First Quarter 2020 Results

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Presentation

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Welcome

Good afternoon to every one of you and I want to apologise for this little difficulty that we had in the starting of this conference. I understand that some of you have been queuing in order to be connected, so I suggest that everybody can follow the conference and the presentation on the webcast and then, of course, I imagine that, at the end of the presentation you will be finally able to talk through the call.

Thanks

I want to start this presentation by expressing my gratitude for all the teams within the Financial Department of Credit Agricole Group, the different departments of the different subsidiaries, for having produced this set of figures in some, I would say, very specific and special circumstances. All this work has been put together completely remotely. And, in my appreciation at least, I think that in terms of quality of the analysis and the documents, we are completely in our standards; so again, I want to express my gratitude to all the teams.

Attendees from Credit Agricole

I am here with Philippe Brassac, who is attending directly this call and Clotilde, and so, we will try, with the help of the teams, which are also online to answer your questions after this presentation.

Key figures

Let me now start with the key figures on page 4 of the document. You can see that the group, Credit Agricole Group globally is posting a net profit for the quarter a little bit above €900 million, €908 million to be precise; minus 32.8% as compared to the first quarter of 2019. And the underlying figure would be €981 million, minus 31.6%.

At CASA level the figures are €638 million for the stated net profit, minus 16.4% and €652 million, minus 18.1% for the underlying figures.

I think these figures must be read across two different prism. The first one is the one of the activities of the group and of our different businesses, which was, and which has been quite positively oriented during all the first quarter of this year. And, of course, the second element that impacted those figures, and that fully explains the fact that the net profit is slipping a little bit, is the fact that, of course, since the beginning, or the middle of March, we have been facing some major turbulences, both on the market and also in the day-to-day life of all our activities.

Introduction

Effects of Covid-19

Let me go now to page 5 on which you will see more precisely what happened exactly during the quarter because, as you will see, at the level of CASA actually, we are posting a gross operating income, which is up 7.9% on an underlying basis; and even more sharply up on a stated basis. Which is the combination of a very good level of revenues, which are up around 5% and a good cost control. And, indeed, the cost to income ratio at CASA level improved further by more than one percentage point and reached 62.2%. And then, of course, the drop in the net income is due to the rise in the cost of risk, which is, itself, mainly driven by a provisioning of performing assets. And the cost of risk is multiplied by, more or less, three, 2.8 on the perimeter of CASA and even 3.3 on the perimeter of the group.

The solvency, both at CASA and at group level, even being a little bit impacted by different elements this quarter, remains at a very solid level, 11.4% at CASA, which is significantly above our target, and, even more significantly above any minimum requirement, regulatory requirement. And at group level, it stands at 15.5%. It is always amongst the highest that you could find on the European landscape.

Lastly, on this page, I want to insist on the fact that the liquidity of the group has significantly improved actually across this first quarter of 2020.

Revenues

If I go now on page 6, digging a little bit inside the revenues at CASA. I told you that the revenues on an underlying basis was up close to 5%, actually, 4.8%; and this is a combination of mixed evolutions across the different business lines. Actually, we have had very good resilience within our retail banking activities, with, amongst those retail banking activities of the group, of CASA group, a good performance, a very good performance at LCL, where the revenues were up more than 2%.

We have had also very solid performance within the large customer division, with revenues up at CACIB and even much more rapidly up at CACEIS with, of course, a scope effect, which was positive.

Within the specialised financial services division, we continue to have a very strong competitive pressure and we had also a drop in the production of new loans in March in our different markets, which explains the pressure on the top line.

And, lastly, on the asset-gathering division, the activity was very good but the revenues were definitely impacted by some valuation end-of-period. I will, of course, comment a little bit further these elements. This was partially offset by a stronger contribution from the corporate centre, in which we have more or less a partial offset of the depreciation that we had on the asset-gathering division.

And, if I try to assess, finally, what was the cost of the dislocation of the markets on the overall level of revenues at CASA level, it is not, I would say, an audited figure that I will give to you, but roughly, we can estimate that this dislocation in the market, if I net the positive and the negative element represented a hit on our revenues, which was around €200 - €210 million and a hit on the bottom line, on the profit line, which would be around €150 million.

Expenses

If I go now on page 7, I am talking a little bit about the cost line; I think that globally we have had a very good monitoring of the cost basis of all the business lines and of the group, with costs, which are up 2.9% on an underlying basis. But, actually, within this increase of a little bit less than €100 million in the quarter, we have had some tax effects, both within the insurance activities and within the consumer credit business. And we have also definitely the scope effect at CACEIS, which represents, in itself, a more than €35 million of additional costs.

IFRC21 costs

You can see that the IFRC21 costs continue to increase much more rapidly, including the contribution of the single resolutions fund, and I cannot rule out the fact that we could have to complement this provision for the single resolutions fund in the course of the second quarter. Because, obviously, it seems that the request of the single resolution board was even higher than what we have booked in our accounts.

Cost of credit risk

Key elements cost of risk evolution

If we go now on page 8, I want to highlight some key elements regarding the cost of risk evolution and the quality; starting with the quality of our portfolio. I told you that the cost of risk is sharply up. It is a multiplication by around three; but this takes place in a context where the quality of our assets remains very high. And, indeed the level of NPLs, both within the group and within CASA only is slightly down as compared to what it was at the end of last year. It stands at 3.1% at CASA and 2.4% at group level. Considering the additional provisions that we are booking this quarter; the coverage ratios continue to significantly increase; 72.4% at CASA and 84.3% at group level.

Bucket 1 and Bucket 2

And so, clearly the cost of risk is driven mainly by an anticipation of future risks; i.e. the provisioning of Bucket 1 and Bucket 2 assets. In this provisioning, we have taken into account both the downturn of the economic environment, but also the expected effect of all public measures that have been decided and announced and that are starting to be implemented, especially with our own help, since the end of March.

This is leading to cost of risk on outstandings, which is at 61 bps on an annualised basis at CASA and at 40 bps at group level. It is, of course, significantly higher than the levels that we posted last year, which were around 32 and 20 bps; and it is also quite significantly above the level that we had in mind in terms of across the cycle levels when we published our medium term plan in June last year, where we made the assumption that we could have an average cost of risk across the cycle of around 40 bps at CASA and 25 bps at the level of the group.

Bucket 3

If I go now on page 9, what you can see on page 9 is that we haven't had any leeway, I would say, on the level of Bucket 3 cost of risk. You see at CASA we have this quarter €382 million of cost of risk on non-performing assets; this compares to an average in 2019 of €362 million. and at the group level the figures are €516 million versus €476 million. So, clearly, there is no significant deterioration in the cost of risk with regards to non-performing assets.

Breakdown by business line

This is the same situation that you will see on page 10, where we have the breakdown of the Bucket 1 and Bucket 2 on the one hand and Bucket 3 on the other hand provisioning on the different business lines. And, you can see that, within the regional banks, within LCL, within

CA-Italia, within CA-CF and within the financing activities of CACIB we have the same type of breakdown with a rather stable level of Bucket 3 provisions and the increase mainly, or mostly, explained by the additional Bucket 1 and Bucket 2 provisioning.

Net Income

This is the leading, and you can have it on page 11, this is leading to the evolution of the net profit in each business line, which is clearly down. It is minus 18% globally at group level and in average, for the different business lines, it is minus 23%. But, clearly, this is due mainly, or essentially, to the evolution of the cost of risk line; because, in most cases, and this has been particularly the case for the retail banking activities and for the large customers division, the operational level has been performing very well in the beginning of this year.

