Second Quarter and First-Half 2020 Results

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Welcome

Good afternoon, everyone. To start with, I just wanted to thank you for attending this conference and to say that I have received a few messages asking me to do a short and quick presentation, so I will try to walk you very rapidly through the document and then we will go to the to the Q&A session.

General Summary

Key figures

I am going to start with page four, on which you have the main figures regarding our performance this quarter and this semester. Just let me highlight a few figures.

The net income Group share for the Group, globally, which stands at €1.5 billion euros; and on an underlying basis at €1.8 billion euros. For CASA, €950 million as a stated figure, and €1.1 billion euros as an underlying figure. This quarter, the elements explaining the difference between stated and underlying figures are besides the traditional DVA, loan hedges, and home purchase saving plan elements.

Two main things regarding the Group, globally, and CASA, specifically. The first one is the cost of a liability management operation that we did in June, for which we bought back around €3 billion euros of debts that we replaced by cheaper debts. The cost of this operation, which is booked in the quarter, is about €40 million euros of costs booked in the negative revenues.

The second element, which is even more significant, is the cost of the indemnification that we voluntarily paid to the self-employed professionals that are customers for their insurance policies. You know that their insurance policies cover business interruption, but not in the case of a pandemia. We have decided, nevertheless, to indemnify them. This represented a cost of around €140 million euros at CASA level and even €240 million euros at Group level. It is also a negative revenue.

Then, the last point, which regards only CASA, and which is neutral at Group level, is the triggering this semester of the switch mechanism for a very modest amount of €65 million, which is a profit for CASA at the level of the cost of risk. It is symmetrically across for the regional banks, and it is neutral at Group level.

The second and last element I wanted to mention on this page is the high level of solvency that we have reached this quarter, both at Group level and at CASA level. At Group, the CET1 stands at 16.1%; and at CASA level, at 12%.

A 'V-shaped' recovery for Crédit Agricole Group

If I go now to the following page, I think that the only elements we can mention here, because the rest is going to be covered by the following pages, is that we have had a very specific quarter in terms of profile, with a level of activity that declined significantly in April and also in May and a very sharp rebound in June, which continues to be the case across July.

Largest bank in France, massively committed to supporting the economy

Let me go now on the next page. Just a few elements to remind you that we have been very active in helping our customers across the board to come over this very specific period of the lockdown. Actually, in France, we have dealt with €28.7 billion of state-guaranteed loan requests. We have also provided to our customers more than €4 billion equivalent of deferred maturity of payment holidays for the different credits.

In addition to that, we also mentioned this indemnification that was granted to the customers of our insurance activities – voluntarily, again. Then, the last point is that in Italy also, we have been active in granting state-guaranteed loans and credit moratorium.

A crisis that reveals the full relevance of our Group project

On the next page, just a few elements on this. We have continued, actually, to work on the three pillars of the Group's medium-term plan through the second quarter despite the lockdown period. I think that this proves to be very relevant, considering the type of crisis in which we were and considering the achievement that we have managed to make in those three pillars.

Faster and stronger than expected rebound in France

On the following page, just a few elements to explain how we see the economic situation in France and, more generally, in Europe. We said that we were forecasting a V-shaped crisis. Definitely, what we see now is converging with this scenario.

There is a very sharp rebound in household confidence and business climate. We also find that all hot indicators that we try to follow, especially indicators that we can follow with our own activities, confirm this very sharp rebound in the level of activity in France.

A 'V-shaped' recovery of the Group's activity, thanks to the Universal Banking Model

On the next page, this is going exactly in the same direction. We have seen in our own commercial activities, a very sharp rebound of the volumes of operations in the second part of the second quarter of this year.

As you can see, this has been the case for the number of new customers that we have managed to attract in our different retail networks, with a low level of 46,000 new customers in April but a very high level of around 150,000 new customers in June.

This is leading to a sharp rebound in the different areas of activity: be it home loans, consumer finance agreements, be it also on-balance sheet and off-balance sheet savings accounts and be it also the sale of new P&C insurance policies in the different networks.

