



Crédit Agricole Italia Launches A Cash Voluntary Public Tender Offer For All Shares Of Credito Valtellinese

Monday, 23rd November 2020

Executive Summary

Jérôme Grivet

Deputy General Manager and CFO, Crédit Agricole S.A.

Welcome

Good morning to every one of you. I am very grateful that you have been able to be available with such a short notice for this meeting this morning. I want to start by saying that I am here with Philippe Brassac and Xavier Musca, and that Giampiero Maioli, the Chief Executive Officer of Crédit Agricole Italia and the Senior Country Officer of the Group in Italy is also on the line and will help me to make this presentation.

By acquiring Credito Valtellinese, Crédit Agricole Italia continues building a leading banking group in Italy, serving three million clients and its local communities

Continue building a robust and profitable banking group, benefitting from a stronger footprint

Let me start by saying that today, we want to present an initiative that we have decided to launch this morning, which is the acquisition of CreVal by Crédit Agricole Italia. In a nutshell, this operation that we have announced will significantly enhance Crédit Agricole Italia's footprint in the Retail Banking activities in Italy by the adjunction of a very attractive and robust Retail network well-located in Italy.

A significant value creation, benefitting all stakeholders

This operation, in our analysis, will provide a significant value for all the stakeholders involved. It is going to be the case, definitely, for Credito Valtellinese's customers, who will benefit from the very wide product offer of Crédit Agricole Group. It is going to be the case of Credito Valtellinese's staff that will benefit from enhanced career prospects in the whole Crédit Agricole Group in Italy.

An attractive prices for Credito Valtellinese's shareholders

It is going to be the case for Credito Valtellinese's shareholders that would benefit from an attractive price. It is definitely going to be the case for Crédit Agricole Italia's shareholders, benefitting from this enhancement of the network and benefitting from a return on the investment that we consider that will meet our traditional criteria of being above 10% after three years.

A proven track-record of successful integrations

Last point, it is an operation that is, again, in our analysis, an operation that will be quite securely integrated in our setup in Italy. Definitely, Crédit Agricole Italia has a proven track record, in terms of successful integration of different networks – again, in 2017 and 2018 – with the three small regional banks that were acquired at the same time and perfectly integrated in the meanwhile.

Let me now hand over the floor to Giampiero Maioli, who will present our activities in Italy and the strategic rationale of the operation that we are announcing today. I will, after that, present in more details the operation that we consider launching.

Giampiero, if you hear me, it is now up to you.

Continue Building a Leading Banking Group in Italy, Serving Three Million Clients and Its Local Communities

Giampiero Maioli

Senior Country Officer of the Group in Italy and CEO, Crédit Agricole Italia S.p.A.

Italy is Crédit Agricole's second domestic market

Crédit Agricole Italia – key figures

Thank you. Thank you, Jérôme.

We can, in the long run, strengthen our presence in Italy, which today, as part of the Group, is making €76 billion in terms of assets, €50 billion in customer loans, €72 billion in terms of assets under management and assets under custody, €1.9 billion in income, more than 2.1 million clients, more than 9,000 employees, and almost 900 branches.

Our banking group, Crédit Agricole Italy, has a major presence, 70% of Crédit Agricole S.p.A and also on some of the local banks just through [inaudible]. We have an important presence of shareholder foundations – Fondazione di Piacenza. These are foundations that belonged to the regional banks that we have gradually acquired.

This plurality of these different shareholders – we have almost 20,000 private shareholders. This just goes to show how, over the years, Crédit Agricole in Italy has become a group which has become a kind of benchmark group. It is also very much integrated into the culture of our territories and the culture of our country.

Credito Valtellinese at a glance

Key figures of Credito Valtellinese

Now, the Banca Credito Valtellinese is an old cooperative bank with tens of thousands of small shareholders. If they join Crédit Agricole, they will find once again this spirit and the attention to people and the regions, which is what distinguishes us. I am sure that this is what the customers feel as well and also the employees of the bank.

The Bank represents almost €24 billion in total assets, €16 billion in customer loans, €10 billion in assets under management and assets under custody, and €0.6 billion, in terms of revenue, 700,000 clients, 3,539 employees, with a market share, in terms of branches, of 1.5%.

Positioning of Credito Valtellinese

However, as we will see in a moment, we will have a regional quota, which is extremely interesting. It is the seventh largest commercial bank in Italy.

Let me remind you that in terms of Crédit Agricole, we are also a partner for bank insurance products for two years and very satisfied customers. We have 9.8% of Credito Valtellinese's share capital. To that, we will add 5.4%, which will come from this agreement that has been stipulated over the last days.

Reasons for the offer and strategic considerations

Solid industrial project

Now, this operation will give us another three million customers with more than 300 branches. This has many different attractive commercial aspects to it. Cost synergies, for

example, because our objective for 2022 is to be a single bank and to be a totally integrated bank.