Commercial business momentum

On page 13, I think I will not comment in length the figures that you have here, but this is saying exactly the same thing; i.e. in all business lines we have had a very positive commercial momentum in the first quarter of 2020. And I simply want to insist a little bit on one figure, which is the customer capture in the retail banks in France and Italy. In the first quarter of this year we managed to capture an additional 416,000 new customers in a single quarter, which is leading to a further increase in the customer base. And then you can see that all the traditional indicators of activities; outstandings, number of policies, and so on, are up this quarter. But, definitely, the revenues have been impacted by the situation. The net interest margin is quite resilient. The commissions show a mix of performance depending on the type of commission but, of course, what was more negatively impacted is all the revenues, which are impacted by depreciations linked to unfavourable market dislocation.

Asset gathering and insurance

If I now look a little bit more precisely on each business division, starting with the asset-gathering and insurance activities, I think that on page 14 the most interesting thing to note is the fact that, actually, across this quarter, the net inflows were around zero, I would say. So, no massive outflows in March and still the benefits that we had of positive inflows in January and February.

On the other hand, the market effect was absolutely massive and it represented a hit on the global assets under management of above €125 billion; but still, as compared to the end of March 2019, the assets under management continued to be slightly up.

Wealth management activities

I just want to zoom a little bit on this page, on the performance of the wealth management activities, which posted their best performance in three years' time. This is the translation of significant efforts that have been undertaken in the last 18 months to improve the efficiency of this business, plus also the fact of our customers having had a very active behaviour in the first quarter, facing the very volatile markets that we had.

Insurance

On the insurance activities, to summarise in a few words what happened in the quarter, we have had a very good level of activity. It has been definitely the case in non-life activities, both in P&C and protection businesses where, again, our premium income is up 7 to 8% on the quarter as compared to the first quarter of '19. But it has also been the case in the savings and retirement activities, in the life activities, where, of course, the level of premium was lower than the one we had one year earlier but the level of unit-linked inflows stood at a record level.

In terms of revenues, I already said it, the revenues are significantly impacted by the crisis effect, especially the impairment of some assets, which are accounted for through profit and loss. And, also, the fact that, again in connection with the evolution of the market, we had to book an additional €60 million of technical provisions on the unit-linked activities. All these elements are mainly reversible if and when the market will finally pick up.

In terms of cost evolution; this quarter the cost evolution is actually driven by a tax effect because, outside of this tax effect, the cost base of Credit Agricole Assurance is more or less stable on the quarter.

And then, the last point I want to mention, of course, is the solvency of Credit Agricole Assurance, which continues to stand at a very high level of 234% under Solvency II.

Amundi and asset management

On Amundi and the asset management, you have all the information you could want on this business because Amundi already published its quarterly results. But maybe we can keep in mind the fact that Amundi has had in the quarter a very light level of outflows, with a strong performance of retail networks plus the JVs; almost compensating for the outflows within the institutional and corporate customers.

The P&L shows a very good resilience with a good level of operational revenues, which are up and a good level of cost control. Simply, the P&L is impacted by, as has been the case at Credit Agricole Assurance, by market valuation on the financial part of the revenues.

French retail banking activities

If I go now on page 17, French retail banking activities, LCL; it has been a very good quarter in terms of activity and in terms of customer capture, of course, with a significant slowdown starting mid-March, where all customers changed their priorities and all the network started to dedicate its means and its activities to answer to these new customer needs and to maintain the functioning of the basic services of the network for its customers.

Loans outstanding are up; savings, customer savings are also significantly up despite the fact that we have had a negative market effect on the savings linked to equities markets. The level of revenues is up 2.2% and the cost base is again down almost 1.5%. Of course, you see that the gross operating income is significantly up, but the net income group share is down in connection with a significant increase in the cost of risk, again due to the provisioning of performing loans.

International retail bannking

In Italy, more or less the same profile, even though the evolution of the different figures are a little bit less dynamic. It is clear that in Italy the activity started to slow down earlier, and actually, what we've seen is that, after a very dynamic start of the year in January and February, we have seen a drop in the production of new loans and of new activities globally by 30 to 50% in March, as compared to the average of January and February. But, thanks to very good cost control, actually, Credit Agricole Italia managed to keep stable its cost to income ratio and to absorb this decrease in the level of revenues. And, again, we see that, due to the increase in the provisioning of performing loans, cost of risk increases by a quarter and the level of net profit decreases by around 20%.

For the rest of the international retail banking activities; nothing much to mention. Here also, we have booked some prudential provisions in the cost of risk but nothing else to mention I think.

Specialised financial services

Specialised financial services, we have seen a production of new loans, which has been very significantly impacted. You know that CA-CF is either directly consolidating, or at least managing a loan book, which has two important focuses outside France; Italy, plus car financing businesses. And, definitely, those two areas of lending activities were directly and very severely impacted by the Covid crisis and, indeed, the production of new loans in March was only €2.6 billion, when it was €7 billion for the first two months of the year. So, it is a drop in the production of a quarter in March as compared to the average of January and February. And it has been a sharper drop, of course, at Agos and within the car financing JVs.

The consolidated loan book is just stable as compared to the end of last year and, as the competition continues to be very, very fierce actually, there is still this pressure on the margin, which is explaining the decrease in the level of revenues. Again, we see an increase in the cost of risk, again led by this provisioning of performing loans and this explains the evolution of the net income group share.

Leasing and factoring activities

Within the leasing and factoring activities, we have more or less the same story, with a good level of commercial activities, both in the leasing business and also in the factoring business. Revenues, which are impacted more by a mix of activities; no specific worry on the level of margin, but a switch in the mix, which was less positive and a cost of risk, which is entirely due to the provisioning of performing loans.

Large customers' division

Let me go now to the large customers division, which posted very positive figures for the quarter. I think that globally we have had a very good level of activity and, of course, a contribution, which has been impacted by the increase in the cost of risk at CACIB. If I start, nevertheless, with CACEIS, I want to mention that this quarter was the first quarter in which we had the full effect of the integration of KAS Bank on the one hand and Santander Security Services on the other hand. This is leading for CACEIS to a very sharp increase in the level of the assets, which are either under-custody or the funds, which are administered.

The revenues are up close to 30%; costs, of course, are up 25%, but only 6% organically, the rest is due to the scope effect. And the net profit at CACEIS is sharply up 27%, despite, of course, the minority interest that we now have within this business division. And, interestingly also, CACEIS is providing a significant amount of liquidity to the group, which has reached record levels in the first quarter of this year.

At CACIB now, on page 22, I think that, to put it in a nutshell, the way the first quarter of this year developed was clearly an illustration of the relevance of the business model of CACIB, which is centred on trying to answer to the financing needs of its corporate customer basis, whilst using all the necessary tools to do so, including, of course, capital market activities. But capital market activities, which are clearly here to help to serve the customer needs and not to generate trading revenues by themselves.

And so, this has led to a quarter through which we have seen, of course, a level of revenue in the financing activities, which was a little bit down, with a slow start of the year and an acceleration starting in mid-March and capital market and investment banking revenues, which are significantly up, clearly driven by the customer demand and with a very low level of volatility on our capital market activities, with a level of VaR, which increased a little bit by definition in the very dislocated markets that we had, but not reaching high levels and with no significant volatility in the P&L of our capital market activities.

