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+++ presentation

Operator^ Good day, and welcome to the third quarter and first 9 months 2017 results conference call. Today's conference is being recorded. At this time I would like to turn the call over to your host, Mr. Jerome Grivet, Deputy General Manager & Group CFO. Please go ahead, sir.

Jérôme Grivet^ Good afternoon to everyone of you. I am happy to welcome you to this conference. And I think we can directly start with the presentation in order to let you as much time as possible for your questions if you have any.

If we start by Page 5, with the global figures for the results. Let me start with the net income Group share stated at Group level. For the third quarter, the net profit of the Group is EUR 1.9 billion, it's up 37% as compared to last year third quarter. And in the first 9 months of the year, it's EUR 5.6 billion, it's already a little bit above the net profit we published for the full year 2016. At CASA level, the net profit -- net income Group share stated for the single quarter stands at [EUR 1.66 billion]. It's significantly below the third quarter of 2016, which you may recall that -- you may remember that during the third quarter of 2016 we booked a very significant one-off capital gain in connection with the Eureka's transaction. And for the first 9 months of 2017, the net profit is EUR 3.262 billion. It's more or less the same level as last year, which means that in 9 month we managed to compensate for this specific one-off that we had last year and that we obviously don't have again this year.

In terms of underlying figures. The underlying net profit for the quarter stands at EUR 966 million for Credit Agricole S.A.. It's a little bit below the third quarter of 2016, 5% down, but again, I think there are 2 elements that you have to keep in mind in order to analyze this evolution. The first element, and we will comment a little bit further on this, is the fact that last year was -- the third quarter was absolutely outstanding in terms of revenues for the CIB. It was the case for us and for most of our competitors. And maybe a second element which is also important to keep in mind is that last year we had a level of corporate tax which was very low for the third quarter. And actually if we compare the profit before tax, the underlying profit before tax between Q3 '16 and Q3 '17, it is up nearly 11%.

Last point on this page. On the first 9 months of 2017, Credit Agricole S.A. booked a net income Group share of -- an underlying net income Group share which is little bit above EUR 3 billion. It's up 37% as compared to the first 9 months of 2016. I think, this is the correct figure to assess the performance of Credit Agricole S.A.'s business lines in 2017.

If I go now on Page 6, I think that the most important element that you have to keep in mind, as events that took place in this third quarter of 2017 is, first, the disposal of little bit more than half of the stake that we had previously in the capital of BSF, a Saudian bank. We sold this 16.2% stake for a total consideration of around EUR 1.3 billion, generating a net capital gain of a little bit more than EUR 100 million. And this triggered a deconsolidation of the remaining 14.9% stake that we keep for the time being in the capital of this bank.

The second element -- the second event that took place this quarter is the completion of the acquisition of Pioneer Investments. It was completed in the beginning of the quarter, which means that this quarter we have the nearly full contribution of Pioneer accounted for within AMUNDI.

And the last 2 points I want to mention is the fact that this quarter we have signed for the acquisition of 3 Italian banks and for a 67% stake in the capital of Banca Leonardo, which is also an Italian bank, but dedicated not to retail bank activities, but to wealth management.

Last point, maybe, this quarter we managed to continue to improve the financial robustness of the Group and of Credit Agricole S.A. As far as the Group is concerned, the fully-loaded CET1 ratio stands at 14.9%, which is an increase of 30 bps as compared to the end of June, pro forma the acquisition of Pioneer figure. And for Credit Agricole S.A. the level stands at 12%, which again is an improvement of 30 bps as compared to the end of Q2, pro forma Pioneer acquisition figure. In the meanwhile, we continued to provision the future 2017 dividend and as end of the third quarter of this year, the dividend provision within CASA's account stands now at EUR 0.52 a share.

On Page 7. I would not comment all those figures, but what you can keep in mind is that in all of our business lines, activity figures are significantly up and so the commercial momentum within our different business lines continues again this quarter.

If I go on Page 8. You have different figures about Amundi post integration and acquisition of Pioneer. This is now an asset manager, managing EUR 1,400 billion of assets. It's the 9th in the world, #1 in Europe. And this acquisition significantly strengthened our position in several European countries, but also improved the business mix of activities and of expertise of Amundi.

On Page 9, some elements on the acquisition of 3 regional banks. In Italy, this transaction was signed during the third quarter and it's expected to be closed either by the end of the fourth quarter, or maybe for some technical reason, in the beginning, very beginning of 2018. This is, all in all, leading to an increase in our footprint in retail banking activities in Italy by around 20% and this is also going to be a very attractive transaction with -- among other elements, a return on investment which is going to be very significantly above the 10% threshold that we have set for this type of acquisition. The impact on the CET 1 ratio of Credit Agricole S.A. of the completion of this transaction will be below 10 bps, as we stated since the beginning of the news flows about this transaction.

On Page 11, you have a reminder of the different specific items that we restate between the stated and the underlying figures. This quarter the overall impact is about -- is exactly EUR 100 million between the stated and the underlying net income Group share for CASA. The main element is the impact of the disposal of this 16.2% stake in the capital of BSF. The other elements are much more marginal and they almost compensate each other.

On Page 12, you have the key explanation of the evolution of the net income, underlying net income Group Share between Q3 '16 to Q3 '17, and between the first 9 months of '16 and the first 9 months of '17. I think that, as I already said, the comparison Q3-to-Q3 is very difficult to read across due to unfavorable base effect in Q3 2016. But what is maybe more interesting to note on this page is that on 9 months every business line significantly contributed to the overall improvement of the profitability -- underlying profitability of CASA, the overall improvement is an improvement of 37% and you see that all business lines contributed significantly to this improvement.

On Page 13, you have the same kind of analysis regarding the revenues, the top line. Again, the same comment, which is that on the third quarter the evolution is a little bit penalized by the exceptionally high level of revenues in the CIB last year. And so the comparison is probably much more interesting on the first 9 months of the year, where we see that again all business lines contributed to an overall improvement of 8% of the top line, underlying top line of Credit Agricole S.A.

As far as the cost line is concerned. On the quarter, you have obviously the effects of the first integration of Pioneer and so the biggest part of the increase of the cost line is due to the integration of the EUR 100 million -- a little bit more than EUR 100 million of costs stemming from Pioneer. Besides that what you can note is that the cost base of the different business lines are kept under control with -- leaving room to develop investments and we can comment on that business line by business line in the next pages of the presentation.

If I just end the comments on this page with 1 figure. The underlying cost excluding Single Resolution Fund and at constant scope for the first 9 months of the year is 1%.

The cost of risk is also kept under control. As you can see on this slide, I remind you that we are presenting the evolution of the cost of risk on outstandings on a rolling 4-quarter basis. It stands at 31 bps for the perimeter of Credit Agricole S.A. and even lower at 18 bps for the perimeter of the Group globally, in particular, in connection with the sharp decrease that we have had for the regional banks this quarter, it's a decrease of 14 bps between Q3 '16 and Q3 '17.

This general improvement in the cost of risk is also the case in all our business lines within CASA. It's been the case for the consumer credit space. We are probably reaching a low point there. It's been also the case in retail banking activities in Italy. The small increase between Q3 and Q2 '17 is due to a disposal of leasing NPL, which is now accounted for in the perimeter of Cariparma, the retail banking activities in Italy. Last year, it was outside this perimeter, [in SFS].