We will also gain immediately financial efficiency. This will be due to the better ratings of Crédit Agricole. We will also have, above all, benefits and gains that will come from the already good quality of the CreVal credit risk and also the non-performing loans ratio, which is very good. This will improve and enhance our operations.

Positive for all stakeholders of Credito Valtellinese

Now, we believe that this is an offering which is an amicable offering because it is creating value for everyone – our shareholders. There is an interesting premium, if we reach closing on Friday, and also an interesting VWAP.

Also, it is a cash operation. It creates value for the employees because they will be part of a Group that they already know and which manifests and shows all the values and enhances their career prospects as well.

It also creates value for the customers. They will be able to benefit from the very high quality of the products that are produced by the Group.

Significant value creation for Crédit Agricole

Now, this operation will provide value for CAI and its shareholders. We want to have an ROI of 10% over three years. We have the necessary conditions to be able to achieve that.

Now, in terms of the industrial culture, we showed over the last couple of years that we were able to successfully integrate many of the regional banks. We did this with the full agreement with the regulators and also with trade union representatives on a national scale. I called them this morning, in fact, and they gave me their consent and also their support for this operation.

Now, over the years in Italy, we have created a Management team which is highly qualified, very open-minded, multicultural, made up of young, talented managers who are Italian and French. Many of our managers have climbed the ladder of the Bank. We can be sure that we can count on this talent.

By acquiring Credito Valtellinese, Crédit Agricole Italia is increasing its presence in North Italy

Now, in the presentation, you have the regional market shares. We will have some very major regions in the North of Italy such as Lombardy, Emilia-Romagna, Liguria, where we will be between 6% and 16% of market share.

We also have Friuli, which is a historical region, there, we will have 12% and Sicily with 6.8%. Of course, it goes without saying that in the other regions – Piedmont, Rome, Lazio – we will have between 3% and 6%. We can confidently say that our Group is a key Italian bank.

The combines entity will serve more than three million clients in Italy and manage a balance sheet of more than €100 billion...

We have also presented the benchmark information and the balance sheet information, in our presentation, between the CAI and what this operation would bring. That is on Page Ten of the presentation and there is some interesting information on that.

...consolidating Crédit Agricole Italia's competitive positioning in the Italian banking system.

Now, Credito Valtellinese represents 25% of annual revenues of CAI. Now, in terms of assets under management and assets under custody, this presents an opportunity. One of the things which pushed us to speed up this offering is that through Crédit Agricole Assurances and through Amundi, we will easily be able to manage the savings and deposits from customers with obvious benefits and high service margins.

We have given a presentation of the rankings at national level. We will have €100 billion, in terms of assets, so we will be one of the six leading banks, in terms of managed savings and also in terms of the number of customers. I would also like to remind you that in terms of this combined entity – Crédit Agricole and the new bank – these positions will be reviewed upwards. We have a very profitable activity like Amundi and Bank and Insurance operations within the Group. We will be a key benchmark bank for the Italian market.

Integrating Credito Valtellinese into a robust banking group...

Robust solvency, strong asset quality with solid NPE coverage, and strong credit ratings

Now, we have a benchmark, in terms of the balance sheet. The core CET1 is over 16%. Crédit Agricole Italia is at 12.8%. Credito Valtellinese is at a very high level of capital, 17.2%. This is due to an increase in capital a couple of years ago. This allowed the bank to do derisking and to have a very high level of capital reserves.

...and further deploying the 'raison d'être' of the Group

Working every day in the interest of our customers and society

Now, in terms of the strategy of the industrial plan, we have set objectives which will not change because we want to achieve excellence, in terms of customer relations. I can tell you that in terms of the latest customer satisfaction surveys, we ranked second-best. This is due to very long-term work and also to a project of Crédit Agricole S.p.A that we have been developing and the effects of that have been very positive. We will continue these commitments.

In terms of society, we have been a leader, in terms of supporting hospitals and health structures that required help during the peak of this pandemic. That was last spring. We were on the front line there. We have been able to guarantee services even in the red zones where we are present.

We have always done this working through our foundations, which are foundations that are non-profit organisations. They carried solidarity initiatives – sponsoring and various other forms of support in the local society. This is something which we will continue to do even in the new areas where we will be present. Now, we have a product management who can offer services of great quality for our customers.

Creating significant value with minimum integration risk

Now, finally, I would like to remind you of the paths that we have taken up to now and the many different integrations that we have managed. We have done more than 14 of those now. I am not going to go through all of them.

However, we have the Casa di Spezia, Banca Intesa, banks in Rome and Tuscany. We have a governance structure and a Management team which is very talented. We have IT systems and organisational systems which are very robust. This means that we can carry out this operation, which is absolutely compatible with everything that we have done in the past, integrating regional banks similar to ours.