The cost base is a little bit up, but less than the evolution of the revenues. The cost of risk, by definition, is significantly up and, actually, compared to the first quarter of ’19, where we still had some minor loan loss provision reversals, it is an inversion in the cost of risk. But around half of the cost of risk of CACIB this quarter is led by, again, the provisioning of performing assets. And so, this is leading to a very good resilience of CACIB this quarter, with a net income group share, which is down only 13.5%, despite this very sharp increase in the cost of risk.

RWAs are up around €12 billion; half of it being explained by regulatory effects on the securitisation, which we had already mentioned before the start of the quarter. So, we had perfectly in mind that this was going to take place this quarter and with this type of amount. The rest being explained specifically by either the credit line draw downs and also some market effect with the significant increase in the RWAs in connection with the credit risk on the trading book.

Corporate centre

The corporate centre, on page 23, as usually, we are going to analyse separately the structural corporate centre and then the volatile components of the corporate centre.

The structural part of the corporate centre is slightly down, but it is mainly linked to non-recurring elements like some elements in the cost of risk, or in the way the cost-base is spread across the year; so, nothing really structural.

The revenues of this structural part of the corporate centre continue to improve regularly.

And, as far as the other elements of this division are concerned, the significant improvement is led by the positive effect this quarter of intra-group elimination. It is in connection with debt issued by CASA and purchased either by Amundi or by Credit Agricole Assurance for their own activities; and, within the consolidation processes of those two entities, we need to eliminate the effects of this debt, which is generally, and again this quarter, positive when market conditions are volatile and negative the other way round. So, it compensates, as I said already, partially, only partially, of course, the negative market effect that we had within the revenue lines at Credit Agricole Assurance or at Amundi.

Regional banks

If I go now on page 25, some elements regarding the regional banks of Credit Agricole. From an activity viewpoint, you will find more or less the same trends as the one we have seen at LCL; i.e. a good level of activity, a strong evolution of the loan outstandings, +7%; and also, strong evolution of the customer assets. This is leading to a level of revenues, which is, if we take a look at the operational revenues, which is up more or less like at LCL.

But the revenues globally of the regional banks were impacted also by the market conditions because a significant part of their high-quality liquid assets that they keep for liquidity purposes are not directly held but are held through a mutual fund, which is accounted for through P&L and so this has led to some significant P&L impairment this quarter, which explains the evolution of the revenues at the regional banks.

This is, of course, a consequence of the implementation of the International Accounting Standard; and, you can see that, within the French GAAP standards, actually, this does not fully translate the same way. And the evolution of the net profit of the regional banks, under the French GAAP, is much more comparable to what we had at LCL, around minus 22%.

This is clearly the effect of the evolution of the cost of risk, which is very sharply up for the Regional banks, because the level that they had in terms of cost of risk in the first quarter of 2019 was especially low, only €56 million, leading to a level of more than €300 million this quarter but, again, driven by the provisioning of performing loans and still at a level, which is low as compared to international standards I would say.

Evolution of RWAs

If I go now on page 27, you will see both at group level and at CASA level, the evolution of RWAs. Let me start with CASA; you see that RWAs increased quite significantly from €324 billion at the end of last quarter up to €348 billion at the end of this quarter. But this is led, this is driven by different elements; I want to describe a little bit.

CASA level impacts

I already told you about the regulation impact on securitisation, plus €5.5 billion of increase. The growth within the business line, which includes not only the development of their activities in terms of lending, but also the FOREX effect and also the increase in credit risk, linked to the trading book at CACIB is €11 billion all-in-all. There is a decline in the equity value of the stake in the insurance companies, linked to the decrease in the OCI reserves, which represent a decrease of close to €5 billion for RWA. So, this is leading to, I would say, a normal 'evolution' of RWA from €324 billion up to €336 billion. And then there is an additional €12 billion, which is the consequence of a decision that we have taken last year that we have announced at the end of last year, confirmed, I would say, at the end of last year, which is the partial dismantling of the Switch mechanism. And, of course, this creates an increase of €12 billion of RWAs.

Group level impacts

At group level, you will see that we will find the same trends as I just explained for CASA, outside, of course, the RWAs linked to the dismantling of the Switch, because, you know, at group level the dismantling of the Switch is completely neutral. So, the €5.5 billion of increase linked to the regulatory impacts, the €11.7 billion linked to growth in the business line, including the Regional banks of Credit Agricole and the minus €4.7 billion linked to the decrease in the value of the stake in the insurance activities.

Solvency ratio

So, this is leading to a solvency ratio at CASA, which is now at 11% at the end of the quarter; and this 11.4%, excuse me, end of the quarter. And this 11.4% is the result of a series of elements, which are described in the waterfall on this page, 28. We start with the level of 12.1% that we had end of last year. The dividend that we had initially provisioned in the accounts of 2019 and that we are not going to pay by application of the decision of the ECB is re-integrated in our solvency.

Then we have the regulatory impact, minus 20 bps. We have the retained earnings of this quarter; and I want to mention that I am talking about retained earnings meaning that, of course, we already deducted from this amount the AT1 coupons, plus a provision for a 2020 dividend of 50%, applying our normal dividend policy.

The OCI reserves decreased by 33 bps of ratio. The evolution of RWAs consume around 40 bps of ratio and this is leading to a level of 11.8% end of March. And then, in addition to that, we have 44 basis points of solvency consumption, which is again the result of this decision that we have taken, that we have announced and that is going to produce additional reserves at CASA going forward, which is leading to the 11.4% figure.

Unwinding of the Switch mechanism

Again, I want to insist on the fact that this unwinding of the – the progressive unwinding of the Switch mechanism was announced and is the perfect translation of the policy that we have within the group, which is to monitor CASA with a solvency ratio, which remains, of course, significantly above any regulatory requirement. But which is not too high, in order to preserve the capacity of generating the best possible return on equity for the shareholders of CASA.

And then, of course, the idea is that the excess of capital of the group has to be kept at the highest level; i.e. at the level of the regional banks, leading to the ratio at group level. So, this is the explanation of where we stand now.

Regulatory requirements buffer

And, let me just finish on this page, by indicating that actually, despite this decrease, we had end of last quarter a buffer above regulatory requirements, which was of 340 bps of capital and the buffer has indeed improved this quarter by 10 bps and is now at 350 bps, in connection with the different decisions announced by the ECB and by the different central banks on the Article 104A and on the counter-cyclical buffers easing. So, this is decreasing by close to 80 bps the requirements for CASA and so this improves actually indeed the buffer that CASA keeps above its, or has above this minimum requirement.

At group level, you will find the same waterfall with the same elements explaining the evolution between the end of ’19 and the end of Q1 ’20, with a solvency ratio, a CET1 ratio end of March, which stands at 15.5%. And, again, we have the same phenomenon, which is that the buffer above any minimum requirement, which was of 620 bps end of last year stands now at 660 bps; so, it has increased by 40 bps in the course of this quarter. The TLAC ratio continues and the MREL ratio in terms of RWAs continue to be covered without taking into account any element of eligible senior debt. And the decrease in the MREL ratio in terms of TLOF is completely explained by the increase in the size of the balance sheet in connection with the different re-financing operations that we have put in place in March this year, taking advantage of the different windows that were opened, namely by the ECB.

Liquidity

In terms of liquidity, I already mentioned it; I just want to give now some figures. The liquidity of the group improved. Liquidity reserves are up close to €40 billion from €300 billion at the end of last year to €340 billion. The LCR ratio improved also and at the end of this quarter it is even above 140% and our stable resources position continues to be significantly above €100 billion at, actually, €132 billion.

