



## Group Project & MTP 2022

Working every day in the interest of our customers and society



### PRESS RELEASE

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## GROUP PROJECT & 2022 MEDIUM-TERM PLAN

*“Working every day in the interest of our customers and society”*

### A new Group Project

Crédit Agricole Group is formally setting out its Raison d'être: *“Working every day in the interest of our customers and society”*. It confirms its customer-focused universal banking model with three pillars:

- **Excellence in customer relations:** be number one in customer satisfaction by becoming the favourite bank of individuals, entrepreneurs and corporates;
- **Empowered teams for customers:** to accompany digitalisation by offering customers human, responsible and accessible skills;
- **Commitment to society:** amplify our mutualism commitment to reinforce our position as the European leader in responsible investment.

### A new Medium-Term Plan (2019-2022)

#### Raised and secured profitability targets

#### A strong Group, which allows for agile capital management

- Target net income Group share for 2022: > €5bn for Crédit Agricole S.A.;
- 2022 ROTE: >11% for Crédit Agricole S.A.;
- CET1 at year-end 2022 factoring in regulatory changes:
  - > 16% for Crédit Agricole Group
  - 11% for Crédit Agricole S.A.
- “Switching off”

#### Three levers for the new Medium-Term Plan:

- **Growth on all our markets** with the goal of being number one in customer conquest;
- **Revenue synergies** totalling €10bn in 2022;
- **Technological transformation for greater efficiency** with a €15bn allocation over four years.



Today, Crédit Agricole Group is presenting a new Group Project and a new 2022 Medium-Term Plan jointly drafted by the Regional banks and Crédit Agricole S.A.

For the first time, the Group Project spells out Crédit Agricole’s **Raison d’être**. It serves as the basis of its unique relationship model and lies at the heart of its customer-focused universal banking model. Forward-looking and true to the daily expression of the Group’s usefulness, this *Raison d’être* guides the Group’s transformation and development while promoting its values of **usefulness** and **universality**. It can be summarised as, “**Working every day in the interest of our customers and society**”.

Within this new long-term framework, the 2022 strategic plan is a roadmap for profitable growth for Crédit Agricole. It builds upon the previous Medium-Term Plan, Strategic Ambitions 2020, which delivered almost all of its financial results a year ahead of schedule. It seeks to amplify and accelerate the Group’s growth in an uncertain environment, and in a context of growing societal expectations.

The economic scenario is based on interest rates remaining low. Making a prudent assumption of an increase in cost of risk to 40 basis points (versus 23 basis points in 2018), Crédit Agricole S.A. aims to deliver higher and secured profitability, with net income Group share above €5 billion (€4.4 billion in 2018) and a target return on tangible equity (ROTE) above 11% (12.7% in 2018; 2016-2019 MTP target: 10%). These targets will be achieved thanks to the Group’s diversified business model and thanks to improvements in operating efficiency, in particular through a reduction in cost to income ratios of all Crédit Agricole S.A. business lines, to fall below 60% in 2022 (excluding the contribution to the Single Resolution Fund).

The CET1 ratio targets set for Crédit Agricole Group and Crédit Agricole S.A. for end 2022, above 16% and 11% respectively, take into account the much tougher regulatory requirements expected by this date. Credit Agricole Group’s CET1 ratio guarantees the entire Group’s financial strength. The Group will also pursue its prudent liquidity management strategy. Finally, the simplification of Crédit Agricole S.A.’s capital structure will enter a new stage during the MTP period, with the partial unwinding of the Switch guarantee granted by the Regional banks to Crédit Agricole S.A., which will have a favourable impact on earnings per share.

**Crédit Agricole S.A. - Financial targets for 2022**

Growth in net income Group share	> +3% per year (CAGR 2018-2022) to > €5bn
ROTE	>11%
Cost/income ratio (excl. SRF)	< 60%
Cost of risk assumption	~ 40 basis points
CET1	11% > 16% for Crédit Agricole Group
Payout ratio	50% in cash



# “Working every day in the interest of our customers and society” – the new long-term Group Project

Crédit Agricole is the number one bank in France, number one insurer in France, number one bancassurer in Europe, number one asset manager in Europe and the world’s tenth largest bank. With 51 million customers around the world and the biggest retail banking customer base in Europe, the Group has built its growth on a unique relationship model, which it intends to expand by drawing on three pillars.



## Excellence in customer relations at the centre of the Customer Project

**The Group aims to be the favourite bank of individuals, entrepreneurs and corporates.**

*Key drivers:*

- Mobilising all business lines around customer satisfaction by managing it at the highest level, putting the net promoter score (NPS) in the assessment of employees, managers and senior executives, and creating an Academy for Excellence in Customer Relations;
- Installing a zero-defect culture (creating a “customer champion” function to solve customer pain points and a “process manager” to streamline banking processes).