There has been institutional consensus on this and territorial consensus as well for this operation that we feel can create an extra added value.

Now, Jérôme, I will leave it there and I will hand back to you.

Transaction Details

Jérôme Grivet

Deputy General Manager and CFO, Crédit Agricole S.A.

Transaction structure and consideration

Thank you very much, Giampiero. I think that what Giampiero has just presented demonstrates very massively both the strategic interests of this operation and also, I would say, the very good monitoring of the integration of this new bank within Crédit Agricole Italia when the time will come of the integration. I will not go back on these elements. I just want to highlight a few elements of the transaction structure.

100% cash offer, with a consideration of €10.50 per share

We intend to launch a voluntary public cash tender offer. It will be launched, of course, by Crédit Agricole Italia on all the ordinary shares of Credito Valtellinese. It is going to be an all-cash offer and the price is €10.50 per share. This corresponds to a total investment of €737 million by Crédit Agricole Italia for all the shares of Credito Valtellinese.

This price of €10.50 per share represents a 21.4% premium to the fair price of Credito Valtellinese, end of last week's spot price on 20th November. It is a 42% premium on the three-months volume weighted average price of the share as of, again, end of last week. It is even a premium of more than 50% as compared to the six-months volume-weighted average price.

Other conditions

We have already received the commitment letter from one of the important shareholders of Credito Valtellinese Italia, Algebris, who owns a little bit more than 5% of the capital and that has committed to bring its share capital stake to the offer, subject, of course, to regulatory approval. We have already 9.8% of the share capital through Crédit Agricole Assurances, who, as you remember, is already the provider of life insurance policies to Credito Valtellinese's customers.

The offer will be subject to Crédit Agricole Italia reaching at least two-thirds of the voting share capital. However, this condition may be waived by Crédit Agricole Italia if it has succeeded to at least gather 15% plus one share of the capital of Credito Valtellinese. Of course, we have the other traditional conditions that include, amongst the other elements, the antitrust unconditional authorisations and Credito Valtellinese not adopting any defensive measures, even if authorised by its Shareholder Meeting.

Indicative timeline milestones

If I go on the next page, you will see the main milestones of the timeline that we intend to follow. It is going to be a fast timeline – of course, respecting all the thresholds that we have to respect.

To date, we have deposited the notice pursuant to Article 102 of the Italian Law. In December, we are going to file with Consob the tender offer document and all the other filings that we need to do with the competent authorities. We expect all the clearances to be provided by the end or in the course of Q1 2021.

We expect to be granted the authorisation by Consob to publish the offer document in March or possibly in April 2021, which will start the tender offer period. Then, the tender offer period will end in May 2021, where we will have the settlement of the offer.

A strong acquisition in line with the Group's medium-term ambition to continue building a leading banking group in Italy

Strengthening Crédit Agricole's competitive positioning in Italy, its second domestic market

To summarise what we have said, this operation is perfectly in line with what we have done in the past in Italy, in terms of developing our Retail Banking activities. Let me remind you once again that in Italy, we have a complete and comprehensive set of activities that cover not only Retail Banking, but also all the other specialised business lines in which we operate: Asset Management, Insurance (Life and Non-Life), Consumer Credit, Car Financing, CIB, and so on and so forth.

In Italy, as you know, these specialised business lines represent a higher proportion of the net profit that we generate in the country than pure Retail Banking activities. This will strengthen our competitive positioning in Italy.

Significant value creation for Crédit Agricole from economies of scale and funding synergies: EPS and ROI impacts

This will create significant value for Crédit Agricole's shareholders, be it Crédit Agricole Italia shareholders and also Crédit Agricole SA's shareholders. This value creation is going to come first from economies of scale and funding synergies, generating an improvement of the earnings per share, which will be positive as soon as 2022, and generating a return on investment that will be above 10% in Year Three, as again is required by our internal standards related to M&A policies.

Long-term value creation from cross-selling with Crédit Agricole's business lines

It will also create long-term value from the additional cross-selling with all Crédit Agricole business line on the customer base of Credito Valtellinese.

Minimum integration risk: CET1 ratio impact

Last point, the integration risk will be minimum for an investment that represents less than 20 bps of CET1 ratio for Crédit Agricole SA. Here, in a nutshell, are all the elements and the features of this operation that we have been announcing this morning. But, we are all here to answer your questions – if you have some, of course.

Q&A

Jacques-Henri Gaulard (Kepler Cheuvreux): Yes. Good morning, gentlemen. Congratulations for this deal. Just one question.

Just curious about the ROI superior to 10%, which corresponds to at least €73 million-€74 million. The consensus for 2022 expects already €65 million of earnings. I seem to have seen a number that your cost synergies were estimated at €125 million. Would it not have been more accurate to say ROI is vastly superior to 10%? Thank you very much.