Market funding

Market funding on page 31; we have completed our medium and long-term market funding programme by two-thirds as at the end of April. Actually, we have managed to take the opportunity of the market improvement in April to realise two significant benchmark operations, one of covered bond and one of senior non-preferred bond, which were both very successful.

Conclusion

Let me know conclude this presentation and go to your questions simply by saying that we are in a very specific, very unprecedented situation. We are facing this situation in a very good, very robust, very solid position. We have a balanced and diversified business model, which suits perfectly to the situation. We have a very good operational efficiency. We have a conservative risk management DNA or culture, I would say. We have a very strong capital position and a very good liquidity position.

We are fully operational and we have proven it in the last eight weeks, actually, because all the banks in the different capacities have been functioning completely operationally. And we are behaving in a completely coherent manner with our *raison d'être*; with our *mot d'ordre* that we have elaborated and published at the end of, or the middle of last year, which is to act every day in the best interests of all of our customers.

And I think what is really very important to note is that we are in the position to completely play the card of the strategy that has been put in place by the different public authorities in France and in Europe at the European level with the monetary, the fiscal authorities, which is to offer to all the businesses and to all the households the capacity of getting from one side of the shutdown of the economy to the other side with the help of the banks providing liquidity and funding to all their customers.

And this is because we are completely involved in this process and mobilised in order to develop this policy that we have been able, as soon as the beginning of March, and you will see those elements on page 35, to start to put in place some moratoriums for business loans for our customers in order to help them. It is now reaching more than €3 billion of moratoriums that have been granted at the end of April. This is with this attitude that we have been very pro-active in putting in place the state guaranteed loan in France; and we have now studied and, I would say processed, close to €20 billion of state guaranteed loans at the end of April again.

This is with this approach that we have put in place a dedicated, specific support for professional customers, who have their multi-risk, their professional multi-risk insurance with us, covering business interruptions but not covering the case of a pandemic. And we have had the same approach in Italy, where we have put in place a €6 billion dedicated loans to support corporates. And this is also with this approach that we have been supporting our individual customers, both in France, in Italy through our retail networks and through CACF.

So, this is it, this is the presentation I wanted to make today. But, I am, of course, now ready to answer your questions.

I don't know if somebody is taking care of the questions? I hope so.

Q&A

Operator: Yes, the first question comes from the line of Delphine Lee from JP Morgan.

Delphine Lee (*JP Morgan*): Hi, good afternoon. Thanks for the presentation. So, can I ask on your cost of risk if, you know, if you could maybe give us or share a little bit, you know, the assumptions you are using for the impact this quarter? I mean I can see on your slide 37 that you have some GDP forecasts; I don't know if this is what you are using? And, if you don't mind also giving us, I mean, a bit more colour on you know sort of the provisioning that you have on the sectors, which are most affected? And, if you have, by any chance, you know, like a range for the full year in terms of costs of risk, any guidance that you could provide?

Then secondly, on capital, if you could just give us a little bit what we should expect in the next few quarters? Is there any impact from credit ratings migration? Is the TRIM impact still expected for this year? And maybe more, maybe medium, long-term do you still expect to achieve 50% reimbursement on Switch 2? Thank you very much.

Jérôme Grivet: Well, two important and interesting questions, Delphine, thank you. Cost of risk, you know how it works with IFRS9; we are putting in place different scenarios. We are weighting the different scenarios and we have an approach, which is combining actually a top-down analysis and a top-down provisioning complemented with a bottom-up approach.

So, across the board we have made some scenarios. We have been weighting each scenario and we are going to update those scenarios by the end of each quarter in order to make sure that we are completely coherent with our macroeconomic assumptions and our financial figures.

And then we are complementing this top-down approach, which is leading to a first layer of, I would say, additional cost of risk, and additional provisions and we are complementing this top-down approach by a bottom-up approach, which is developed entity by entity and which takes into account both, of course, the geographical aspects, because, as you know, we have activities in different countries, and also, or in France, in different regions of France. And also, we are taking into account, in this bottom-up approach, in this, I would say, local forward-looking exercise, we are taking into account some specific industrial sectors.

So, obviously, what we have been taking into account is the hotel, restaurant and entertainment sector, which is facing some specific difficulties and, which probably is going to get out of the shutdown later than some, and most of the industrial sectors. We are also taking into account the oil and gas sector because, by definition, this sector is particularly impacted by the oil prices evolution. We have been also taking into account the specific situation of the air transportation sector. So, this is a combination; I am not going to give you figures on each industrial segment or on each entity, or on each geography, but the level of the Bucket 1 and Bucket 2 provision is the result of those two approaches. I would say the central, forward-looking approach, which is top-down, and complemented by the bottom-up, local forward-looking approaches.

In terms of prospect; it is very difficult to answer to you because, by definition, we closed the accounts of the end of March with all the information that we had at that time and we are going to close the accounts at the end of Q2 with an update of this information and with an update of the assumptions that we need to make. And, in the circumstances that we are facing, the volatility of the assumption can be higher than in, I would say, normal times.

So, we are going to reassess all these hypotheses by the end of the second quarter and I wouldn't be surprised to note that this review of the assumptions could lead us to an additional provisioning of Bucket 1 and Bucket 2. But, by definition, what we needed to do in the first quarter was done in the first quarter.

I am not going to give you some guidance or some figures for the full year. I think it is not really relevant and, clearly, what we think is that part of the answer is, and lies, in our hands. I.e. the more efficient we are in deploying, actually, the different tools I was just presenting at the end of my presentation, the better and the faster is going to be the recovery and the pick-up.

So, we are dedicated to make everything possible in order for this to happen as rapidly as possible. But, what I can tell you is that, if the evolution in the cost of risk, or if the level of the cost of risk remains more or less what it is now, what it has been now for this quarter, for the remaining three-quarters of the year, it wouldn't prevent us from continuing to help our customers and to be able to lend to our customers and it wouldn't jeopardise our solvency or our capacity of continuing to remain on the safe side of all European banks. This is the best answer I can give you.

In terms of capital, well the two questions are connected; but clearly we are committed to dismantle half of the Switch mechanism; we have done 35%. We still have at least 15% to go. We will do it. We have time to do it because it is a commitment that is supposed to be fulfilled by 2022, so we have time. But the intention continues to be to do it, clearly. There is no issue about that. We are still at a very comfortable level of solvency at CASA, even after this first layer of dismantling; 11.4% as compared to the target that we have.

We note that our target is now significantly, more significantly above the minimum requirement. This is an element, which is important also to have in mind. And, at group level, we have absolutely no doubt that we will continue to remain amongst the best-capitalised banking group in Europe. So, the capital issue is not a real issue in our viewpoint.

We will continue to take into account all the modifications of the regulation when they take place. So, we understand that some elements are going to be decided by the European Commission in the next weeks in order to be applied by the end of the second quarter. We will apply any element that is going to be provided for by the regulation.

Delphine Lee: On TRIM, and maybe just to follow-up on those positive impacts on, coming from the changes by the European Commission?

Jérôme Grivet: Well, I read, and you read probably also that the European Commission was thinking of modifying a little bit the way the IFRS9 first time application effect could be taken into account within the solvency. I understand that it is also reflecting on the software deduction. So, these bits and pieces we are going to implement them when they are applicable.

Delphine Lee: Okay, and TRIM?