In the CIB financing activities, the cost of risk is 19 bps on the last 4 quarters and actually on the last quarter only it was negative cost of risk, because we have had net reversal of provisions in the third quarter.

At LCL, the level is also very low, 17 bps. And actually this quarter, more than half of the EUR 45 million cost of risk is due to a provision that has been taken by LCL in consideration of the climate events that took place in the French Antilles considering the credit worthiness of its counterpart on this region.

On Page 17, you have the usual presentation of the breakdown of the revenues and the net income Group share of the different business lines, and I think that the message is again that we have a very diversified and thus very stable business model within CASA.

And I can go now a little bit more in depth business line by business line. Starting with the asset gathering activities. For the asset gathering division, I think the main feature of this quarter and of the last 9 months is that we continue to have a very strong commercial momentum with a significant new money inflows for the asset management activities, obviously, even if I leave aside the integration of the EUR 243 billion of asset coming from Pioneer. It's been also the case for the wealth management division and it's been also the case for the life insurance activity. In terms of profitability, you see that this division is again improving its profitability, plus 4.6% on the quarter and plus 8.4% on the first 9 months of the year. Maybe 2 comments -- 2 additional comments on the wealth management division. You may have noted that we announced several acquisitions since the beginning of the year. They concur to progressively compensate for the refocusing of the customers that we've decided last year. And so this is why we decided to enter into a referral agreement with HSBC in Monaco. This is why we decided to acquire the private banking activities of CIC in Asia. And this is also why we decided to make the acquisition of Banca Leonardo in Italy.

Page 19, on the insurance activities. All the activity indicators are in the green and well oriented. Maybe 2 or 3 elements. The first one is that, I would say, risk insurance activities. be it P&C, or protection businesses, the premium income continues to be significantly up, plus 7.5% this quarter as compared to the third quarter of last year. And in life insurance, savings and retirement, as we say, we continue to have this very positive modification of the breakdown of the net inflows, which are now almost exclusively made of unit linked products as compared to euro-denominated products.

As far as the contribution of the insurance activities to the net profit of CASA are concerned maybe again 2 or 3 general comments after having noted that again this quarter, the net income Group share is improving, it stands now at EUR 308 million for the quarter and EUR 917 million for the first 9 months of this year, up 6%. But maybe just some additional comments on this division. The first one is that, of course, you know that insurance reporting format and bank reporting format are indeed very different and actually they converge only at the net income Group share leverage. This is why we have organized a dedicated workshop which is going to take place on December 6, and again, I invite you to participate into this workshop, where we are going to try to explain things as much as possible in detail.

The second comment is that specifically in life insurance activities, quarterly results are only interim results, as the most important parameter that we have to set, which is the final profit sharing rate with the policyholder is set only once a year in December. And what I can say is that in the context of uncertainties about rates and their possible evolution in the coming months, we have been again very prudent this quarter. As an example, or as an illustration of this prudence, had we kept the same level of recognition of financial margin as last year, we would have had an increase in the revenues of the insurance division of around 3% on 9 months and even 5% on the quarter. So again, we are very prudent in terms of financial margin recognition in interim quarter in order to have full comfort and full flexibility when we set the final profit sharing rate by the end of the year.

Maybe a third comment, which is that finally in life insurance activities, there are a few KPIs, which are very important to monitor. The first one is probably the level of financial revenue that we are able to generate with our portfolio of assets. In the first 9 months of 2017, the yield -- annualized yield of our asset portfolio was 3.24%, which compares to a level of 3.3% last year. So there is indeed a slight decrease, but only very slight in connection of obviously with the significant decrease we have had last year on interest rate.

The second key performance indicator is indeed the proportion of unit linked product in our portfolio. And as I already mentioned, this proportion is up 2% at 21% this quarter as compared to the third quarter 2016. And we still have a target of 25% in the coming years. And the last important feature is the level -- the average level of guarantee that we have provided to our policyholders. And again, we already mentioned this figure, but in average, we have another level of guarantee, which stands at 35 bps on our global life insurance policy, which is a very low level.

If I come now to the asset management and to Amundi and on page 20. Amundi published its results last week if I remember correctly. So I think that most of the information are well known by the market and by yourselves. I think maybe the most important element you have to keep in mind is that, even though the net income of Amundi improved by 12% Q3-on-Q3, this translates only into a smaller increase in our old accounts due to the fact that between Q3 '16 and Q3 '17, we have been a little bit diluted in the capital of Amundi.

On page 21, we zoom again and probably it is going to be the last time or the last but one time that we give you those information, because the situation is now completely or almost completely normalized. What you can see is that between January 2017 and September 2017, within LCL the level of renegotiations, credit renegotiations, has been divided by 10, which again proves the fact that the situation is normalizing. These are obviously 2 consequences. This is opening and paving the way to a stabilization of the financial margin in the future. But this is also leading to a decrease in the level of fees that are taken in consideration of those renegotiation and earlier repayment. And this explains the evolution of the NBI within LCL, I am now on Page 22, where you see that this quarter the NBI declined a little bit by 3.5% as compared to the third quarter of 2016, where the early repayments and credit renegotiations were significantly higher. For the first 9 months of the year, nevertheless, the NBI is still up close to 2% and we continue to forecast a global level of revenues at LCL for the full year 2017 which will be up or a little above the level we had in 2016. And this is in particular due to the fact that on the commercial view point, LCL continues to do well with customer saving up more than 5% and loans outstanding up close to 10% at September '17, on September '16. In addition to that we continue to see a growth in the equipment of our customers wealth, for example, P&C contracts or premium accounts.

Our retail banking activities in Italy performed well this quarter. Activity indicators are up and significantly higher -- faster than the market globally. Revenues are up plus 1.7%.

Just maybe an additional comment on the cost of risk. Apparently it's up 13% Q3-on- Q3, but actually it's due to the fact that we now integrate the leasing activities in the perimeter of Cariparma this year, which was not the case in 2016 and so, excluding the perimeter of the leasing activities, the cost of risk within Cariparma, the retail banking activities purely, the cost of risk is down 17% Q3-on-Q3.

Overall, in Italy we continue to have a very good level of activity and profitability. This Page 24 gathers all our activities in Italy. So for the first time we now integrate the Italian part of Pioneer within the scope of our Italian activities. And what you can see is that on the cost -- all our Italian activities generated a net profit which was close to EUR 150 million, up 16% and in first 9 months of the year it is EUR 436 million, up 20%, it's before of course the integration of the 3 regional banks and before the integration of Banca Leonardo.

Retail banking excluding Italy, the same story, the activities are doing well from a local view point, I mean in local currency terms, of course, and this is going to be case again in Q4. Translated into euro, we continue to be penalized by the depreciation of Egyptian pound that took place in November 2016. But excluding this exchange rate effect, the underlying net profit of the division is up 28%.

In Specialized Financial Services, consumer credit leasing and factoring, I think that the activity indicators are in the green, plus 7% for the gross manage loan book of CACF, plus 3.5% of the gross consolidated leasing loans and also an increase in the factoring activity indicators. Revenues in this division are up close to 3% on the quarter and 4.5% on 9 months. Cost of risk is down and so the net profit is up 21% on the quarter and more than 30% on 9 months.