Jérôme Grivet: Well, Jacques-Henri, thanks for the appreciation of this operation. I leave you with this comment that clearly, this return on investment is completely secured and is secured with the most secure synergies, which are the cost synergies and funding synergies. That is for sure.

Jacques-Henri Gaulard: Thank you.

Jérôme Grivet: Thank you.

Tarik El Mejjad (Bank of America Merrill Lynch): Hi. Good morning, Jérôme. Just two questions, please.

First, on the structure of the deal. I was bit surprised by the premium more about the share price than actually the percentage because €10.50, that makes it one of the highest valuation in a while. Just to understand the rationale, do you just want to basically pay the premium, do the deal quickly without negotiations, and then move on and that will be it for you? Just for the reason that the 10% ROI does not sound to me enough to justify such a higher premium.

Secondly, a question after the CreVal deal. Clearly, with CreVal, you ticked all the boxes you mentioned before: something small, adds footprint, a clean balance sheet, and so on. However, what is next? Should we consider this is it for you in Italy and you have now the adequate market share or you think you still have to add more footprint? Thank you.

Jérôme Grivet: Well, Tarik, thanks for your questions. I think that all the Credito Valtellinese's shareholders will be happy to read your notes about the price. We think it is a price that is a good equilibrium between the interest of Credito Valtellinese's shareholders and Crédit Agricole Italia's shareholders. It is coherent with our return target. It is also attractive for Credito Valtellinese's shareholders.

What is next? Well, we are only at the beginning of this operation. As I have just explained, only the market transaction will already take up to the middle of next year. Please do not ask us what is going to happen after that. We have to complete this transaction that we are announcing today. Then, we have to manage the integration of Credito Valtellinese within our setup. The 'What is next?' question is a little bit early, if I may say so.

Tarik El Mejjad: Thank you, Jérôme.

Jérôme Grivet: Thank you.

Guillaume Tiberghien (Exane BNP Paribas): Yes, good morning. I have two questions.

The first question relates to whether or not you will be able to take advantage of the new law in Italy allowing for the conversion of DTA into tax credit in the event of a merger and if so, what will be the benefit?

The second question is whether you will have to pay a penalty, should you wish to transfer the Asset Management and Consumer Credit flows to your own product factory?

Jérôme Grivet: Two good questions, Guillaume, of course. The first question about the new law – well, there is no new law, as of now, because there is a project. I think that this project, in itself, has triggered a significant increase in all the share prices of Italian banks in the last ten days.

I think that our offer includes all the elements that were known from the market. This is clearly an element that was known from the market. If this new law is passed, of course, it is going to apply to all mergers in Italy. We contemplate the merger between two Italian banks. In my understanding, we will be eligible. However, up to now, no law has been passed, indeed.

As far as the additional cross-selling operations can take place across time, I think that it is too early to tell if the operation goes to its end, as we expect. We will, of course, analyse all of the partnerships that exist within Credito Valtellinese.

We will see, depending on the expiry dates, if it is best to wait for the expiry dates and then to renew a partnership with our own 'product factories' or if it is possible to early-terminate them and under which conditions. We will see. Of course, the end game is that all products sold to Credito Valtellinese's customers are going to be provided by our own specialised business lines.

Guillaume Tiberghien: Sorry, can I ask a follow-up? There was a headline on Bloomberg, suggesting that Crédit Agricole Italy was going to launch a capital increase to fund the deal. However, if you get all the excess capital of CreVal, it is about €400 million. The DTA proposal for the Italian law could save you €200 million or €300 million. Really, you get it for free, the CreVal. Why do you need to do a capital increase in Crédit Agricole Italy?

Jérôme Grivet: We have not mentioned in our presentation this prospect of a potential capital increase from Crédit Agricole Italia. We will see, going forward, how the transaction is going to be funded by Crédit Agricole Italia.

If any capital increase was to be needed to fund the deal in order to maintain a good level of CET1 at Crédit Agricole Italia, which has been the case in the past and which is going to continue to be the case in the future, of course, Crédit Agricole SA will fully guarantee this capital increase in order to guarantee the success of it. However, it is too early to tell. We are, at Crédit Agricole SA, of course, fully ready to support this acquisition by Crédit Agricole Italia.

Guillaume Tiberghien: Thanks, Jérôme.

Azzurra Guelfi (Citigroup): Hi. Good morning. Congratulations for the deal from myself as well. I have a couple of questions.

One is on the integration cost. I do not know if you have made any potential analysis on this?

The second one, if you had any feedback from CreVal Management on your tender offer and if you can share it with us?

The other one is on the deal itself. Probably this is the lowest execution and integration risk deal that you could have done. Just wondering if that was the main criteria, in terms of potential synergies realisation and easiness of deals because the bank is, like, with a strong balance sheet and maybe with the opportunity for cost and revenue synergies. If you can share with us the rationale for this? Thank you.