Jérôme Grivet: And TRIM; we were close to the end of the TRIM process. And, when we talk about TRIM actually, we included in this process what, indeed, took place in the first quarter, which was the €5.5 billion increase in securitisation, which is not directly a TRIM impact. But, when we published the capital planning of the – within the medium-term plan, we had given some guidance on all the regulatory impact that we could have to face. So, clearly, one of the big pieces of that was the securitisation.

But TRIM itself, what was – the remaining part of TRIM has been officially postponed, if I understand correctly what the ECB said. Probably 2021.

Delphine Lee: Okay, great, thank you.

Operator: Thank you for your question. Your next question came from the line of Giulia Miotto from Morgan Stanley. Please go ahead, your line is open.

Giulia Miotto (*Morgan Stanley*): I am sorry, I was in mute, can you hear me now? Okay, sorry, I was in mute. So, two questions on my side. One, again on cost of risk and the other one on revenue. So, on cost of risk if I think about the diversified portfolio of your businesses, which one worries you most? Or, you know, which business are you looking at more closely? Is it consumer finance; is it Italy? So, you know, any colour that you can give us there would be quite interesting.

And then, on revenues, what are you expecting on the revenue side? And, perhaps, you know, any early signs that you have seen in April in terms of loan growth or margins or any comment there would be helpful? Thank you.

Jérôme Grivet: Well, to answer your first question, I would answer 'All' because we are watching permanently all our portfolios, and actually each business line is and has the duty of monitoring all its portfolios. Simply, we are taking a look at the different portfolios, taking into account the – all the elements. And you were mentioning, for example, consumer credit. Well, consumer credit business in France, where most of the household – most of the individuals benefit from social, I would say, fallback and security elements, is not the same issue and as in the US, where many, many people lose their jobs and lose their revenues at the same time. So, it has to be looked at, taking into account all the context. And so, this is why each business line is better placed to assess globally the situation of the quality of its risks portfolio, with taking into account all these elements. So, we are – the Risk department and the Risk Chief Officer is definitely following all the different portfolios, with a closer look probably at the few industrial sectors I already mentioned as being quite sensitive in the present context. But you know, with all the uncertainties that we are facing, we must take a look at all the categories of risks and all the context elements I have been mentioning, all the social security lines that exist in France. I can also mention of course the fact that for businesses and for corporates, we now will benefit from the state guarantee in – on the new loans that we are putting in place nowadays.

And the second question was on revenue Well., well, on revenues, of course, we continue to be active, we continue to develop our different activities and we hope that with the end of the period of confinement that we are now getting close to in France and in Italy, we are going to have a more normal level of activity on business, I would say, besides the liquidity facilities that we need to provide to help the businesses and to help the household. So, we hope that – and we will work in order to continue our, let's say, normal – quote unquote – course of business. But clearly, this is not the revenue line that is going to be the main driver of the profit line. Clearly, the cost of risk is going to be a – is going to have a bigger impact, as it did actually this quarter already, on the bottom line than the top line, clearly.

Giulia Miotto: Got it. Thank you very much. And can I just ask a very quick follow-up on the capital – a question that I was curiously asked ? Your minimum is 11%, or at least, you know, your – according to your plan. But of course, you have quite a bit of buffer versus SREP. Would you consider possible going below 11%? Or is 11% - is it a floor for you?

Jérôme Grivet: Well, the target is 11%. We are not going to change the target every quarter. What we note, as I said, is that this target was providing a buffer of around 230 bps above any regulatory requirement end of '19. This is now generating a buffer which is above 300 bps nowadays. Because of all the evolutions that took place in the course of the quarter. So, this is of course an element that we must take into account, but we haven't changed the target of 11%.

Giulia Miotto: Thank you.

Jérôme Grivet: Thank you.

Jean-Francois Neuez (Goldman Sachs): Hi there and thanks for the call. I just wanted to ask – maybe again [?] – I guess you said it yourself, the cost of risk is going to be the main swing factor for the P&L this year. And I guess you were there also in CACIB in 2008 and 2009 and I just wanted to understand what you think, even though you won't necessarily want to share a baseline scenario, what do you think you could floor the loan losses are on the profitability of Crédit Agricole SA, if there is any lever that you think 'Below that, I just can't see it happen.' Or at least share us – share with some sensitivity with regards to in particular the degree of corporate guarantees you plan to issue and this type of measures. And secondly, I just wanted to ask on dividends, so you said that you could, as BNP said yesterday, and I said it, at least when I read the ECB press release with regards to the suspension of the 2019 dividend that there was also a recommendation of not necessarily to start being too optimistic about a 2020 dividend, but obviously I must have read this wrong. And what's your level of certainty that if you make money in 2020, you'll be able to pay the 50% payout? And maybe beyond that, depending what your capital level is, whether you can pay the 2019 dividend as a special or an exceptional in some shape or form, or at least part of it. Thanks a lot.

Jérôme Grivet: Thanks, Jean-Francois. I think that the present situation has nothing to do with the 2008/2009 situation. So, trying to assess what would be the bottom in the term of cost of risk, comparing to the situation we had in 2008/2009 is not really helpful. In

2008/2009, the banks were at the heart of the problem. They were weak – at least weaker globally than what they are now. And the uncertainties, the risks were starting within the banks' balance sheets. So, we are absolutely not in this situation. We know exactly what we have in our balance sheets. We know the risks that we've been taking and we are helping our customers to overcome, I would say, the gap of activity that they have been facing due to sanitary reasons. And we are here to help .

So, this is going to be clearly – this is going to generate some additional risks, that's for sure. The public authorities are clearly helping us to take those risks by providing their guarantee, which is clearly a key element and a key component of our assessments as of now. The monetary authorities are also providing their help in order to provide to the banking systems all the liquidity that is needed in order to fund the financing needs of our customers, and so, we are not – absolutely not in the same situation. So, I'm not going to be make math in order to give you the level of risk at which this or that will happen. You have all the elements to do so and you can perfectly identify the level of cost of risk which is leading to the – to what level of revenues or of net profit, with all the assumptions that you may want to make. But what I can tell you is that our global assessment of the environment is not naïve but it takes into account a strategy to which we contribute and that we think is going to, with a timetable that we – we do not completely master, but that is going to transfer all our customers, corporates, SMEs, self-employed professionals and individuals on the other side of this output gap. And so, this is of course integrated in the assumption that we make in terms of cost of risk.

In terms of dividend, the recommendation of the ECB doesn't preclude us from accruing a dividend provision. It just says that we cannot take an irrevocable decision of paying a dividend before end of Q3 this year. We are not taking an irrevocable decision of paying a dividend, because we are accruing the dividend. We are just prudent and we are just confident in our capacity to continue – at a certain point in time to continue to remunerate our shareholders. That's all. And I think that it's – it's respectful to our shareholders and respectful to the ECB at the same time to do so.

Jean-Francois Neuez: With regards to '19?

Jérôme Grivet: With regards to '19, we said it when we published our press release. We are going to review the situation beginning of Q4.

Jean-Francois Neuez: Okay. But so if I understand well, you haven't signed off the accrual before or foreseen that it's all going to be all okay and so on? I think it's important to – for investors, it's … –

Jérôme Grivet: I didn't understand you. The line is not very good, Jean-Francois, and I didn't clearly understood your last question.

Jean-Francois Neuez: The question is whether you have had any sort of even informal conversation about the payout and… –

Jérôme Grivet: To be frank – to be frank, we have had conversations with the ECB before the recommendation was issued. We have had some very quick conversations, just after the issuance in order to better understand how it should be implemented, and now it's no longer an issue we discuss with the ECB. We understand fully that both on our side and on the side of the ECB, this question now must be reopened after the summer.

