systemic support is not expected. The assigned IA is at the upper end of the IA range, reflecting the Company's ownership by the largest banks in France, which have the capacity and willingness to support CL's franchise, liquidity, and capital.

CREDIT RATING DRIVERS

Morningstar DBRS is unlikely to upgrade the credit ratings in the near to medium term. However, a material improvement in earnings and a significant strengthening of capital cushions, combined with maintenance of the low risk profile, could result in an upgrade.

Morningstar DBRS would downgrade CL's credit ratings in the case of severe deterioration in credit quality of its guarantee or investment portfolio, a material weakening of its capital cushions, or a decline in support from its owners.

CREDIT RATING RATIONALE

Franchise Combined Building Block Assessment: Good

CL is the leading issuer of financial guarantees in the French home loans market. Financial guarantees are the most popular form of collateral in France, securing close to 60% of all outstanding French home loans. At YE2024, CL's outstanding portfolio of home loan guarantees was EUR 416 billion, equivalent to around one-third of all home loans outstanding in France. CL's strong franchise is further supported by the expertise and capabilities that it has developed over many decades. The Company's market position and distribution capacity benefit from co-operation with the major French banking groups, which are also its shareholders. CL is a non-bank financial institution regulated by the French banking and insurance supervisor Autorité de Contrôle Prudentiel et de Résolution.

Earnings Combined Building Block Assessment: Good

CL has a good track record in generating consistent earnings. However, profit maximisation is not a strategic goal, and earnings

metrics are moderate. Revenues are predominantly composed of commissions paid by borrowers and net interest income earned on bank deposits and other low-risk investments. As a result, the Company's revenues and earnings are driven by the volume of guarantees put in place and the investment return on its funds. CL's 2024 net profit increased by 14% year over year (YOY) to EUR 111.2 million, as net fee and commission income experienced a small decline, offset by higher net interest income and portfolio gains. Fees and commissions declined by 2.9% YOY to EUR 112 million due to lower early repayments. Net interest income, on the other hand, experienced another strong increase of 15.4% YOY to EUR 82.3 million. Costs increased by 4.9% YOY to EUR 60.4 million, driven by higher staff expenses and higher expenses for depreciation and amortisation. The cost-to-income ratio remained stable at 29%, a very low ratio compared with banks. The cost of risk in the guarantees portfolio is covered by the Mutual Guarantee Fund (MGF) and booked directly to equity.

Risk Combined Building Block Assessment: Strong/Good

CL's risk profile primarily reflects the credit risk of its French home loan guarantees portfolio, which amounted to EUR 416 billion at YE2024. Despite a concentration in the French home loans market, Morningstar DBRS views CL's risk profile as low, supported by long fixed-rate periods on loans, conservative underwriting standards, advanced risk monitoring procedures, and strong expertise in the recovery of overdue loans. Following years of improving asset quality on the back of low interest rates and declining unemployment rates, 2024 marked a turning point, and the share of doubtful exposures increased to 0.43% of the overall portfolio from 0.39% in 2023. However, these levels are still low and well below the longer-term average. Moreover, the guarantee fund representing 1.71% of total exposure, covering doubtful exposures four times. CL also manages an investment portfolio related to the contributions to the MGF. In Morningstar DBRS' opinion, the investment portfolio's credit risk is low and interest rate risk is managed conservatively.

Funding and Liquidity Combined Building Block Assessment: Strong

Morningstar DBRS views CL's approach to liquidity risk management as conservative. The issuance of guarantees generates liquidity in the form of contributions to CL's MGF, which is later used for potential future losses that result from defaults of guaranteed loans. The liquidity risk represents the risk of having on-hand liquidity to cover creditor claims, especially in a scenario where such claims were to rise abruptly and persist over a prolonged period of time. The Company maintains a substantial buffer of high-quality placements (assets) and runs regular stress tests, which assume a significant increase in losses on CL's guarantee portfolio. An important feature, which is a positive from the point of view of CL's liquidity management, is that, based on the agreements with its bank shareholders, CL can delay the payment of claims for up to two years in the case of an extremely challenging market environment.

Capitalisation Combined Building Block Assessment: Strong/Good

In Morningstar DBRS' opinion, CL's capital base represents a satisfactory buffer to withstand a significant increase in defaults in its portfolio of home loan guarantees. The Company's regular stress tests indicate that its capital cushions are large enough to cope with very adverse scenarios, including significant deterioration in the domestic economic environment and in the housing market. An important feature of CL is that it benefits from its shareholders' commitment to maintaining its solvency in case of stress. CL's CET1 ratio at YE2024 was 12.0%, up slightly from 11.9% in 2023, and compares well with Pillar 1 capital requirements of 7.0%. The 2024 total capital ratio stood at 14.5% compared with a requirement of 10.5%. Pillar 2 requirements represent the effective floor for CL's regulatory total capital, given that they are much higher than the Pillar 1 requirement. CL is obliged to maintain total capital of at least 2% of guarantees outstanding, equivalent to EUR 8.3 billion at the end of 2024. Historically, CL has maintained a relatively small capital cushion over the demanding Pillar 2 requirements, and at the end of 2024, total capital was EUR 8.6 billion.

Further details on the Scorecard Indicators and Building Block Assessments can be found at <https://dbrs.morningstar.com/research/454752>.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

There were no Environmental/Social/Governance factors that had a significant or relevant effect on the credit analysis.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (16 May 2025), <https://dbrs.morningstar.com/research/454196>.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology is the Global Methodology for Rating Banks and Banking Organisations (4 June 2024), <https://dbrs.morningstar.com/research/433881>. In addition, Morningstar DBRS uses the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (16 May 2025), <https://dbrs.morningstar.com/research/454196> in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: <https://dbrs.morningstar.com/about/methodologies>.

The sources of information used for these credit ratings include Morningstar Inc. and company documents. Other sources include the Crédit Logement 2024 Annual Report. Morningstar DBRS considers the information available to it for the purposes of providing these credit ratings to be of satisfactory quality.

Morningstar DBRS does not audit the information it receives in connection with the credit rating process, and it does not and cannot independently verify that information in every instance.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. Morningstar DBRS's trends and credit ratings are under regular surveillance.

For further information on Morningstar DBRS historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <https://registers.esma.europa.eu/cerep-publication>. For further information on Morningstar DBRS historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see <https://data.fca.org.uk/#/ceres/craStats>.

The sensitivity analysis of the relevant key credit rating assumptions can be found at: <https://dbrs.morningstar.com/research/454751>.

These credit ratings are endorsed by DBRS Ratings Limited for use in the United Kingdom.

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For more information on this credit or on this industry, visit dbrs.morningstar.com.

Ratings

Crédit Logement, SA

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
27-May-25	Long-Term Issuer Rating	Confirmed	AA (low)	Stb	<div>EU</div> <div>U</div>
27-May-25	Short-Term Issuer Rating	Confirmed	R-1 (middle)	Stb	<div>EU</div> <div>U</div>
27-May-25	Subordinated Debt	Confirmed	A	Stb	<div>EU</div> <div>U</div>

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