Jérôme Grivet: Yes. On your first question, we have not disclosed neither the amount of synergies nor the cost of realising those synergies. Clearly, however, the return on investment above 10% fully integrates and takes into account the fact that to generate the cost synergies, we will have to engage a certain level of investment. Clearly, it is integrated in the global return that we are targeting.

Of course, we have had contact with the Management of Credito Valtellinese before announcing the offer this morning. I will not comment on these contacts, which have been perfectly professional.

Last point, integration risk. Well, I do not know exactly what was your question, but the capacity of managing the integration risks are part of the set of criteria that we have put in place in order to check the relevance of all the M&A transactions that we consider. In this transaction, clearly, we consider that the integration risks are very remote for the many reasons that Giampiero Maioli has explained, i.e., the size, the location, the DNA of Credito Valtellinese, which is coherent with ours, and also the fact that we know this bank since a long time and we have with it a very successful partnership in Life Insurance.

Jean-François Neuez (Goldman Sachs): Hi. Good morning. I would like to ask to – I think just to – I think I picked up something in Azzurra's question, which I also wanted to ask, but maybe ask in another way, which is in the press recently, you have been linked with Banco BPM quite a few times. This would have been a tremendously more transformational deal, for example, than this one. Not better or worse that is all what I am trying to judge here, but potentially this was six times bigger.

And the question that I wanted to ask to understand your thought process and also to read better the news flow in the future is what was your thought process if there was ever a choice between looking for something more transformational at the time when share prices are very low everywhere or to do something incremental, which was in line with your past strategy, essentially what made you make that particular choice at this particular juncture?

And the second question that I wanted to ask is when you estimated ROI, synergies etc., how did you go about making the synergies and execution risk? Did you discuss this – was the start of your discussion with the management or where your discussion with the management of CreVal purely of an informative nature, and you have not had essentially your chance to due diligence what you are planning to execute?

Jérôme Grivet: Credito Valtellinese is a listed company, so of course, to imagine that way it is not possible to do due diligence in such a situation. So we have established our calculation on the cost synergies and the cost of realising those synergies on the basis of our past experience, which is wide, which is significant, and which is I think relevant.

So it is our own calculation performed under our own responsibility, but we clearly think that they are relevant and they are perfectly securing, I would say the financial parameters of the operation.

On your first question, I think, first, we do not want to comment market rumors. We never do that and we are not going to do in the future. And second, I think it is not either, it is not also relevant and we are not going to share with you all the elements of analysis that we take into account before taking a decision.

We are presenting today the project. We are presenting today an operation. It is been analysed. It is been – we have been taking a lot of time to prepare and to fine-tune this operation. We have taken into account many, many elements.

And this is the project we are presenting to you today, which is, again, coherent with our strategy, which is coherent with our financial, I would say, prudence, and it is coherent with our culture. So I think that there is nothing more to say.

Jean-François Neuez: Okay, great, thanks a lot Jérôme.

Jérôme Grivet: Thanks.

Giulia Miotto (Morgan Stanley): Yes, hi, good morning. Thank you for the presentation and two questions for me as well.

So, if I take a step back and I look at the profitability of your Credit Agricole Italian business, so indeed, you have been successful in integrating different banks through time, but that remains below the profitability of the group on average through the years. So I was wondering what sort of ROE do you plan for the Italian business? And do you think one of the reasons that you cannot mention the group profitability is lack of scale, so that is the first question.

And then the second question is on coverage. So what coverage do you plan for the combined entity Credit Agricole Italia pro forma? Thank you.

Jérôme Grivet: Let me start with the second aspect of your question. What are you talking about in terms of coverage?

Giulia Miotto: NPL.

Jérôme Grivet: NPL.

Giulia Miotto: Yes, sorry.

Jérôme Grivet: So as Giampiero presented it, you can see that both Credito Valtellinese and Credit Agricole Italia have indeed quite a low level of non-performing loans as compared to the average of the Italian market. And they have coverage ratios, which are roughly in this region around 50%. As so really, we intend to pursue significantly the derisking of the portfolio and when the operation is going to be completed, we will have room to probably further increase the coverage ratios and/or further decrease the level of NPL.

In terms of profitability of our Italian retail banking activity, we have stayed in the medium term plan. We were targeting return on normalised equity, which is not the return on equity on the level of equity that we have really in Italy, but the return on normalised equity, of 13% and the cost to income ratio below 60%.

So we are not there yet, and clearly, the level of the cost of risk triggered by the pandemic is probably going to delay a little bit our capacity to reach this level profitability. But clearly, we continued to target that level of profitability in order to fuel the global profitability of Credit Agricole SA.

It is clear that the addition of Credit Valtellinese to Credit Agricole Italia as Giampiero explained it really well, is going to provide scale, is going to provide a booster in order to accelerate the convergence towards the cost to income ratio that we are targeting.