Jean-Francois Neuez: Okay. Thank you very much then.

Jérôme Grivet: Thank you. Hello, Jon [?].

Jon Peace (Credit Suisse): Yeah, thank you. Hi. Good afternoon, Jérôme. Can I just ask for a clarification on the 2019 special dividend question? I mean, when we come to the fourth quarter, you know, is it as simple as looking at your CET1 at that stage versus your 11% target and paying out the difference? Or are you looking at a sort of forward assessment of cost of risk development and where your capital might go when – and you might want to maintain a buffer for additional uncertainty? And the second question, just a clarification on the – on the cost of risk. Are you using the GDP scenario that you gave in Slide 37 to base your provisioning on this quarter? And then if I may squeeze in a third one, just in the insurance business and the drop in the flows in unit-linked product, do you see that as the start of a trend, given more uncertain markets? Or do you expect that to stabilise? Thank you.

Jérôme Grivet: Let me start with your last question, if you want, because clearly, what we've seen in the first quarter of this year is that actually there has been a very high level of inflows in unit-linked products. And actually, this is a trend that we've seen more globally amongst French household. In March and in April again, they were a little bit more interested in equities than they used to be. So, probably it's an effect of the free time that some of them had, staying at home, but it's also an effect probably of some, I would say, financial education regarding the fact that it's better to get interested in equities when stock markets are very low, rather than when they are very high. So, clearly, we haven't seen any behaviour of, you know, trying to escape from equities, trying to escape from unit-linked products in the last period of time. I will even say on the contrary.

Going back to the dividend question, I think I can only repeat what I just said. We are going to fully reassess the situation in the beginning of the fourth quarter and it's going to be something completely new, because actually, there is not going to be a 2019 dividend. That's not technically possible now, because simply the French law imposes us to pay it before the end of September and the ECB doesn't want to hear about any dividend payment before the beginning of October. So, this happens to be now an impossibility. So, we are going to reassess the question of dividend later on and I think it's only prudent from our viewpoint to continue to recoup the dividend on the 2020 result in order to be well placed whatsoever and whatever the decision we want to take at that time.

Then, your last question was on the cost of risk and the type of hypothesis that we take. To be frank especially in the present circumstances, where even if we've been able to produce these accounts and to produce this presentation in due time, it's a little bit less fluent, so of course we had to book the provisioning of Q1 a little bit earlier on and I'm not – and I cannot say that we have taken fully into account our latest economic assumptions in the level of provisioning. So, we are going, as I said, to do a concrete rehearsal of our assumptions in June, in order to be able to completely update the inventory of bucket 1 and bucket 2 provision into accounts .

Jon Peace: Understood. Thank you.

Jérôme Grivet: Thank you. I don't know if there is another question.

Tarik El Mejjad (Bank of America) : Hi. Good afternoon, everyone. Just a couple of questions, please. First on costs, I know you are more efficient than your French peers and you are constantly working on an effort on your cost efficiency. But should we expect any natural decrease in costs, given the environment in 2020, and are you out working actively on finding some new sources of cost efficiency to offset the potential increase in provisions? And then second question, Jérôme, is just on your comments on the revenues not being really – I mean, I agree, cost of risk is the main swing factor but revenues should be impacted somehow or somewhat. So, I was surprised by your comments in that it wasn't really a concern, especially without going through all the divisions, obviously, but I would imagine in French retail the trends you had last year should slow down and while being negative interest rates continue to bite, I mean selling from some financing businesses and so on, so…

And just to come back on the accrual of dividend, I mean, the ECB spirit of the letter was you guys should accumulate as much capital before paying dividend. Yes, you put it back - the 60 bps, but the idea was not to accrue as well so you can build capital faster in case things get worse than expected. So, yes, you are within the spirit of the letter and at the same time you would probably have 30, 40 bps of capital accrued for dividend that you could actually – would have preserved to sustain the more stronger shocks. Thank you.

Jérôme Grivet: Thank you. Well, let me start with your last question. Clearly, our solvency is not a constraint in our lending efforts. So, it's not by keeping an additional bps of capital this quarter that we would enhance to whatever extent our capacity to help our customers and to continue to lend. We are not constrained. We are doing what needs to be done and this is not the constraint. So, of course, you imagine that before making this assumption of accruing the dividend we've been simply telling the ECB that this was our intention. We have had absolutely no reaction, no negative reaction to this intention. Again, I deem it prudent to do so and this is not preventing us from doing our business.

Going to the revenues and to the cost – because actually, these two issues are linked – you know this is our philosophy. We are not working on the – on Crédit Agricole SA and even less on the group global when it comes to cost efficiency and cost-to-income ratios. We are working on the basis of businesses, because clearly it's at a level of each business that this cost efficiency must be addressed. And what you have seen in the first quarter of this year is that in retail banking activities, we've continued to improve the cost efficiency and the cost-to-income ratios at LCL and we've managed to keep them stable at Crédit Agricole Italia. We've been able also to improve the cost efficiency at CACIB, i.e. to generate additional revenues without engaging additional costs. It's been also the case at CACEIS, significantly. And CACEIS is working now on the full integration of its new acquisitions. And this is going to lead to some additional cost efficiency improvements. And then, we have, in the specialised financial services division and in the asset-gathering division, we clearly had this quarter a deterioration of the cost-to-income ratio and we are working in these two divisions on reassessing the type of revenues that we could reasonably envisage and the type of cost basis that it allows. So, this is going to be done on a business-by-business basis.

We think it's the most efficient way to do it, so we are not, I would say, indifferent to the cost issue, but we are not on the other hand in a situation where we think it would be useful to announce a big cost-cutting effort across the board in order to face the present situation. Of course, the present situation is going to lead to some mechanical cost savings, but we are not really accounting on those cost reduction on travel and expenses to – I would say to complete the exercise.

Tariq El Mejjad: Thank you, Jérôme.

Omar Fall (Barclays): Hi. Good afternoon, Jérôme. Just two questions from me. So, the first one, I just want to go back to Sofinco - consumer credit. And could you walk us through how you see the cost of risk at the Q in a bit more detail? Because I guess, you know, there's less direct government protection and moratoriums compared to other businesses, so you know, the 37 million Stage 1 and 2 provision maybe looks a bit low. One of your peers, you know, flagged this as a key area of concern to them and they've got maybe three times the size of your consolidated loan book, but you know, they've taken much more than three times the provision. So, I know you mentioned individual protections in France, but I guess if my salary used to be a 100% and now it's 84% on the *chômage partiel* line, I might pay my mortgage but, you know, not my car loan or credit cards. So, some colour would be really appreciated.

And then the second one is just, yeah, in insurance, I know it's volatile, I know it'll revert, but why was there so much of a market effect, because you know, the – you've had in the past violent market moves and not seen these kind of volume impacts compared to some others, like in Q4 '18, for instance. And I guess generally there's the assumption in the market that this business will see a limited impact in this crisis, if I look at consensus estimates at least. So, ex these market adjustments, is that a fair assumption and what are the specificities of the crisis that would stop you from making that pretty consistent, you know, 1.3 billion-ish of net income? Thanks.