Maybe just 1 additional comment, we decided to put an end to our partnership with Ford in the car financing business in the Nordic countries, it was a minor business and not a profitable one. So it doesn't have any significant impact on our accounts.

In the large customer division, what you see on the bar chart on the left hand side of the Page 27, is that indeed the cyclicality or the seasonality of the revenues in 2016 was a little bit atypical, and in 2017 we are indeed in more classical trend. The year started, last year, very quietly and improved up to third quarter, when contrary to that, this year the best quarter up to now was the first quarter, and we have had the traditional slowdown in the third quarter that we usually have. Nevertheless, both on the quarter and on the first 9 months of the year, the level of profitability of CACIB in was very satisfying.

In terms of revenues, revenues were down on the quarter around 15%, but up on the first 9 months plus 3.5%. And as far as the cost of risk is concerned, what you can see, I already mentioned it, but I think it's important to have it in mind, we have had a net write-back of credit provision this quarter. And so the cost of risk is more than explained by general legal provision that we've taken this quarter, as we say all time did in the past. Maybe 1 last comment on this page. The level of risk-weighted assets consumed by this division in the third quarter of this year was significantly down, minus 7% as compared to September 2016.

On Page 28, additional information on the asset servicing business that we usually don't precise in the course of this presentation, but I think the figures are quite impressive and deserve to be presented. Assets under custody and assets under administration are significantly up, leading to an increase of the revenues of this division, plus 8% on the quarter and plus close to 6% in the first 9 months of the year. And for the level of profitability, is again significantly up around 30%, both on the quarter and on the first 9 months of the year.

The Corporate center, underlying net income Group share is again improving if we compare Q3 on Q3, it's now below minus EUR 200 million. It's obviously in connection with all the positive effects of the Eureka transaction that we completed last year, and so this exactly the trajectory that we had in mind.

On Page 31, a few additional information on the regional banks, we know that they no longer account for any element in the net profit of Credit Agricole S.A., but nevertheless they play a significant role in the improvement of the solvency of the Group. And in addition to that, they continue to represent the most important customer bases for many, many of the business lines of Credit Agricole S.A.. So the activity indicators are quite significantly up. The level of contribution to the net income of the Group stands at a very high level, almost stable in the quarter and in the first 9 months of the year.
And maybe in addition to that I can mention that we announced as early as this morning, the launching of a new specific offer, which is called Eko, which is a new offer in order to attract customers interested by the simple, efficient and of course cheap way of banking in the retail market in France.

If I go now to Page 33. Solvency ratio for Credit Agricole S.A., to start with. As I already said, the CET 1 ratio of Credit Agricole S.A. is apparently down 40 bps between June and September, but actually pro forma the acquisition cost of Pioneer, it's up 30 bps, after having provisioned the relevant level of dividend for this quarter. The AFS reserves didn't move much. And so the evolution between June and September is explained by our capacity to retain earnings. And again I mentioned the fact that, which was the case for the CIB division is also the case globally for Credit Agricole S.A. We control very tightly the level of RWA with the level which stands at EUR 293 billion at the end of September, which is down EUR 1 billion as compared to June this year.

At Group level the CET 1 ratio stands at 14.9%, again apparently down 10 bps, but pro forma the Pioneer acquisition, up 30 bps. And the TLAC ratio stands at - 20.6%, excluding any element of eligible senior preferred debt, which is already more than 1 percentage point above the future 2019 requirement.

On Page 35. What you can see is that our medium and long-term market funding program is already completed. This at the Group level or at CASA level, we are actually at the end of October, a little bit above the yearly program. we took advantage of different windows of opportunity in order to complete as fast as possible this funding program in the specific year. I am referring to the different elections that took place this year in Europe and in the Eurozone.

On Page 36. Liquidity, nothing much to say, the liquidity situation at the Group remains very sound with LCR ratio, which is above 130 bps and a surplus of -- 130%, excuse me, and a surplus of stable funds which remains above EUR 100 billion in according with our target.

And so in conclusion, again I want to insist on the -- both the strong business momentum, the earnings, which stand at a high level, the improvement globally in the business portfolio and the improvement of the cash component of our profitability. And maybe in addition to that figure, which doesn't stand on this page, the return on tangible equity for the first 9 months of the year is now at 11.5%, it was at 11.3% at the end of June, so we are again significantly above the target that we had set for the medium time plan.

Thank you very much and now I'm ready to answer to your question, if you have any.

+++ q-and-a

Operator^ (Operator Instructions) We will now take our first question from Alex Koagne from Natixis.

Alex Koagne^ Few questions from my side. The first one is on the French retail revenue. In light of the comment you made on renegotiation and commission, should we expect any growth in term of revenue let's say, underlying revenue in 2018?
The second question is on the insurance. Thank you very much for all the comment you made but you seem to be, let's say, piloting this business by the bottom line and by the top line, but the fact is that you gave us a target in term of revenue growth of 4% per annum, but how should we think about the revenue -- I mean, should we just think -- should we just make the assumption that we should look at the bottom line and not at the top line, because it is very difficult for us in our model to forecast the revenue in the insurance? Any comment over there should be very much appreciated.
The third question is on the corporate center, should we just assume that the underlying net profit we have in this quarter -- in this division in this quarter is the run rate going forward? Last question is only on Cariparma. I am a bit surprised by the revenue growth and also cost. Cost seems to grow faster than revenue. If we exclude the leasing, what is the underlying trend and do you think that you can meet your cost to income of 55% in this division by the end of 2020? Thank you.

Jérôme Grivet^ Many, many interesting questions, Alex. First with LCL, I think it's difficult to be absolutely positive on the evolution of revenues between 2017 and 2018. What I am saying in retail banking activities and again, I'm saying that by reference both to the regional banks and to LCL, it altogether represent a significant market share in France. What I am seeing is that we have had a very encouraging, I would say, spring this year in terms of increase in customer rates for new loans. And it seems that since now 2, 3, 4

months we have been stabilizing the level of customer rates for new loans around 1.55%, 1.56%, it's on Slide 21. And it's not our figures, it's really the market. And so you know that there is some volatility on the 10-year swap rate. When we edited this document it stood at 85 bps. It's probably now a little bit lower than that. But we continue to rebuild a significant 100-plus bps margin between the level of -- the rate of new customer loans, home loans and the level of the 10 year swap rate. And from my viewpoint, as long as customer rates have not picked up a little bit more than that, it's going to be difficult to see growth in the top line in retail banking activities, despite all efforts we make in terms of volumes and despite all efforts we make in terms ofcross selling. So this is from my viewpoint, the key indicator and I must say that in the, I would say, 3, 4 last months, all the banks together slowed down their efforts to try to increase the customer rates.
In the insurance business, obviously, what is the most important is the net profitability of this division. And so this is why I insist on the fact that the profitability of this division has been improving in the first 9 months of the year and it is standing at a high level. Of course, we understand and I understand the comment that you made in terms of revenue. And so we are going to try to give you a little bit more clarity on our capacity to both provide, which is the most important, the level of profitability in connection with the development of our activities, and in addition to that in the banking format to provide you with better clarity and visibility on the evolution of revenues. So I think unless you want to spend the next 2 hours on this issue, probably the best is for you to wait another 4 weeks for this specific and dedicated workshop, but your point is taken. Obviously the most important from my viewpoint is the level of profitability, so it is the bottom line, but I fully understand your preoccupation of the top line and we are going to provide you with additional clarity and capacity to forecast the top line.
As far as the Corporate Center is concerned, it happens that more or less the level of revenues, of net income that we have this quarter corresponds to the quarterly level that we target for the medium term plan. I'm not pretending there is never going to be volatility, there has been volatility in the last quarter. But again I think, what is important is the trend and the commitment that we have to drive this level of negative net profit in the region of EUR 700 million for the full year 2019 and of course to try to further improve afterwards. Last point on Cariparma. I think that you have to take into account that we are trying to invest in our retail banking activities in Italy. We are investing, I would say, in M&A transactions and this is why we decided to enter into this transaction with the 3 Cassa di Risparmio, Cesena, Rimini and San Miniato, but we are also investing from an organic viewpoint. And we have decided in the course of the medium-term plan to develop a network what is called in Italy *Promotori*. So we are investing in order to develop this network. And this is explaining the increase in the operating expenses. We continue, of course, to target this level of cost income by the end of the medium-term plan and we hope to be able to generate significant cost synergies with integration of the 3 Cassa di Risparmio in order to help reaching this level of cost income.