Giulia Miotto: Thank you.

Jérôme Grivet: Thank you.

Giampiero Maioli: Just a moment, I would like to comment. The reason why right now the profitability level is slightly lower than the bank in France is because of the cost of risk. The average cost of risk in Italy, as you know, is higher than in France. France is where the cost of risk is lowest in Europe. This operation with CreVal will allow us, thanks to the excess capital of CreVal to further derisk to reach the level of cost to income ratio of CreVal to the European average, and it will automatically increase the profitability.

There are no differences in the operational management nor in the cost efficiency. And in fact, the productivity of Credit Agricole Italia is already competitive in terms of cost to income ratio. It is at the levels of the best European banks.

It is true that we have a problem in Italy because until now, all investments we have made to be competitive in terms of technology and digitisation have weighed in such a way that is not enough to absorb costs. So we have suggested this operation to the shareholders because it will allow us to increase synergies of scale and become more profitable.

Jérôme Grivet: I think that we are now going... - thank you Giampiero. We are now going to take the question from Autonomous.

Stefan Stalman (Autonomous Research): Yes, good morning. Can you hear me?

Jérôme Grivet: Yes, Stefan, we hear you.

Stefan Stalman: Great, good morning, gentlemen, and thank you very much for hosting the call. I have three small questions please.

The first one just to clarify Jérôme what you said earlier, if the CreVal board does not support the deal, does it mean that you abort the bid?

The second question is, could you maybe remind us of the extent of cost synergies that you realised when you integrated the three savings banks, ideally as percent of their cost base. How big was it?

And finally, could you maybe tell us whether you actually or I should say, Credit Agricole Assurances has currently any representation on the CreVal's board of directors. And if so, whether that has given you any insight into their numbers that you could use in preparing this bid?

Jérôme Grivet: Let me start with the last question, and I am talking under the control of Giampiero Maioli, but in the last restructuration of the board of Credito Valtellinese, I think

that we had the capacity to design, to name I think two board members, but of course, by definition we have not had any inside information coming from those two board members.

It is clearly not possible, and even more they are independent board members. We have chosen them and we have proposed them to the shareholder meeting, but they are independent. So it is absolutely not possible for them to provide any information to dedicated shareholder. So clearly, we have been working on the public information as is always the case when it is about public offer.

Cost synergies regarding the three small banks that we acquired, I do not remember exactly, which the amount of the cost synergies. But let me remind you that their average cost to income ratio when we acquired them was in the region of 120%, and they now contribute to the average cost to income ratio of Credit Agricole Italia, which is below 65%.

Again, I am talking under Giampiero's control. So clearly, it means that we have been able, both by reducing their cost base and by increasing their top line to reduce their cost to income ratio from 120% plus, down to the 60% plus, where they are now.

We have been integrating their IT platform on our IT platform in seven months. We have been closing certain number of ventures that were redundant with our own branches, and this was fully achieved in year two globally. So clearly, the integration process that we have is very efficient.

Then your last question, I was not talking about the support of the board of Credito Valtellinese. I was just saying that under the Italian law, the board of Credito Valtellinese is not allowed to take any measure that would be adverse to the offer, only the shareholder meeting can.

And of course, what we say is that if the shareholder meeting takes that kind of decision, then of course, we can reconsider our offer. But as far as the board is concerned, there is absolutely no possibility for, I would say interfering with the offer.

Stefan Stalmann: Great, that is very helpful. Thank you very much.

Jérôme Grivet: Giampiero, go ahead.

Giampiero Maioli: Okay. Regarding the synergies of the integrated banks, it was 80 million per year. Synergies between cost and funding, both cost and funding synergies. The cost to synergies have been exceeded and the funding synergies have also been exceeded.

We are working on aligning productive production and commercial performance of the three banks to bringing to the level of CAI. But in terms of in cost and funding synergies, the results were exceeded, overachieved. We have not appointed any director at CreVal. We have two directors who we know, but with whom we do not have any information or relationship.

They were also informed this morning just like the other board members. And so the standards and laws with the authority here in Italy, which are very strict, have been fully respected.

Kiri Vijayarajah (HSBC): Yes, hello, good morning everyone. Thanks for taking my questions.

Firstly, just a quick follow-up on the NPE, NPL question. So I am wondering just the local regulator or the ECB provided or set your guidance in terms of the target level of NPE and coverage ratios you should be aiming for the combined group. You know, as a quid pro quo for getting approval for this deal, or is that sort of planned to derisking that completely been driven by you, so really just the background there.

And then in terms of taking a step back in terms of improving the product penetration at the CreVal customer base. What are big gaps that you see because as far as I can tell, Cre-Val already has the full product suite available today. So really my question, what are you going to be doing differently that is suddenly going to ramp-up the product penetration and revenue per customer at the CreVal network? Thank you.