Crédit Agricole S.A. – Summary

Increasing revenues Q2/Q2 and H1/H1

Let me go now to the financial figures. On page 11, you have the evolution of the revenues of Crédit Agricole S.A. on an underlying basis between Q2 2019 and Q2 2020.

The level of revenues was more or less stable, which is a very good performance again, considering the fact that in the biggest part of our activities, we are dealing with individual customers. For the biggest part of the quarter, actually, the retail activities were more or less stopped, and all our networks were dedicated to deal with state-guaranteed loans and other specific elements linked to the management of the COVID crisis.

This is leading to a level of revenues, which are up 2.5% on the first half of the year, which is a very good evolution of our revenues.

Expenses down Q2/Q2

On page 12, the evolution of the cost base. It is very well kept under control. On the Q2 only, the cost base is down close to 2%. On the full first-half of the year, it is up only 4.5%. So a very well-controlled cost base, which is proving again that our strategy to manage the cost base of the different businesses close to the operational level is the best way to make sure that all efforts can be really efficient to monitor the cost base.

This is leading to a cost-to-income ratio on Q2 2020 for Crédit Agricole S.A., which stands at 57.4%, down 1.2 percentage points. It is a very competitive and robust level. It is already below the level of 60% that we were targeting for 2022. Again, the jaws effect is positive both on the quarter and on the first half of the year.

Just on this page, a last element that you may want to keep in mind. We have had to book an additional contribution this quarter to the Single Resolution Fund, which is a significant amount. It is around €80 million at CASA level and even €110 million at Group level.

Risks: One of the lowest NPL ratios and highest coverage ratios in Europe

On the following page, a few elements on the risk situation, starting with a presentation of the quality of our loan books.

The level of NPL did not significantly evolve across the quarter. The NPL ratios stands at 3.2% for Crédit Agricole S.A. and 2.4% for the Group, globally. It is more or less stable as compared to the end of March.

Considering the significant level of additional provision that we have booked this quarter – and I will come back on this question just on the following page – we are reaching very high levels of coverage ratio : 73.4% at CASA and even close to 85% at the Group level, globally.

We now have an excess of €10 billion of loan loss provision within CASA's balance sheet and above €20 billion globally for the Group, despite the very good quality of our asset books.

Risks: Controlled Q2/Q2 increase in provisioning, half of which is related to performing loans provisioning

On the following page, the flows of loan loss provisions that we have booked this quarter. You see that we continue to have a level of provisioning which is significantly higher than the one we have booked on the same quarter of last year. It is 2.5 times the level of Q2 2019 for CASA and two times for the Group, globally.

However, you can see also that a significant part of this increase is linked, actually, to an additional effort of provisioning in Stage 1 and Stage 2 loans: €236 million euros of Stage 1 and 2 provisioning this quarter for CASA and more than €400 million euros for the Group, globally.

This additional provisioning of Stage 1 and Stage 2 loans is mainly the result of an updating of our economic scenarios within our model. You have details on these scenarios in the appendix of the document.

Risks: High NPL coverage ratios in all of the Group's business lines

You can find, on page 15, that the situation is more or less the same for every single specific business line. It is, obviously, massively the case for the regional banks, where the level of additional Stage 1 and Stage 2 provision is very high.

However, it is also the case for LCL, for CA-Italia, and for the financing activities of CA-CIB. It is a little bit less the case at CA-CF because the type of credit risk that we have is less relevant, regarding the forward-looking provisioning.

Net income: Solid results thanks to growth in GOI over the first half-year

In terms of net income, you can see the figures I already mentioned: a net profit underlying of €1.1 billion euros for the quarter and close to €1.8 billion euros for the first half of the year. It is a very good resilience. Even if we exclude the significant increase that we had to book in our contribution to the Single Resolution Fund, the evolution of the net profit would be only -5% on the quarter and -8.5% on the semester.

This very good resilience of the net profit is mainly due to a very good operational efficiency with a gross operating income, which is progressing on the semester and stable on the quarter, thanks to the very good diversification of our business model.

The return on tangible equity stands at 8.5% for the first half of the year. If we spread the IFRIC 21 taxes across the full year, it would be close to 10%.