Alex Koagne^ Just 1 quick question on your comments in the retail banking. At what customer loan -- customer rate do you feel comfortable to say that revenues are going to grow?

Jérôme Grivet^ Well, again, it's a spread, I would say between the level of the -- I would say, running 10 year swap rate and the level of customer rates for new loans, but you see that there we have on the slide -- Page 21 we have the 70 bps spread and much more comfortable with 100 bps spread .

Operator^ *We can now take our next question from Omar Fall from Mediobanca.*

Omar Fall^ Just would it be possible to give us any sense of the actual earnings and revenue contribution from the Italian regional banks? And Leonardo that you'd expect whether that's in the medium term or any time frame? I know it won't be large, but both sets of entities have clearly been in heavy restructuring before your acquisitions, so it's hard to get a sense of profitability there. Then on -- going back to expenses, there's been quite a lot of negative [jewels] across the Group from outside of CIB, which is surprising given the strong cost control you have managed in the last 12 months, and it was negative in French retail in Italy, as you've mentioned, but also in consumer credit and even in the insurance, if we were to normalize the top line a bit. Are a lot of the savings you've been able to generate now going to be exceeded by investments for the medium-term plan for a time or is this just a function of a seasonally tough quarter for the top line? And then just on insurance, again, I appreciate we'll be getting more insights in a few weeks, But for now could you just help us understand what the right level of policyholder reserving is? Are you there now with the EUR 9 billion and 4.5% of euro contracts, that would be helpful?

Jérôme Grivet^ Let me start with your first question. I think, if you want to appreciate the jaw between the top line and operating expenses line, it's better to take this into account on a 9 months basis, because it's not because on a certain quarter we have certain specific reasons, a decline, a temporary decline on the top line or a temporary slowdown on the top line that we are going to stop the investments that we are undertaking. So if you take into account the first 9 months of the year, I think we have had positive jaws effect in most if not all business lines. And overall the cost income ratio improved by 3.5 percentage points almost 9 months -- on the first 9 months of the year, it's a little bit below 62% and we continue again to target to be around and below 60% in 2019. So I think that a specific quarter must not trigger, I would say, some additional cost cutting measures, because otherwise we'd be the situation of stop and go and this wouldn't be possible to invest for the future. So we are very cost conscious, we are deploying programs of cost controls everywhere in the bank in the Group, but we are also investing. We said that we wanted to invest in order to foster the further development of our businesses. And we have to have and to take a longer term view, if we want to invest rationally and it's not possible to stop and go fundamental. Your very first question, actually I missed it, it was about the retail banking activities in Italy and the improvements that is going to be provided for by the 3 Cassa di Risparmio. All in all that represents more or less an increase of 20% of our footprint. So globally it is going to be little bit more maybe on certain aspects of the P&L and a little bit less on other aspects, but we have to take it into account that it's an expansion of 20% of our footprint, and it's going to represent something like more or less EUR 5 billion of risk-weighted assets. And maybe the last point is again that most of the capital cost of those risk-weighted assets is going to be covered by the prudential recognition of the badwill of the acquisition. So this is not going to cost us the capital equivalent of EUR 5 billion RWAs. And in the insurance business, obviously we now have, I think, a high level of provision PPE 9 -- around -- a little bit more than EUR 9 billion and it's even higher if you translate it in terms of the number of year of full remuneration of the policyholders. So we are actually in a situation which is now rather comfortable, I would say. Of course we have sought to look at the market and to look at the position of our competitors on this view point. But I think we are now on the conservative side, that's true.

Operator^ *We can now take our next question from Jean Neuez from Goldman Sachs.*

Jean-Francois Neuez^ I just wanted to ask you -- there was -- on Basel IV there was a comment this morning by the CEO of Natixis that I'm quoting. The Basel IV effect on his corporate loan book would be minor day 1 and insignificant at implementation. I guess we've had many more alarming comments in the past from French banks management, or not alarming, but at least a lot more conservative comments and I just wanted to know whether you share that new view, which I wasn't -- I hadn't heard so clearly before. And the second question I had was on Italy, where you've seen obviously transactions similar to yours done by other banks, some much bigger, for example, Intesa and UBI. And I just wanted to understand, whether seeing their share price reaction in particular, but also the economics they managed to achieve, would embolden you in the future. As you can see, I saw in your screen as well that there is another number of smaller institution, still bigger than the 1 that that you acquired, which might go down the same route at some point or at least provide terms, which might be around the same lines, and grow your business even further than you have now.

Jérôme Grivet^ Okay, let me start with the second question. We are not looking at any other acquisition for the time being. You have to keep in mind that we have a significant setup in Italy, but as far retail banking activities are concerned, especially retail banking activities, we are, I would say, a regional player, we have 2% or 2.5% market share overall in Italy, but it's concentrated in the northern part of Italy. So this is more or less, I would say, constraining our integration capacity. So Intesa is probably fully able in his own market to acquire significant banks. We are a much smaller initial stepup, we want to be absolutely efficient and have a very crisp execution of an integration. So we have to be conscious of our size and of our capacity to integrate. So at least for the time being, we think that, I would say, an incremental acquisition of around 20% of what we are now is fully in our capacity of integration. I'm not talking about our financial capacity, because obviously this is not triggering our financing capacity limit, but in terms of industrial integration, I think it is relevant to concentrate on target that we can easily, I would say, integrate and in which we can easily and swiftly generate synergies and especially cost synergy. Going further, if the market is evolving, if some other opportunities arrive, if our capacities to integrate improve, we'll see, but as of now, we have no other file, I would say, under scrutiny and examination. And the management of our teams in the retail banking activities in Italy is now fully preparing to launch the integration day 1 after the closing. This is the most important thing from my viewpoint. And let's come back to your first question, which was, excuse me -- and the statement of my colleague in Natixis. Well, to be frank, first, we don't exactly if and when any agreement is going to take place within the value currency. Then we don't know the form of the translation of this hypothetic agreement in the positive European world. So it's very difficult. You don't make precise calculation. What I can tell you is that if what we foresee is indeed taking place, this is going to hit specifically 2 activities, which are important for Credit Agricole Group and for Credit Agricole S.A. The first 1 which is very important, but 3 quarters of the exposure are not (inaudible) Credit Agricole S.A. It's home lending, the home loans business. And the second activity, earning activity which is going to hit and fully in the scope of Credit Agricole S.A. is the special finance activities, so asset finance, project finance and so on and so forth. So we can be in a situation where the global impact on Credit Agricole S.A. solvency is not that big, but the impact, the direct impact on the specific business line can be much more important, thus figuring some potential questioning of the parameters of this activity. So for the time being I'm not saying it doesn't bite us to this level and at that level, it bites by this or that amount. I am not in this situation. I am just saying that we are talking about our capacity to finance our customers, and specifically 2 categories of customers, household in terms of financing their home and big corporates, in terms of financing their projects and their assets.