Jérôme Grivet: Okay. On the consumer credit business, just keep in mind that we have a breakdown of our activities, which are either consolidated or under the form of JVs. And actually, probably one of the riskiest parts of the business, which is the corporate financing part of the car financing business, is not consolidated. It's in the JVs. And actually, we have only I think a few – 2%, 3%, 4% of the loan book – the direct loan book of our consolidated car financing activities which are corporate lending. The very big, very vast majority of the direct lending of Sofinco on – in the car financing business, which is around 40% of its business, is direct lending to household, with the guarantee of the car and with all the mechanisms that you fully know. And clearly on this part of the business, the individual protection that we have in France linked to the interest of – for the household to keep his car, is clearly leading us to be I would say not over-optimistic but to – this is a key element of the analysis that we've done when assessing the risk. And clearly, at FCA Bank, we have been booking provisions with the idea that around one-third of the business of FCA Bank is corporate driven, again contrary to what we have in direct consolidated home loans. So, I think that the differences with some of our peers that you were mentioning can be explained by this different treatment of the car financing business between both of us.

In insurance, don't forget that Crédit Agricole Assurances – and we've said it when we have had this dedicated workshop on the insurance activities – is now operating under IFRS 9 with an overlay approach which is covering I would say two-thirds of its assets, but for some technical or regulatory reasons one-third of the assets are not covered by the overlay approach, so half under IFRS 9, and this is leading to some swings in the level of P&L since the implementation of IFRS 9. That's the – that's an element that we had pointed out at that time and this is clearly something we cannot avoid. Simply, again, this is largely reversible and this is something which is absolutely not jeopardising our intrinsic I would say profitability in the insurance business. And clearly, the profitability of the insurance business continues to be very high, be it in P&C, protection and life activities.

Omar Fall: Great. Thank you. Very clear.

Jérôme Grivet: Good.

Kiri Vijayarajah (HSBC): Thank you. Good afternoon, Jérôme.

Jérôme Grivet: Good afternoon.

Kiri Vijayarajah: Firstly, a couple of questions. Yeah, hi there. Firstly, can I come back to the Switch 2? I mean, do you sense it's now got a little bit harder to get approval for the next tranche of the Switch unwinds, you know, given all of the pressure to preserve capital levels that you're seeing from the regulators? And then secondly, turning to the loan hedges you have in the large corporate book, just curious, have you been ramping up your use of hedging there? And can we have a bit more colour on which actual subsectors within the large corporate loan book you've actually put the hedges on? You know, which sectors are you getting the protection in? And maybe also a sense of what the notionals are on – maybe on some of the CDS levels, just to sort of get a feel for how big of a hedge you have in place there on the corporate side? Thank you.

Jérôme Grivet: On Switch, I think that there is absolutely no constraint and no I would say regulatory pressure that would lead us to delay or postpone or cancel the further dismantling that we have in mind. Actually, as you know, this upstreams capital from CASA to the regional banks, but it does not destroy any euro – single euro of capital at group level. So, seen from a regulatory viewpoint, there's no capital destruction by the dismantling of the Switch. There is only a shift in the location of the capital between CASA and the regional banks. But at group level, the capital still remains at the same level, and so I don't expect any difficulty coming from the supervisor to continue the Switch dismantling, as long as at CASA we continue to operate with a level of capital which is satisfactory considering the fact that CASA belongs to Crédit Agricole Group and benefits from the solvency of the group.

When it comes to the CDS that are hedging the credit book of CACIB, actually, it's a book that is here mainly to help us manage our RWA consumption. It's a nominal which is I think a little bit above €5 billion, if I remember correctly, and actually, the reason why we do not take it into account within the underlying figures is that our intention, because it's here to help us manage the level of RWA, the intention is to keep it – to keep the CDS, so not to crystallise the gain and so we can have ups and downs in the market value of this portfolio but the portfolio in itself is a permanent one.

Kiri Vijayarajah: Right. Got it. Okay. Thank you.

Guillaume Tiberghien (Exane BNP Paribas): Yes, good afternoon. My questions relate to RWA – three questions, actually. Number one, can you explain why the RWA of the corporate centre increased by €2.5 billion? I wanted to know what it is and whether we should expect more. I know it's small, but still, it consumed most of your retained earnings in terms of capital consumption. The second question relates to the RWA in asset gathering ex the impact of Switch and ex the impact of the equity accounting for insurance [?]. There is a €1 billion increase, which seems also quite high, so I wanted to know what it is and whether we should expect more. And finally, with regard to the scheme on the French guarantee, if I'm not mistaken, there is a sort of two-months gap between the time you write the loan and the time the RWA fall to zero for the guaranteed portion. And so, whether you could maybe give us a flavour of what RWA impact should we have in Q2 as a result of the loans that are guaranteed but not – that won't benefit from the – from the 0% weighting in Q2. Thank you. Given your runrate.

Jérôme Grivet: Yeah, exactly, exactly. So, clearly, the production of new loans – of new state-guaranteed loans in April was very high and this, considering this two-months delay that you were mentioning, these loans are going to benefit fully from the state guarantee end of June, and so we will not have any RWA impact. I don't know at which pace the production of new state-guaranteed loans is going to continue in May and June, but what is for sure is that those loans are going to weigh on our capital ratios end of June, before being unwounded, I would say, thanks to the entry into force of the state guarantee in the course of the third quarter. So clearly, we may have a peak. I don't know what would be the amount, but we may have a peak in RWAs end of June, before the state guarantee enters into force. Considering the breakdown of state-guaranteed loans that we are producing nowadays, the biggest part of this peak is going to be seen within the regional banks, because they are the largest producers of state-guaranteed loans within the group. But I'm not able to tell you as of now what is going to be the production of new loans in May and June, and so what is going to be the RWA impact at end of June, but it's going to exist clearly.

The second question, it was the increase in RWAs within the asset-gathering division, besides insurance and private banking activities. So, within Amundi, we have had some I think collateral increases, collateral demand increases, linked to different products that are manufactured and sold by Amundi to its customers. And so, the collateral calls that Amundi had to apply by the end of March is clearly leading to an increase in RWAs. Within the corporate centres, I think that we have different bits and pieces of elements, but to be frank, I don't have the global explanation in mind, so maybe we will go back to you with a more precise explanation.

Guillaume Tiberghien: Jérôme, maybe just on the last point, do you think that these bits and pieces will recur or it would be a one-off? Because they consumed –

Jérôme Grivet: No, it's.

Guillaume Tiberghien: – roughly 300 – sorry –

Jérôme Grivet: Yes. No it's – it's clearly mainly one-offs and not only it's not going to be repeated, but I expect this to progressively unwind.

Guillaume Tiberghien: Okay, thank you.

Anke Reingen (Royal Bank of Canada): Yes, thank you very much for taking my question. Firstly, just on your – a number of times you mentioned that the business environment significantly slowed down in March versus January, February, and that it is probably in Italy was a quite hard comment. So, would you say that as a back, or on the back of this, their Q1 was obviously we should not see as a run rate and rather look at March and a number of areas? But then I realise you're not talking about intra-quarter comments, but a number of banks have talked a quite a strong April and fixed income, and given your Q1 strengths, I was wondering if there's anything you could add as well. And then secondly, on just on insurance, just I was wondering conceptually, is there a risk that a few of your customers basically ask not to pay the insurance premiums and would that be a risk to your top line or would you still account for these premiums coming in in case you have to give, like, a moratorium? Or would it basically hit the top line? Thank you very much.