Crédit Agricole S.A. – Business lines

Asset Gathering and Insurance: Net income Group share up over the quarter

If we zoom now a little bit on the different businesses, starting with the Asset Gathering and insurance activities.

On page 18, what you can see is that, actually, we have had net inflows which were more or less nil on the quarter: a very positive market effect of +€75 billion of additional assets due to the evolution of the markets, but it is nevertheless less than the negative market effects that we had to support in the first quarter, which was -€125 billion.

Despite that, the contribution of these business divisions to the net profit of CASA is significantly up on the second quarter and close to stable on the first half of the year.

Insurance: Business recovery in June, results up Q2/Q2

Zooming a little bit on the insurance activities. Definitely, in terms of commercial activity, the insurance business division suffered significantly during the lockdown period. What is very encouraging is that the turnover that we had in June only was, globally, 74% above the one that we had in May, which was itself above the level of April, so the pickup is really here.

Maybe one or two other elements, I can mention. The revenues within the Life insurance activities were up this quarter, thanks to a reversal of some depreciation that we had to book on certain assets in the first quarter, but the reversal is only partial at this stage. The other revenues were quite positively-oriented and the cost base is very well-controlled.

Asset Management: Resilient activity and results maintained at high level

On asset management and Amundi activities, what we can say is that the net inflows this quarter were close to zero, with, actually, a positive movement of inflows on long-term assets and still negative net outflows on money market funds.

A very strong resilience of the P&L with a decrease in the revenues linked to the fact that the market indexes were, in average, lower in Q2 than in Q1 but, at the same time, a significant decrease in the cost base.

The last point I can mention is that we have closed this quarter the acquisition of Sabadell Asset Management, and we have announced recently the renewal of the partnership with Société Générale.

French Retail Banking: Resilient activity and controlled costs in LCL

If I go now to the Retail Banking activity, starting with LCL. Again, we will have the same shape of the quarter with a level of activity which was very low in April and again in May and a very sharp rebound in June. All in all, actually, loan outstandings outside the State-guaranteed loans are up significantly 7% between June 2020 and June 2019.

Revenues are a little bit down. The net interest margin is actually down mainly because of some valuation effects, i.e., the fact that in Q2 2019, we have had some dividends of some revaluation coming from the Visa shares that were, at that time, within LCL balance sheet.

The decrease in fees and commission is mainly explained by the commissions on payments because of the decrease in the volume of payments in the first part of the quarter and also a decrease in account-related commissions because LCL decided to be very moderate in that type of commission during the lockdown period.

Operational costs continue to be down. It is now the fourth year in a row where we see a decrease in the cost base at LCL. The net contribution continues to be very positive despite the sharp increase in the cost of risk.

International Retail Banking in Italy: Resumption of activity after the lockdown

In Italy, we see more or less the same trends – a little bit more pronounced, actually. The decrease in the level of activity was sharper in the beginning of the quarter. Actually, this is leading to a sharper decline in the revenues. The cost base is also down in Italy. The cost of risk is significantly up.

Actually, you may see that we have significantly increased the coverage ratio of our NPL this quarter. We have, I would say, voluntarily pushed up a little bit the provisioning of our NPL despite the fact that the level of NPL did not significantly increase in order to be ready to take opportunities of potential sales of NPL portfolios.

International Retail Banking (excluding Italy): Prudent management of liquidity and risk coverage

For the rest of the International Retail activities, we have more or less the same trend in all countries where we are present. We have a negative Jaws between – a pressure on the net interest margins because of the decrease in interest rates in connection with the reaction of the monetary authorities in those different countries to the COVID crisis and an increase in the cost of risk, mainly driven, actually, by a further increase in the performing loans provisioning – so, Bucket 1 and Bucket 2.

Specialised Financial Services: Decrease in production and control of expenses

In the Specialised Financial Services Division, starting with the consumer credit business, it is a business where the duration of the loan, in average, is only 30 months. So, it means that if you lose two or three months of production of new loans, this is clearly leading to a decrease in the level of outstandings.