Jean-Francois Neuez^ And Jerome just another follow-up to the Italian question. So you would say that the current regulatory backdrop, where the [DG] has not finalized all the liquidity transfers or the [CIFI] is not a constraint for you right now?

Jérôme Grivet^ It's not a real constraint for us right now, considering the fact that Italy is as we generally said, is our second domestic market. So we feel we are domestic in Italy and considering the presence of CACIB, of Amundi, of our insurance subsidiaries, of our consumer credit activities, considering our capacity to raise funding in these markets, I would say those constraints are not really biting, but nevertheless these are constraints and the fact that we -- our banks in Italy has to supervised on a solo basis, either it will be observed from banking viewpoint. This is not the most important constraint. Really what is very important from my viewpoint is the capacity of integrating swiftly the acquisition that we make.

Operator^ *We can now take our next question from Jon Peace from Credit Suisse.*

Jon Peace^ So my first question is just on asset quality, you're obviously running a lot better than your medium-term plan. But as we go into an IFRS 9 accounting world next year, how should we think about a run rate in the current environment? And then my second question, apologies if I missed it, but did you make any comments about the net impact of changes to the dividend tax in the fourth quarter? Thank you.

Jérôme Grivet^ Okay, you didn't miss anything, I didn't make any comment on the additional tax that is presently being discussed in the French parliament. What you have to have in mind is that the level of this potential additional tax is going to be the Group level, because there is a tax integration group which gathers the regional banks and most of CASA's activity, excluding the activities in which we have a stake, which is smaller than 95% of the French tax law. So Amundi is not in our tax integration perimeter and Caceis, the asset servicing entity is not either, because there is a minority shareholder. So the first point is this one. If this tax really takes place and if it's considered as legal, then it's going to apply globally to the Group and to the fiscal integration of the Group. The second key point that you have to have in mind is that the Group is making significant profits which is a good thing and a significant part of this profit is in France, which is strictly from the viewpoint of this tax, which is penalizing. So probably if the tax goes on, we have to pay a significant amount and if I'm referring to the article that was published by the 3 French banks, Monday on the French newspaper that if we had, had those 3 banks, Credit Agricole, Crédit Mutuel and BPCE stated that put together they could pay as much as EUR 1 billion, which represents 20% of the overall project of this tax, which is quite puzzling, to be frank. And if I am referring to this gross evaluation, it's far too early in the year to know exactly what would be our tax basis for the full year. But if I am referring to this gross evaluation, it's fair to pretend that the Group -- Credit Agricole Group, fiscal integration group is going to represent more or less 1/3 of this EUR 1 billion. On the other hand, you know that the 3% dividend that is going to be repaid to the entities that paid it in the past, is not applying to mutual shares, so it's not applying to most of the distribution that was made by the Group in the last 5 years, and so this tax applied only to the cash dividend that CASA paid in the last year, which were to minority shareholders only and to the dividends that were paid also by CACEIS is to its 2 shareholders and by Amundi to CASA and to its shareholders [marginally]. So the repayment that we'll get will be much lower than the tax that we would have to pay, much smaller.

Jon Peace^ And in terms of your ..

Jérôme Grivet^ Again it would be -- again it's difficult to be more precise, because first the law has not been passed yet and it's going to be challenged probably in the senate as it has been already in front of the assembly. Second, I am not sure it's going to be fully validated, if it's legally challenged. And third, I don't know exactly which are going to be precisely our tax basis for the full year 2017. So it's difficult to be more precise than that, but what is for sure is that if things go into the direction they seem to take for the time being, we will pay much more than what we will get back from the government.

Jon Peace^ How much in that between Credit Agricole S.A. and Credit Agricole Group --

Jérôme Grivet^ It's another difficult question, which is not set for the time being. And the last point is -- your first question was on the asset quality and IFRS 9. So again, we're seeing the first time application of IFRS 9 on January 1, 2018, is going to represent up to, let's say, 30 bps of CET1 ratio for Credit Agricole S.A. So it's significant, but it's not massive and we are not going to apply any phasing in of this impact, because we think it's much more simple to take this into account, why not in the beginning of 2018. Going forward, how is it going to modify the profile of the cost of risk -- the earning profile of the cost of risk of different business lines, to be frank for the time being it's difficult to guess. And so up to now I'm not able to give you any precise guidance on that.

Operator^ We can now take our next question from Delphine Lee from JPMorgan.

Delphine Lee^ Just a few questions on my side as well. First of all, just wanted to check on the litigation costs of [EUR 75 million], I guess you have a prudent policy, but I'm just trying to understand what's left in terms of cases, which is -- which are still outstanding, which is understood that there isn't really much. And secondly just on the Basel IV comments, just wanted to understand on your CET1 target minimum of 11% that you have, would that still be the case, even with Basel IV or would that change, just trying to think about how you manage your capital? Thank you.

Jérôme Grivet^ As far as the litigation provision is concerned, I think that -- maybe just 2 figures in order to just illustrate what we are doing. At the end of the third quarter of 2016, we had passed EUR 100 million of litigation provisions. At the end of the third quarter of this year, we have passed EUR 115 million of provision. So you see that there is no, I would say, recurring run rate of those type of provisions, but we are in the same order of magnitude and there is no again specific file behind this level of provision. What you can see on the document that we published this morning, the quarterly financial report on Page 88, we provide some information on the developments in legal risks and to be frank, the developments are very, I would say, tiny, we have no significant evolution of the, let's say, 4 or 5 legal risks that we bear and that we've been bearing since now many, many years. So I think nothing significant evolved this quarter and we don't expect any sudden event in any of those cases, with 1 exception which is the “Image chèques” litigation integration, which concerns all of the French banks actually. That is supposed to be a decision of the Court of Appeal and this decision was supposed to take place on September of this year and actually it's been postponed to December this year. So we expected some decision in the third quarter. We now expect the decision in the fourth quarter, and this decision is going to concern all the French banks actually.

As far as the CET 1 target is concerned, this is a very interesting and good question that you're having, because obviously, if the Basel IV agreement is generating an increase in the capital requirement with the same level of activity, it should be somehow impacted on our present capital ratios, be it the Pillar II, the set level that is applied to us by the supervisor or maybe the management buffer that we take above this set level, because the risks that are not taken into account presently properly by the Pillar I are supposed to be taken into account by the Pillar II. So if the Pillar I, I would say, expand its apprehension of risks, this should translate into a reduction in the level of Pillar II. So this is a theoretical analysis. I don't know exactly how the supervisor is going to handle that, but clearly this is, I would say, the first line of argumentation that we would have with the supervisor after the potential Basel IV agreement. And again, in addition to that, and you're right to mention the fact that our CET1 target at CASA level stands at 11%. We are at 12% and we don't have the intention to keep a management buffer above our management buffer. Our management buffer is between the full SREP ratio that we have to comply to, according to the SREP decision of the ECB and 11%. It's not between 11% and something above 11%.