**The Group aims to increase the number of customers using its digital applications in France and Italy by 20 points by offering an exceptional digital customer experience.**

*Key drivers:*

- tools and applications at the highest standards, across all our markets;
- products and services adapted to new customer habits including access-offers to all our services, simple and transparent pricing;



- leverage data to better know our customers and be their trusted third party;
- innovation, with the opening of 17 new Villages by CA in France and Italy;
- and customer journeys natively designed for digital use.

**The Group is investing in an innovative strategy of banking and extra-banking services platforms** operated directly or with partners.

- Rollouts planned in Regional banks: platforms for business creation, for the management of non-profits, for car financing, and for healthcare services from 2019, and in 2020, platforms offering support for job finding, for housing, as well as a digital data vault.

### Empowered teams at the centre of the Human Project

Men and women who make up Crédit Agricole are key to the success of the Group Project. In an increasingly digital society, the direct responsibility that a company's empowered employees can offer its customers is crucial. The Group is placing this empowerment at the centre of its Human Project, to reinforce the amplification of the Customer Project.

The Group will stand apart by always **offering its customers a direct access to an empowered relationship manager**. Relationship managers will be required to show discernment and their responsibilities will be strengthened, in order to quickly address the specific needs of customers.

*Key drivers:*

- relationship managers's appraisals based on Net Promoter Score (NPS) and, for managers at Crédit Agricole S.A., assessments based on Engagement and Recommendation Index (ERI) objectives,
- a clear delegation framework (80% of decisions will be taken locally within our retail banking networks in France),
- additional customer-facing time, thanks to native integration of compliance in tools and decisions,
- relationship managers trained in both behavioural and digital skills.

These far-reaching changes require **transformations in terms of management and organisation**, to empower teams and bring them closer to customers.

*Key drivers:*

- 100% of Group Executives trained in our new leadership model,
- "entrepreneur" managers,
- shorter decision-making chains,
- agile ways of working and working spaces,
- show loyalty towards employee to ensure mutual commitment between employees and the company.

**The Group intends to be the best company to work for in financial services in France, and Top 5 in Europe.**



## A strong commitment to society at the centre of the Societal Project

Crédit Agricole Group will pursue its mutualist commitment to inclusive development and it will continue to make green financing one of its key growth drivers.

### Pursuing the mutualist commitment to inclusive development

The Group will draw upon its strong local coverage, in particular via the presence of the Regional banks in the regions, to promote fairer economic development by:

- developing a range of affordable offers for all such as Eko and LCL Essentiel,
- supporting entrepreneurship: Cafés de la Création and Villages by CA,
- preventing and resolving over-indebtedness.

It will also develop social impact financing, by:

- increase significantly investments in the social and solidarity companies (SSC),
- strengthening CACIB's leadership in the arrangement of social bonds,
- taking action for the economic development of rural populations in emerging countries (via the Crédit Agricole Grameen Foundation).

And it will reinforce societal ties locally, by:

- organising massively work experience placements for middle-school students from deprived areas,
- supporting local associations (culture, sports and solidarity), alongside projects conducted by the Regional banks,
- strengthening the role of its Foundations.

### Green finance – one key growth drivers for the Group

- commit all the Group's entities to a common climate strategy, in line with the Paris Agreement, its implementation will be certified by an independent body and published in 2020 based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD),
- strengthen our commitments to financing the energy transition: exiting from thermal coal production in EU and OECD countries by 2030 (no new business relations with companies for which thermal coal accounts for over 25% of their revenues except those that have announced plans to phase out their thermal coal activities or which intend to announce such plans by 2021. No business relations with companies developing or planning to develop new thermal coal capacity), financing one in three renewable energy projects in France, doubling the size of our green loans portfolio to €13 billion by 2022,
- promote clean and responsible investment policies: incorporating ESG criteria in all funds managed by Amundi and all new investments by Crédit Agricole Assurances, reach €6bn of the Group's liquidity portfolio in socially responsible investments (SRI) financial products,
- assigning a transition rating to large corporate customers to structure dialogue with them on their energy transition roadmap.

### The Group intends to be the European leader in responsible investment



## 2022 Medium-Term Plan: three levers

The new Medium-Term Plan is based on three levers: growth on all our markets, development of revenue synergies and technological transformation for greater efficiency.

### Growth on all our markets: number one in customer conquest

#### Intensify relationships with individual and mass affluent customers:

- **Targets for individual costumers:** number one in net customer conquest with over 1 million additional customers in France and Italy, 26% market share in home loans in France for the Regional banks, and a 5 point increase in the share of customers with at least one property & casualty insurance contract in France.
- **Targets for mass affluent customers:** €20bn increase in yearly net inflows (Regional banks, LCL, CA Indosuez WM), +240,000 new clients (Regional banks, LCL, Crédit Agricole Italy).
- **Be the reference bank for Savings and Wealth management:** amplify the value proposition of the “Trajectoires Patrimoine” offer by completing 50,000 real estate transactions per year, and +2pp of Regional bank’s customers equipped with death & disability insurance (term life policies).