Jérôme Grivet: Okay, clearly, there is absolutely at this stage no request on the ECB to target a special level of NPE or specific level of coverage ratio. We are, as I said, already, both at the level of Credit Agricole Italia and at the level of Credito Valtellinese south of the market. So it means that if we intend to continue the derisking and to continue the improvement, it is only with the goal of being really a top of the class in terms of the quality of our loan book, and it is not triggered by any request from the ECB.

In terms of product penetration, maybe we can go on page 10 of the document, where you see certain metrics that indicate, clearly, that there is some room for improvement. But again, I will maybe ask Giampiero to provide more details.

But you see, for example, that in terms of asset under management and asset under custody, we are typically... - Credito Valtellinese globally represents one-third of Credit Agricole Italia. In this respect, on this aspect, so it means the management of the savings of the customers, they clearly lag behind. And we think that we have the capacity to significantly improve the penetration of our own product factories on this item specifically. But maybe Giampiero, you want to complete.

Giampiero Maioli: Yes, Jérôme. Let me reaffirm that in our strategic plan, once we secure the authorisations and the public tender is completed, one of the guidelines will be the derisking of both entities.

And to improve our cost to income ratio as to the different product, we have already assessed all the different business line. And right now, the productivity gap at CreVal is about 30% below Credit Agricole Italy.

And with the objective of the 10% ROI by 2023, we will align the performance of Cre-Val to the best level to be in line with Credit Agricole Italy.

Kiri Vijayarajah: Great, thank you.

Matt Clark (Mediobanca): Good morning everyone, a couple of questions. So firstly, just going back to the CET1 impacted 20 basis points. So if I understood or extrapolate your answer earlier, am I right to understand that this is formulated under the existing tax laws, so it does not include any DTA to tax credit benefit?

And secondly, a similar question what step up or step down to fair value assumptions are embedded in that 20 basis points CET1 reduction?

And then finally, could you just let me know when the Credit Agricole assurance stake increased from 5% to 9.8%. I had not realised that it happened. Thank you.

Jérôme Grivet: Well, I would say that the 20 bps impact on the CET1 of CASA is a ceiling. So it means that it would be the impact if no benefit from any element, for example from the DTA law was possible. So it is clearly a ceiling that is here only to illustrate the fact that this operation is very significant for Credit Agricole Italia. But at the level of Credit Agricole S.A. it is more a bolt-on acquisition, which is perfectly, I would say, absorbable by the course of our normal, I would say, capital trajectory.

So again, it is a ceiling, it is not very precisely calculated. And when the operation will progress, we will provide law details on this aspect as well as on some other aspect of the transaction and of the business plan, but it is way too early to do so.

Second point, well, we have been increasing our stake across time. There is no – it is not been done in one-shot, and it been spread on a rather long period of time, so no, nothing more to say on that.

Matt Clark: Okay, thank you.

Pierre Chedeville (CM-CIC): Yes, good morning Jérôme –

Jérôme Grivet: Good morning.

Pierre Chedeville: – and everyone. Two quick question. First question, I am not sure, but it seems to me this operation will have a badwill...around maybe €1 billion. And I wanted to know what will be the use of this badwill? And did you have any conversation with the ECB in terms of capacity for you to use this badwill in your CET1 or distribution possibilities etc?

And my second question is regarding the network of Cre-Val. We can see that 25% of the branches are located in Sicilia, that I love very much, but which is obviously not the part of Italy Credit Agricole Italia was targeting initially.

So my question is very clear. What is the quality of this part of the business of Cre-Val in Italy? For instance, in terms of profitability compared to other branches in the north, in terms of NPE and don't you think that somehow the 94 branches – only in Sicilia, are once again, I would say now, clearly 8% of the total network, is not too much?

Jérôme Grivet: Okay. Maybe I am going to answer your first question then I am going to leave Giampiero to provide you some details on the Sicilian part of the network of Credito Valtellinese. It is true that with a shareholder equity of €1.7 billion and the price that we have published of around €700 million there will be a badwill of around €1 billion.

Pierre Chedeville: So I am calculating well.

Jérôme Grivet: Yeah, exactly. We have not had discussions with the ECB, precise discussions with the ECB on the uses that we can do with this badwill. But clearly, we are going to apply the rules and the rules are very simple. You know, you start by allocating part of the badwill to the risks that are not sufficiently covered in the balance sheet of the bank that you acquired, and then the remaining part is helping you to cover the risk-weighted assets - to capitalise the risk-weighted asset of the entity that you purchased.

So we are going to fully strictly, and I would say, prudently, apply the traditional rules, which means that we are going to use a part of this badwill to cover even more some risk that are in

the balance sheet of Credito Valtellinese. We are going to use also part of the badwill to finance the cost of integration, of course, as is normally the case, and the remaining part can be used in terms of solvency.