Delphine Lee^ Could I just may ask one quick one. It's just, in terms of what the ECB doing on TRIM et cetera. There's nothing else that's changing from a regulatory standpoint by year-end or early next year for Cred Ag S.A.?

Jérôme Grivet^ No, the TRIM exercise is presently taking place. So they progressively review all our internal model in the different business lines and entities of the Group. So I cannot completely rule out the fact that after one of their reviews they may require some modification in our internal model, but this is the name of the game, I would say. They are doing this exercise precisely to assess the quality of our internal models and the quality of our parameter. And if they find after a discussion with us that 1 of our model deserves to be improved, of course, we are going to improve it. And obviously, from their viewpoint an improvement of a model may lead to an increase in other good ways for the relevant risks.

Operator^ We can now take our next question from Lorraine Quoirez from UBS.

Lorraine Quoirez^ Just few questions on my side. The first one is, assuming you were to run with excess capital, which is 11%, and adjusted for the AFS decay and a whole lot, would you favor reimbursing the switch mechanism before eventually thinking about paying extraordinary dividend? And then the second question I would have is on the ECO offer. I don't get a lot of detail on this offer. I've read in the press it's like -- sort of like EUR 2 per month. Is that the basic service that is still giving access to the branch network to the customers or not? And then the final thing, I may have missed it because I think the question was asked, but what could be the P&L contribution from Banca Leonardo into private bank, please?

Jérôme Grivet^ First question is on excess capital. I think it's a little bit too early to address this question, even though it's an interesting question, because as you mentioned, we have this capacity to use part of any excess capital that we would consider as an excess capital to replace the switch mechanism and first, this would increase of course, the level of revenues and profit of Credit Agricole S.A, while increasing a little bit its capital consumption. So this is a decision that has to be taken when the time has come on a pure, I would say, financial basis, taking into consideration all the parameters, the high-level parameter and maybe there is one parameter that may play in this discussion, which is the fact that the corporate tax rate is going to decrease in the future. So this is going to marginally decrease a little bit in terms of the Switch 1 mechanism, because as the -- Switch 2 mechanism, because as the switch premium is that tax deductible, the corporate tax rate reduction is going to marginally reduce a little bit the interest of this mechanism. But it's far too early to really an asset, which we would take between those 2 that you've mentioned. The ECO offer is indeed, I would say, an access offer in order to attract customers willing to be pay as little as possible with benefiting from all the setup of the Credit Agricole regional banks network, which means that they would have, those customers, not only access to their regional bank through a mobile app with different feature, but they would have also the possibility to come into a branch and to have a device from a sales person in the branch. Obviously, if they want to purchase additional services or additional product, then they would have to pay the, let's say, the normal price for this additional products and additional services. But the global ID is that we are able to provide to this category of customer a very simple and efficient offer, plus the advantage of having the capacity to enter into a bank branch. Last point on Banca Leonardo. Banca Leonardo is I would say, a medium sized player on market of wealth management in Italy, because they manage assets which are a little below EUR 5 billion. So you can have -- or below EUR 6 billion, it's above EUR 75 million. So you may have your math in order to assess the level of revenues that can be generated by such a level of asset. So it's not massive, but compared to the EUR 100-plus billion managed by a under-sized wealth management, it is not [very good] marginal.

Operator^ *Next question comes from Bruce Hamilton from Morgan Stanley.*

Bruce Allan Hamilton^ I just wanted to ask 2 questions. Firstly, you made an interesting observation on the level of sort of pricing that you'd like to see on the sort of new home loan production to make the market more attractive or to get to point where revenues could grow. I wonder if you could give us a sense of where you are on the sort of SME sector, there's a new pricing now the level where you would expect sort of growth at least in that to process the sort of French retail business into 2018. And then secondly, maybe just remind me, in terms of the AFS benefits in the core Tier 1 and the likely sort of pace of phasing, can you just remind us how do you think your base case or how that plays through the capital structure from there?

Jérôme Grivet^ As far as the SME lending is concerned, the pricing is under a certain competition in France, but it's not exactly the same, because the real feature of that is penalizing on home loans pricing is the capacity for the borrower to repay early these loans without paying, I'd say, the repayment penalty, because the repayment penalty is capped by the law. As far as SME or corporate lending is concerned, of course you have part of the lending which is made on a valuable rate basis, so there is no specific issue, it's a spread business. And then of course you have fixed rate. But then the rate is set while taking into account the cost of resource at the time of when the loan is granted and then if there is an early repayment, we don't have any cap to the level of early repayment penalty. So we have much more of the capacity to manage the behavior of the customers. And in addition to that there is no such actors playing the loan mockers in SME lending, but they are in home loans. So for us the pricing of SMEs, SME loans is, of course, we would like it to be a little bit higher, but it is fair and acceptable in France nowadays. As far as the AFS reserves are concerned, we continue to forecast the effect of the time decay. What happened this quarter and this why the net was close to 0 in terms of net effect, is that equities performed well, so the increase in equities AFS reserves offset more or less the time decay on the bond portfolio AFS reserve decline. So we continue to forecast that all things being equal, the time decay should consume between now and the end of the medium-term plan, so between now and end of 2019, something like 70 bps of CET 1 ratio.

Operator^ *Next question comes from Matthew Clarke from MainFirst.*

Matthew Clarke^ Couple questions on the retail bank please. Firstly, the account management and payment instrument fees, that's been on a very steady rising trend over the last 4 or 5 quarters. I was just wondering how you managed to achieve this. Is this pricing or this is a mix shift, is this somehow client activity and new client acquisitions, any color there would be much appreciated. And then the second also on retail banking is back on the home loans. I mean, you seem to be suggesting that your price follower rather than a price setter as far as home loans are concerned. Who do you blame then for the weak pricing environment that we've seen in the last 12 months, is it mutual banks, is it the large private sector banks, is it smaller players, any color there about why margins are still not what you consider to be an acceptable level?

Jérôme Grivet^ Well, in terms of account management fees, I think the most important feature which is helping us to bill those fee is the starting point. Actually, we started with almost no customers being billed. So we stopped billing the customers that deserve "that type of billings", and mainly those customers are the ones, which are the less active with us. As soon as the customer is active, as soon as he his having with us a loan, some assets under management, some insurance policy and so and so forth, we don't bill him with the account management fees and if by accident we bill him, and if he reclines to be exempted, no doubt he will be exempted. So it's simply is a tool in order to concentrate our efforts, commercial efforts, on the active customers. (inaudible) he's going to reach a ceiling somewhere, because obviously we hope that the proportion of non-active customers in our portfolio is not that high. And we prefer, to be frank, we prefer to see the increase in insurance fees or in premium account fees than in pure account management fees. It's I would say a more rewarding way of dealing with our customers. In terms of high setting in the home loans business, I think that no one is to blame, to be frank. Maybe the lawmaker in France is to blame when he sets a law, putting a cap on the early repayment penalty, but it was I think 40 years ago, so it's a little bit hard to find exactly who was to blame at that time. And the second maybe actor, which is a little bit to blame, because they are playing on us banks. These are the home loan in brokers. But any bank, any retail bank is really trying to defend its customer bases and I think nobody is to blame from that point of view.