It has been the case at the CA-CF. The consolidated outstandings are down 1% across the quarter as compared to the end of March. This explains the decrease in the level of revenues in connection also with the fact that part of the revenues are recognised at the inception of new loans.

What I can mention, in addition to that, is that the rebound in June is quite sharp. Actually, to illustrate that, the production of new loans was only €1.3 billion in April, €2.1 billion in May, and €3.6 in June – so, a very sharp increase between June and April. In June 2020, we are only -13% as compared to what we had in June 2019.

The cost control continues to be very good, so we have managed to keep the cost-to-income ratio below 50% in this division. The cost of risk is, of course, explained by the situation.

On the Leasing and factoring activities, we have had also a complete stop of the production of new leasing loans up to mid-June. We have managed to increase the commercial production of new contracts in factoring. Actually, the turnover, which is effectively factored, is significantly down, so this explains why, again, the level of revenues was down this quarter.

Large Customers: GOI sharply up, thanks to sustained activity

Large Customers division: Globally, this division is generating an increase in the top line by close to 21%, with a very good dynamic across the board with both corporate and Institutional. For the custody activities, of course, we continue to benefit this quarter from the scope effect and the integration of Santander Securities Services and KAS Bank.

Despite that, however, we have also a very good commercial efficiency with the signature of a significant number of new contracts and also a good profitability of the management of the liquidity generated by this business, which is sharply up.

Corporate and Investment Banking: Very strong activity and top-ranking positions, RWA under control

On page 26, for the CIB activities, what we have seen this quarter is an acceleration of the financing activities in connection, of course, with the credit demand coming from our customers and also a very good level of activity in our different capital market businesses, with, especially in the Fixed Income Currency division, revenues up 44%.

We continue to have a very low level of market risks, and the VAR stands at €14 million, end of June. The cost basis is actually very well-controlled, it is apparently 3.4% up on the quarter but, actually, we had booked in Q2 2019, a significant write-off of a provision for HR-related costs of around €20 million, so actually, if we restate the figures from this provision that we could write off last year, the cost base at CA-CIB in this quarter is more or less stable.

We have a very significant increase in the cost of risk this quarter but compared to a level which was still very low in Q2 2019. Despite this sharp increase in the cost of risk, the net income Group share at CA-CIB is more or less stable in the quarter at a very high level. The cost-to-income ratio, at 43%, is very low.

Corporate Centre: Decrease in financing costs, but unfavourable market effect

On the Corporate Centre – to put it in a nutshell, the structural part of the Corporate Centre continues to improve quite significantly as compared to the second quarter of 2019. The volatile part is deteriorating a little bit. It is the reversal of the situation that we had in the first quarter. You know that the most significant part of this volatile part of the Corporate Centre is due to some intragroup transactions. To put it in a nutshell, when the credit spread of Crédit Agricole S.A. narrows, these intragroup elements are negative; and the contrary when the spread is widening, which was the case in Q1.

Crédit Agricole Group

Regional Banks: Dynamic activity, sharp increase in GOI, and net income Group share

Going now on page 29, the Regional Banks of Crédit Agricole. You will see, in terms of activity, more or less the same trends as we have seen for LCL, with commercial activities at a very low level in April until mid-May at least and then a very sharp rebound.

This is also leading, like at LCL, to an increase in loans outstanding between June 2019 and June 2020 outside the State-guaranteed loans, This increase is about 5%. In addition to that, the COVID-related activities have been very, very important with around 400,000 payment holidays granted plus close to €18 billion of State-guaranteed loans – so, a very sharp increase.

This quarter, the contribution of the regional banks to the net profit of Crédit Agricole Group is up 18% and the cost-to-income ratio improved significantly.

Financial strength

Phased-in CET1 ratio stands at 12%, +4.1 percentage points above SREP requirement

Going now to page 31, solvency, starting with CASA solvency, the CET1 ratio stands at 12%. It is up 60 bps as compared to the end of March. It is a combination of several elements.

But, what you can see is that one of these elements is the very monitored evolution of the level of RWAs because, actually, the level of RWAs is more or less stable. It includes close to €2.5 billion of a temporary penalisation in connection with the state-guaranteed loans.