Maybe Giampiero -

Giampiero Maioli: If I may follow-up on your answer because if we consider that Cre-Val is doing well its job in terms of provisioning and I cannot imagine that they do not. Most of this badwill, will be allocated to restructuring cost, you can imagine. But at the end of the day, we will have, I would say, a net bad will in improving your Core Tier 1.

Have you made any hypothesis of the rest, I would say, not used in the badwill? When you indicate to the market that this operation will have only 20 basis points of impact in CET1. Because for me, in my view, at the end of the day, with this badwill and if CreVal is well provisioned, the impact on CET1 will be null more or less or even maybe positive. It could be positive.

Jérôme Grivet: We have taken prudent assumption in the usage of the badwill, which we are not going to disclose, but we have been prudent. And as Giampiero said already, we may use part of this badwill to further decrease the NPL ratios of Credito Valtellinese in order to, again, make our global retail banking operations in Italy best-in-class in terms of NPL ratio.

So we have taken prudent assumptions when we have calculated this 20 bips impact. It maybe less than that, and we will provide more clarity and more details later on when the operation will progress.

May be on Sicily, Giampiero, if you can give some indication on what we see in this part of the network of Credito Valtellinese?

Giampiero Maioli: Yes, Jérôme, just a point on the cost of risk and NPL ratios. Our ambition is to arrive under 5% of NPLs. So we have convinced them to make [inaudible].

About Sicily, it is true, but I remind you that CreVal has 75% of branches in North and centre of Italy. The 80% of the branches in Sicily are concentrated in the major towns such as Palermo, Catania, Messina and Syracuse. I remind you in any case that Sicily is as so beautiful region, but above all, represented today the 40% of Italian agriculture production. So we are convinced to take advantage about the historical agricultural expertise of Credit Agricole.

Just a point about the potential risk in Sicily. First, we remind that we managed the 15 years in the south, branches in the south of Italy, in parts of Campania, the Naples region without particular problem compared to the other regions. And in any case, at the moment, the CreVal branches in Sicily represented only 70% of the loan portfolio versus the 25% in that number of clients and branches.

The reason is that in Sicily, CreVal manages above all wealth management and insurance products and also particularly house credit. No more corporate risk is present in the branches in Sicily actually.

Pierre Chedeville: Okay, thank you very much.

Jérôme Grivet: Thank you, Giampiero. I think we have one last question that we are going to take.

Jon Peace (Credit Suisse): Yeah, thank you Jérôme.

Jérôme Grivet: Hi Jon.

Jon Peace: I just wanted to ask a question about Credit Agricole strategy. So the Credit Agricole of 10 to 20 years ago, like to acquire banks and distribution networks around Europe with mixed success, but the Credit Agricole of the last 10 years rationalise those stakes and it created product factories, which could be distributed through partnerships in quite a balance sheet-efficient way.

So how should we see the proposed deal today in that context? Would you say it was more an opportunistic bolt-on deal in a core market with low financial cost or does it represent a shift in CASA's thinking of how it should grow? So in a kind of digital world, do you see owning of many more branches in Italy as an asset or a liability? Thanks.

Jérôme Grivet: Well, thanks for your question because this is the occasion again to clarify our strategy, if needed. Clearly, we are not changing our strategy. This strategy is based on the fact that we have developed very powerful entities on several product lines that are operating across Europe.

They are and they have started to create their critical size, critical mass by distributing their products on the basis of our own customers in our own networks, but they have been able to grow beyond and sometimes far beyond our few retail footprints. And this is why we have developed those activities, even in countries where we do not even have a retail network like Spain or Germany for example.

So this strategy is going to be kept and will continue to be developed. What is taking place in Italy with the operation that we are presenting today is that we have had this opportunity to, and that we want to seize, to give some additional scale to our own retail network operation, which is very efficient, which is clearly, best-in-class in Italy regarding many, many criteria.

And one of the latest one is the fact that in terms of customer recommendation, we are ranking number two in Italy. So we have a very good network, which is covering a number of customer, which is not smaller than the number of customers to whom we access in asset management or in consumer credit for example.

But nevertheless, it is a very good and efficient network, and we have had the opportunity to nicely complement this network, and to give it scale in order to improve its efficiency. So we are not going to change strategy, and it is exactly the same. It is exactly the same answer than the one we could have presented when we have acquired the three regional banks that we bought two or three years ago.

It did not change our strategy. It did not seclude us from concluding additional partnership in several activities, in Italy or elsewhere, and this is going to continue.

Jon Peace: Very clear, thank you.

Jérôme Grivet: Thank you. I think it is over now. So again, thanks very much for having made you available with such a short notice. And of course, Clotilde and the team is happy to continue to answer your questions on this operation if needed. Have a good day to every one of you.

[END OF TRANSCRIPT]