Jérôme Grivet: On your first questions, well, I think it's going to vary from one business line to another one. Clearly, the first weeks of confinement led in retail banking activities to a more or less complete halt in the development of the traditional business – you know, no new home loans inception, no significant flows of insurance policies sale and so on and so forth. This is going to progressively recover. This has started already to progressively recover to a certain extent, simply because people need to – need certain products and services, so for the first weeks, everything was put on hold, but after a certain period of time, the initial needs come back. So, of course, it's going to be slower for home loans, because the whole process has to start again. You know, the process which starts with visits by the household of different properties and then negotiation and then discussion with the bank in order to be granted the loan and so on, so forth. So, the process can be long.

When it comes to simply getting a new home insurance or car insurance, it can be quicker. So, clearly, in those activities, March was very significantly down, April is not going to be massively up, but just take me – let me take an example. In China, we have seen between January and February a decrease by around 90% of the production of new car loans. And then, between February and March, a multiplication by 3. So, of course, you're not back to where you were in January, but the pick-up was already there. In the CIB activities, and especially in the fixed-income activities, the end of March was very, very active. Beginning of April and the whole month of April has been very active and CACIB clearly has been one of the leaders of the bond issuance market, especially in euros, and participated in a very large number of new issuances in end of March to – across April. So clearly, this is going to generate direct and indirect revenues for CACIB. So, it's going to vary from one business line to another one.

When it comes to insurance, I mentioned that we had decided to allocate to our customers – professional customers which are significantly – very significantly impacted by the shutdown process, we have decided to give them a fixed amount of partial indemnification of their operating losses when they had an insurance with us covering operational losses but not covering, as I said, because nobody covers really this case, a pandemic. So, this is an amount that is going to be integrated globally in our technical results. We are going to have in our technical results positive and negative elements. This is going to be a hit, but I'm not saying that this is going to directly and fully flow into, down to the bottom of the P&L, so it's going to be mitigated by many, many other elements and some positive elements that we can have on some other technical results within the accounts of the P&C insurance activities.

Anke Reingen: Okay. Thank you very much.

Jérôme Grivet: Thank you.

Matthew Clark (Mediobanca): Hi. So, two questions from me. Firstly, could you let us know the level of the PPE reserves this quarter, please? I couldn't find it anywhere, apologies, if it is disclosed. And then secondly, on risk weights, do you expect any material impact from credit rating migrations as the year progresses? And perhaps give us your thoughts about any headwinds there. Thank you.

Jérôme Grivet: Well, credit migration, we are going to recognise a credit migration as they appear. Up to now, it's not been very significant. And again, you have to really have in mind what is happening with all these mechanisms of state-guaranteed help – aid. Because as long as the – as long as the state offers its guarantee to a corporate customer, the quality of the risk does not deteriorate, even if the customer is losing a significant part of its turnover.

So clearly, the migration effect, of course some corporates are going to face negative migrations, but as of now, it's not been very massive and this has to be read across, keeping in mind the very specific context in which we are and keeping in mind all the public tools that have been put in place in order to help the situation. So, this is going probably to help significantly in – on these aspects of risk migration. Your first question was on which issue exactly, I think…

Matthew Clark: The policy-holder reserves –

Jérôme Grivet: Ah, okay.

Matthew Clark: – and the insurance business.

Jérôme Grivet: Okay.

Matthew Clark: And it was about €10.8 billion or something. Has that changed?

Jérôme Grivet: Yeah. I think this quarter it's increased by around €100 million, so it's almost nothing. It's purely, I would say, even a rounding effect, because it's simply movements of flows between the provisional level of profit sharing that we integrate in our quarterly accounts. and what is left for the customers, the policy-holders, and not taken by the insurer is put in the CPE [?]. So, €100 million increase but really not significant on a first-quarter basis.

Matthew Clark: Okay. Thank you very much.

Jean-Pierre Lambert (KBW): Hello. Good afternoon, Jérôme and team. I would like to come back to the public support, because it seems to be quite an important element you mention. How did you integrate the public support technically? Is it in loss given default? Is it in probability of GDP scenarios or in better GDP expectation? And then related to that, if we look at the €223 million in bucket one and two, what would have been that level without public support, just to have an idea of the sensitivity. And the second question is a sensitivity question. We know from Banque de France that any extra amount of confinement would cost about 3% of GDP in 2020. What kind of sensitivity has it on your bank's earnings or revenues or cost of risk, if you could give some kind of quantification or indication? Thank you.

Jérôme Grivet: Jean-Pierre, I fear I'm going to disappoint you a little bit because we are not as technically, I would say, experts as you deem we are. We don't have any tool that is really connecting – directly connecting a GDP hypothesis to a level of bucket one and bucket two provisions and so on and so forth.

Of course, we have a process that is leading from the GDP assumptions to a level of provisioning, but we don't have – we are not efficient enough to have the capacity of running different scenarios every day and making sensitivity analysis of that type. Clearly, if the global confinement is extended to one additional month, it's going to be a significant change in our macroeconomic assumption. But this is not the hypothesis on which we are now. We think that actually, as everybody said it, 11th May is not a precise day which separates a complete shutdown of the economy and a complete restart of the economy. The economy has started to work again in certain areas before 11th May, and some industries have started to work again before 11th May. So there's going to be a progressive acceleration after that. And it's not a hypothesis on which we could say one additional week is going to represent X million of additional bucket one and bucket two provision.

When it comes to the public sector guarantee, well, I think it plays two roles actually. The first role is that when we have the state guarantee on a specific loan, this is preventing us from having to risk weight this loan, with the exception of the first two months for the reasons we've just talked about a little bit earlier. Then when a corporate, which is facing difficulties because of this shutdown of the economy, benefits from a state-guaranteed loan, this is globally improving its solvency. So this is going to help its capacity to resist to this shutdown of the economy.

Technically is it taking place? Is it improving rather the probability of default or the loss given default? Frankly, I'm not able to answer precisely to this question. But we are going to check with the risk guys, the specialists of the model and we are going to revert to you.

Jean-Pierre Lambert: Thank you very much, Jérôme.

Operator: Thank you for your question. We don't have any questions. Sir?

Jérôme Grivet: Okay. I think we have one question that was sent to us by mail.

Clotilde L'Angevin: Yes.

Jérôme Grivet: So Clotilde is going to ask the question.

Clotilde L'Angevin: It's a question from Pierre Chedeville from CM-CIC. Two questions on P&C insurance. First of all, what is your view on the combined ratio that is still very low at 95% and how do you see that evolving? And then the second question on the cooperative support mechanism from insurance. Can you give us a little bit more information as to what are the figures behind that?

Jérôme Grivet: Okay. The two questions are actually interconnected. The first question is that the combined ratio of our traditional P&C insurance activities is a key element of our DNA in our insurance business. So we see no reason why this should deviate from the very good levels that we regularly reach. And, of course, we are going to continue to stick to that because this is through this very good combined ratio that we continue to offer a very wide coverage of our insurance policies to our customers.

With regards to this special mechanisms that we've decided to provide to our customers. To put it in a nutshell, this is going to apply to around 50,000 customers, and we are going to give them an indemnification, which is going to be, depending on their size and depending on their type of activity, between €1,500 and €10,000. So this is leading to a global gross cost of a little bit above €210 million, which of course is going then to be integrated in the global costs – claim indemnification cost that we cover for all our insurance customers.

And I think, Clotilde, this was the last question that we had. So I want to thank you all for having attended this meeting in a very specific and special period of time. And again, I apologise for the difficulties that you had to connect for some of you and I'm looking forward to talk to you again, at the latest beginning of August and probably before that for some specific meeting, road shows or whatever. Have a good afternoon, and take care. Bye-bye.

[END OF TRANSCRIPT]