#### Address the specific needs of small businesses and farmers

- **Targets:** number one in customer conquest in France (Regional banks, LCL), 75% market share for new farmers (Regional banks), leading apps (Ma Banque Pro, Pro & Entreprises LCL, etc).

Specific solutions for independent professions and farmers.

#### Become the strategic partner for SMEs / Midcaps

- **Targets:** reinforce the Regional banks’ leadership in the corporate market and accelerate the Group’s growth on Midcaps and internationally active French firms, 1/3 of large SMEs customers of LCL, 1.5pp increase in financial market share in the French food industry sector for Crédit Agricole Group.

Roll out a comprehensive range of *bancassurance* solutions for companies (the most complete Group benefits solution for employers in insurance and collective solutions, property & casualty insurance solution).

#### Extend the product range for large corporates and financial institutions

- **Targets:** multiply cash management revenues by 1.7, serve one in two SBF 120 companies with a Group retirement savings solution, achieve €4tn in assets under custody.



## **Make payments a key driver for customer loyalty and customer acquisition**

As a long-standing leader in France with a market share of 27% and in the top five in Europe, Crédit Agricole Group has solid foundations on which to build new ambitions. It will invest €450m in payments business between 2019 and 2022.

- **Targets for individual customers:** strengthen our leadership by offering all payment services at the highest standards (mobile payments and services, card-related innovation, new digital services).
- **Targets for merchants and corporates:** support our customers' development in France and Europe to capture market share, with digital and mobile payment solutions for small and medium-sized merchants, a pan-European electronic payments offering for Tier1 merchants, and a state of the art e-commerce offer from 2019.

## **Internationally, Europe is the priority, with an extension of our universal banking model in Europe and Asia via partnerships**

- **Europe:** development of our retail banking and property & casualty insurance in Italy, selective growth of CACIB large customer base and development of Crédit Agricole Leasing & Factoring operations in Germany, strengthening of our customer-focused universal banking in Poland.
- **In Asia:** development of joint ventures and strengthening of positions in Japan for Amundi, focused development for CACIB in China and capitalisation on recent acquisitions in Singapore and Hong Kong for Indosuez Wealth Management.
- **Extend our model in Europe and Asia:** while organic growth remains the Group's priority, continuing and accelerating on partnerships will contribute to growth in the Group's business lines; targeted acquisitions will have to accelerate organic growth and meet criteria in terms of profitability, risks and synergy potential.

## **Revenue synergies: €10bn by 2022**

In the new Medium-Term Plan, the Group is continuing its strategy of developing revenue synergies between its entities. Its universal banking model offers potential organic growth, to allow each and every business lines to reach the Group's market share in retail banking. The Group aims to increase revenue synergies by €1.3 billion up to €10bn in 2022. The two main drivers will be insurance (+€800m) and specialised financial services (€300m in consumer finance and leasing).

## **Technological transformation for greater efficiency: €15bn for IT over 4 years**

### **Align our technological fundamentals with the best standards on the market**

- **Targets:** 90% of Group entities to have a data-centric architecture in 2022 and €300m in increased IT efficiency.

### **Speed up and anticipate the adoption of new technologies**

- **Targets:** 100% of IT staff trained in new technologies at the new IT University; 100% of emerging technologies tested for new services for business lines.



## Enhancing operational efficiency

- **Target:** to lower Crédit Agricole S.A.'s cost to income ratio by more than 2pp, taking it below 60% by 2022.

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The presentation of the Credit Agricole Group Medium-Term Plan will be published on the website [www.credit-agricole.com](http://www.credit-agricole.com) at 8:30 a.m. on Thursday 6 June 2019 (Paris time).

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The figures presented are not audited. The figures presented for the twelve-month period ending 31 December 2018, approved by Crédit Agricole S.A.'s Board of Directors on 13 February 2019, have been prepared in accordance with IFRS as adopted in the European Union and applicable at end-2018, and with prudential regulations currently in force. The financial targets have been prepared in accordance with IFRS as adopted in the European Union and applicable at 1<sup>st</sup> January of 2019, they are also based on a series of assumptions on the application of prudential regulations.

**Note:**

Crédit Agricole Group's scope of consolidation comprises: the Regional banks, the Local Banks and Crédit Agricole S.A. and their respective subsidiaries. This is the scope of consolidation that has been privileged by the competent authorities to assess Crédit Agricole Group's situation, notably in the 2016 and 2018 Stress test exercises.

Crédit Agricole S.A. is a listed entity that owns subsidiaries performing the business line activities (Asset gathering, Retail banking France and International, Specialised financial services, and Large customers).

The sum of values contained in the tables and analyses may differ slightly from the total reported due to rounding.

