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## Credit Agricole Cuts Fewer Assets Than Rivals on Funding Outlook

By Fabio Benedetti-Valentini - Sep 30, 2011

[Credit Agricole SA \(ACA\)](#), France's third-largest bank by market value, is cutting fewer assets to reduce its balance sheet than larger French rivals as the lender is less vulnerable to the dearth of U.S. dollar funding.

[Credit Agricole](#), hurt by its unprofitable Greek consumer-banking unit, earlier this week joined BNP Paribas SA and [Societe Generale \(GLE\)](#) SA, France's two biggest banks, in announcing measures to trim its balance sheet.

The firms acted after concerns about their sovereign-debt holdings made U.S. dollar money-market funds reluctant to lend to European banks. At the end of 2010, France's three largest lenders had at least 500 billion euros (\$680 billion) of short-term and interbank funding rolling over within three months or less, according to a [Barclays Capital](#) note dated Sept. 7.

[BNP Paribas \(BNP\)](#) and Societe Generale earlier this month announced steps to cut about 300 billion euros, or 10 percent, off their balance sheets. Credit Agricole is trimming less than 2 percent of its balance sheet as an increase in deposits will probably reduce the financing needs at the consumer-banking business, analysts estimated.

"This isn't a lot, but it's because Credit Agricole has less dollar financing needs compared with BNP Paribas and Societe Generale," said Christophe Nijdam, a Paris-based analyst at AlphaValue. "Globally, regarding their short-term dollar needs, the announced asset reductions should do it."

### 'Fine-Tuning'

Paris-based Credit Agricole said Sept. 28 it plans to reduce financing needs by as much as 52 billion euros, including between 15 billion euros and 18 billion euros at its corporate- and investment-banking unit and 21 billion euros to 23 billion euros at its consumer-banking business. It also plans to cut the specialized financial-services refinancing requirements by 9 billion euros to 11 billion euros.

"This is fine-tuning," said Alex Koagne, an analyst at Natixis SA in Paris. At the investment-banking division, "there is a reduction of the balance sheet's size, but at the specialized financial-services and at the retail banking networks they're not cutting assets, they're varying financing

sources,” he said.

Credit Agricole spokeswoman Anne-Sophie Gentil declined to comment on analysts’ estimates for asset reductions.

## Dollar Funding

The lender is trimming its balance sheet by about 30 billion euros, with the reduction coming mostly from the corporate- and investment-banking division, AlphaValue’s Nijdam estimated.

The company has 29 billion euros of short-term dollar funding, about half that of BNP Paribas and Societe Generale, company data show. Credit Agricole’s financing from U.S money- market funds is at 6 billion euros, compared with 36 billion euros at BNP Paribas.

U.S. money-market mutual funds reduced lending to European banks last month, [Fitch Ratings](#) said last week. The 10 biggest U.S. funds eligible to purchase corporate debt, with a combined \$676 billion, reduced European bank assets to 42 percent of holdings, the lowest level since at least 2006, Fitch said Sept. 23.

Credit Agricole’s dollar cash liabilities are “a small share” of the bank’s total balance sheet, the company said on its website dated Sept. 28.

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