Operator^ *Next question comes from Piers Brown from Macquarie.*

Piers Brown^ I just got 2 actually, both on the subject of stake holdings. So the first one is on Agos. So when you got 61%, it leaves obviously -- become an increase in a strategically important market for you. I'm just sort of interested to hear your views as to what your take on that shareholding is, whether you over time would like to increase it, maybe take full ownership of that asset. And the second question is on Saudi Fransi, just interested to know whether you've sold on any more of your remaining stake. I think you had an option to sell another 5% through the period where you're otherwise locked up?

Jérôme Grivet^ Agos, we are very happy with this partnership with a big Italian bank, which is Banco Popular and I think it's important that Banco Popular keeps, I would say, a vested interest in the development of this business. So we are happy with this partner being involved, not only in the distribution, but also in the capital of this partnership. So for the time being, we have no specific intention to modify this situation. If at a certain point in time there is a will from our partner to modify this, why not, we could always discuss, but the most important for us is of course to continue to develop our activity through the branches of Banco Popular. As far as BSF is concerned, we have up to, if i remember correctly, November 10 to find a potential buyer and to having approved by the senate for the additional up to 5% that we are authorized to sell before the lockup period starts. To be completely frank, I'm not sure we will be in a position to sell an additional 5% before the end of this period. But to be also very frank, it's not a puzzle for me. What is very important from my viewpoint is that with the sale of the 16.2% we have deconsolidated the remaining stake, be it 14.9% or 9.9% and we are now in a much sounder situation, which is perfectly in line with the reality. We have a stake in a very good Saudian bank. We have no specific role in the management of this bank. We have no control of this bank and so we are going in the future, going forward, to account only for cash dividend in our profit. And the level of capital gain that we made is not going correlated to the potential additional sale of 5%, so it's purely in connection with the sale of the first 16.2%.

Operator^ *We will now take our next question from Stefan Stalmann from Autonomous Research.*

Stefan-Michael Stalmann^ I have 2 questions please. The first one is following up on your interesting guidance on LCL and the dynamics between mortgage rates and swap rates. If I understood you correctly, you basically say that if you get another 30 basis points margin that could mean that your revenue in LCL could be flat or slightly up next year. Can we turn this around and say if the 30 basis points do not come and if rates remain where they are and spreads remain where they are that you may actually be maybe EUR 200 million down in revenue for next year, which is about 30 basis points on your mortgage volume? The second question relates to your credit risk provisions. I think you still have about EUR 2.1 billion of generic credit risk provisions in your balance sheet, do you see any particular scope here to release more of this over time?

Jérôme Grivet^ No, on LCL, I think your interpretation is a little bit extreme and I'm saying that the normal situation is a situation where all in all we have 100 bps spread between the 10-year swap rate and the average rate for new home loans for customers. And I'm not pretending that if we don't have it, we will have mechanically an easy direct impact on the net banking income, especially because volumes are increasing regularly and because we have already and we are having every month, every week, a progressive, I will say, convergence. This will -- the rate of the front book and the rate of the back book, because even though we not only will have significant volumes of early repayments of renegotiation, we continue to have old loans maturing and so progressively the level of the remuneration of the bank book is converging with the level of the [front] book. So I was just saying, but I don't want you to take -- to draw, I would say, mechanical and mathematical conclusion from that. I was just saying that sound situation is a situation where we have this level of margin between the 10-year swap rate and the average rate for new loans. In terms of credit risk provisions, this is going to be partially reshuffled when we go from IAS 39 to IFRS 9, because part of this collective provision are going to be reallocated in this process beginning of next year. So I think the reversal of collective provision is not something you have to expect in the next quarter.

Operator^ *Next question comes from Jacques-Henri Gaulard from Kepler Cheuvreux.*

Jacques-Henri Michel Gaulard^ I just have 2. On Italy, you mentioned the integration day 1 in the north of the country. But I wanted to effectively take a wider view about Italy, you have a really sizable universal bank now when involving consumer credits, in private banking, in asset management in retail. Are you happy with the setup now or do you feel that you're missing a couple of stuff? Again it's a question, which is wider than typical retail. And the second question, versus the Investor Day at the beginning of '16 you are not materially, but a little bit different animal than you were. You've sold all of your non-core assets, all your non-cash generative equity stakes. You've bought into the core businesses of Italy and effectively you also are very, very close to your 2019 target basically. If you were to just duplicate the earnings you reported this quarter, you would effectively be there. Shouldn't you consider amending seriously or even completely revisiting that plan and those targets in light of the animal you have become, probably a little bit more quicker than you thought initially?

Jérôme Grivet^ As always, in Italy, of course we are very happy with the setup that we have, because again, I think last year we made a net profit in Italy, which was close to a little bit less than EUR 500 million, something like EUR 480 million and on the first 9 months of this year, we are already at EUR 436 million, so, obviously, we are happy about the setup and we are happy about the progress in this setup, that's for sure. Do we think that we are lacking certain specific expertise of businesses? Probably not. I think that we are covering all the range of financial activities and all the parts of the territory that in which we are interested. So I think that we are not in the process of screening all the potential acquisitions in Italy saying we lack this, this and that and we are going to try to acquire them. We are happy to develop organically on the basis of what we have now and we have proven that we have the capacity to be opportunistic from an acquisition viewpoint, but we are not in the process of saying that in the puzzle, we lack 2, 3 or 4 pieces. As far as the medium-term plan is concerned, I'm happy to hear that you think we are almost done with what have announced 1.5 years ago, because we think that we had 3 years to deliver and not only 1.5 years. And to be a little bit more furious, we still have to achieve the integration of Pioneer inside Amundi. We only had a single quarter of integration up to now. We have to complete the acquisition of those Italian banks that is not closed yet. So -- and afterwards we will have also some integration work to do. So if you allow me, I'd stay with the medium-term plan as it is now, we will try to achieve all the goals that we have set, which are not fully achieved yet. And if I hear you, we are still missing some progresses, for example, in the cost income ratio field, and we acknowledge that. So we are going to continue to improve the profitability of all of our business plans, but we are happy to consider that we are on track.

***Operator^** Next question comes from Kiri Vijayarajah from HSBC.*

Kirishanthan Vijayarajah^ Really, can I follow up on the early discussions, quite interesting on the pricing formula on French mortgages. And so really what's the risk weighting your kind of assuming when you set that 100 basis point margin target that's kind of satisfactory and specifically, is there any kind of Basel IV type of inflation baked into your kind of 100 basis points aspiration? And then turning to large corporate financing, the RWA is continuing to undershoot versus your medium-term plan, clearly, the FX is probably been a large factor there. But how do you think about that undershoot in RWA? Is it because you are finding more and more kind of sources of optimization and balance sheet or risk weight efficiencies or is it more because the new origination in the large corporate financing side has actually been somewhat disappointing? Thank you.

Jérôme Grivet^ On the French mortgage, if I remember correctly clearly the present level of risk weighting of French mortgage is about between 12% and 15% if I'm correct. And in addition to that, you have to take into account the fact that we have a mutual protection scheme, which is providing an additional maybe 5% of risk weighting. So, let's take into account a 20% risk weight in average, it seems fair. Of course, they may change that and may change it significantly, but for the time being, we stick to the present risk weight. In the evolution globally of the risk weighted assets in the perimeter of Credit Agricole S.A., I think that one of the commitments that we've taken in the medium-term plan was to have, as you say, an asset light approach. So the asset light approach translates into the research of developing our activities, while not fully consolidating all the assets that we generate. So if I take 2 examples in the consumer credit space, this is good development of [JVs] that we are developing a significant part of our activity, and so we don't have to consolidate the risk-weighted asset generated by the JVs. In the Corporate & Investment Bank space, we have said that we wanted to increase the primary and potentially secondary distribution of the assets that we generate. This is what we are doing actually. So it's not a surprise that we managed to monitor our risk weighted. In addition to that, of course, and you mentioned it yourself, we benefited this quarter from a risk weighted asset point of view of the ForEx evolution, which had on the other hand, of course on the net banking formulation, because if you see, the same effect is playing. So we are going to continue to be in this state of mind, trying to be as much as possible in an asset light model. Of course we have the capacity to finance a little bit more than EUR 293 billion out of U.S. and if for example in the CIB space, in the financing activities of the CIB space, if the credit demand corresponding to our lending figures, we are improved a little bit, we might increase a little bit our lending in this space, but we are going to stick to our lending criteria, of course.

Operator^ *Next question comes from Pierre Chedeville from CIC Securities.*

Pierre Chedeville^ Just 2 quick questions on my side. First you mentioned your M&A franchise this quarter saying it was very dynamic, but could you give us a little bit flesh regarding the effectivity in terms of revenues and number of tasks, things like that because it's not very well known. And my second question is regarding your investment in your [PMT] plan. You mentioned, as far as I remember, EUR 900 million of investment, what we could maybe call a transformation cost or digitalization cost, I don't know. Could you give us a little bit update regarding these investments in 2017, and remaining part in 2018? Thank you very much.

Jérôme Grivet^ The M&A franchise is part of what is reported under the name of investment banking. So as you may see on Page 27, investment banking represented in the last quarter EUR 70 million of revenues. I don't have the precise breakdown between M&A activities and other activities which are (inaudible) division, but you can see that it's not very massive activities in terms of numbers, simply because it's not an asset consuming activity, it is a pure advisory business, so this explains why figures remain tiny as compared, for example, to lending activities up to capital market activities.

Pierre Chedeville^ Yes, and that's why I was surprised by you mentioning that you're ranked #4 in France.

Jérôme Grivet^ But it's only in France actually. So it's -- I think that considering our position in the French market and considering what we are in France, it's only natural that we have a significant ranking in the M&A transactions in France, and we are happy with that, and we want to continue to invest in terms of people on these activities, but this is a franchise that we are not going to be able to develop according to world like the global M&A houses in the world, of course. And in terms of investments, what we said in the investment plan is that we wanted to make cost cutting of up to EUR 900 million on the recurring cost basis in 2019, in order to leave room for our investments. So, the EUR 900 million that we are placing for investment is actually the other way around. We had before this medium term plan certain level of investment regularly and we wanted to accelerate this effort of investment by reducing the recurring cost basis by an additional EUR 900 million , all things being equal. by 2019. So currently we are going through -- to be able to give you more indication, first, on the advancement of the cost cutting programs and second on investment, after we have completed the budget exercise for 2018. And second, when we have published our 2017 results. So for the time being, I'm not able to give you, let's say, quantitative information about that.

Operator^ N*ext question comes from Guillaume Tiberghien from Exane.*

Guillaume Tiberghien^ The question relates to the comment you made on Switch earlier and I wanted to make sure I don't misunderstand. So you're saying that if tax rate in France falls, obviously the benefit of the switch is slightly reduced because you have to pay a bit more tax or you save a bit less tax. So I guess if you decide to remove it, is it correct, given that your RWAs base has fallen that the impact is now obviously bigger, so it's 125 basis point. Can you remove it in one go or in different times and does that mean also you would wait until you are at 12.25% for example to remove it, so that you go from 12.25% to 11%? Thank you.

Jérôme Grivet^ No, we have the capacity to do it in part. It's not a binary issue.

Operator^ *Last question comes from Jean Sassus from Oddo .*

Jean Sassus^ Just 3 questions. First on the tax rate, it seems to me you used to guide towards something like 26% tax rate at some point. Considering the changes in perimeters in the past quarters and the changes in tax framework, could you update us on this guidance? Question 2, considering the change in wealth tax in France, we used to have on the other side many, I would say, tax scheme to support buy to let business. Should we expect some kind of impact on that business and what does it represent for LCL? Is it significant or not? And last thing on the structured finance business, you mentioned that at Caisse, it's probably the most impacted potentially, by the Basel decision. Does it mean that for the time being the decision when you originate, the way you originate the business there is probably constrained by those uncertainties and should we see some changes once the Basel committee finally gives you the precise framework there? Thank you very much.

Jérôme Grivet^ As far as tax rate is concerned, I think that effectively we have given a guidance of normalized tax rate which was between 26% and 27% and indeed in the first 9 months of this year it was at 26% and on the third quarter it was 27%. So we are more or less in this range. Of course it might change a little bit considering the evolution of the tax corporate tax rate in France, but it's going to take place only a little bit later on, it's not for immediately now. And as far as the scope of our businesses is concerned, of course, if it evolves significantly, this can lead to some modification in this guidance about the tax rate, but up to now I don't see any reason to modify the guidance about the tax rate. We'll update you if we feel that some modification has to be taken into account from this viewpoint. The tax fees business is not a major business, neither for LCL nor for CACIB. So of course if the tax rate decreases a little bit, there might be some evolution in the business, but probably more repricing than pure reduction of the size, because the reduction in corporate tax rate is a trend that is spreading in most I would say Western countries. So there is not going to be, I would say, a location of this business in some countries with higher tax rate, because obviously France was and is going to remain a country where the corporate tax rate is in the upper end of the range. And your last question, excuse me was on...

Pierre Chedeville^ Yes. It was on [circuit] financing.

Jérôme Grivet^ On Basel IV, yes (inaudible) finance business. Up to now we didn't change anything in our underwriting, and in our commercial policy. And I think this issue of Basel IV is much too uncertain and the time frame is much too wide and too long to bother, I would say, commercial teams with some modification -- with the requirement of some modification of underwriting policy, because we don't know exactly what could be the relevant changes. So of course when we know the final outcome, we would probably try to offset part of the impact by trying to modify a little bit the way we structure our operation, that's for sure. But it's way too early to really have that in mind for the moment.

Operator^ *That completes today's call. I would now like to hand the call back to the host for any additional or closing remarks.*

Jérôme Grivet^ Well, thank you very much for your time and for your questions. And I will be happy of course to read you after this call in a further -- your reading of our documentation. So have a good day. And I hope to see most of you live on December 6 for the workshop on our insurance activities. Bye-bye to all of you.

Operator^ T*hat concludes today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.*