You know that the State guarantee starts to kick in only two months after the inception of the loan. So it means that for all loans granted in May and June, we have a penalisation in terms of RWAs, end of June, which is going to disappear in the course of the third quarter. Outside this element, actually, the level of RWAs would have been slightly down of around 1%.

The other elements explaining the evolution of the CET1 ratio are, of course, the results that we have published. Again, I mentioned that this result is net of a dividend accrual that we have booked in the second quarter, exactly like we did in the first quarter, on our 2020 profit.

OCI reserves, which were significantly negative, in terms of evolution in Q1, are recouping progressively. It is a positive contribution to the solvency this quarter. There is also a positive contribution from the effect of the quick fix and a negative contribution for some other elements like the acquisition of Sabadell Asset Management, which represents a cost of around 10 bps of ratio.

All in all, we have a ratio which stands at 12%; and fully loaded of the IFRS 9 transitional effects, it would be 11.7%. So, 12%, it is the distance to the Pillar 2 requirement of 4.1 percentage points.

Phased-in CET1 ratio is 16.1%, achieving today the objective of the 2022 Group Project

Going out now to the solvency of the Group, globally, you will see that, again, the evolution of RWAs is very moderate. Actually, it is only up €1 billion between March and June. We have the same state-guaranteed loan effect, which is more important at the Group level, considering the market share of the regional banks in the distribution of state-guaranteed loans. This effect represents €7.5 billion of RWAs which are going to disappear across Q3.

The evolution of the CET1 ratio is explained again by the high level of profit which is retained. The evolution of the OCI reserves, the evolution of the RWAs, and then the benefits that we drove from the quick fix and other regulatory and methodological effects, which is leading to this 16.1% CET1 ratio, end of June. It is 7.2 percentage points above the Pillar 2 requirements. Of course, the other capital ratios – TLAC, MREL, and leverage ratios – are at or above our different targets.

Dynamic management of reserves in order to serve clients and benefit from a competitive funding rate

In terms of liquidity, I think there is nothing much to mention. We have a liquidity position which is very, very comfortable, with liquidity reserves above €400 billion. It is an increase of close to €70 billion as compared to the end of March.

We have been, of course, using significantly the TLTRO mechanism that was put in place by the ECB. We have grown actually €90 billion, end of June, at this window. The LCR ratio is around 155% for the Group and 151% for Crédit Agricole S.A. A very high liquidity situation.

96% of MLT market programme completed by Crédit Agricole S.A. at end of July 2020

The medium and long-term market funding programme is completed, actually, at the end of July. We have managed to continue to issue in the first phases of the lockdown period. Actually, we have fully completed the funding programme of Crédit Agricole S.A.

Conclusion

This is it. As a conclusion, I just want, again, to insist on the high level of profitability that we are able to deliver in the very specific period of time that we are going through.

Two, I want to also to reiterate the very low level of cost-to-income ratio, the very good operational efficiency that we managed to provide. The high level of return on equity, especially if we spread the IFRIC 21 taxes across the full year and, of course, the very high robustness of the Group, both in terms of solvency and in terms of liquidity.

Thank you very much. I am now ready to try to answer your questions.

Q&A

Jon Peace (Crédit Suisse): Yes. Good afternoon, Jérôme.

Jérôme Grivet: Good afternoon.

Jon Peace: Could I ask a question, firstly, about the impairment? How should we think about that for the second half of the year and going into next year? Do you think it should fall back to some underlying rate, if you do not need to change, again, your macro assumptions?

In that context, could I just ask about your relationship with Wirecard? Has that had any impact on operations, or do you expect it to, in the future?

Then, if I may ask another one, do you think any different to the switch, at the moment – either positively because it was a benefit this quarter or even with excess capital now that you might accelerate the retirement? Thank you.

Jérôme Grivet: Okay. Let us start with the impairment. It is true that if we do not have to change significantly the scenario, we have only to update the Bucket 1 and Bucket 2 provisioning with the evolution of the outstandings.

It means the evolution of the amounts and, also possibly, the migrations of the loan between Bucket 1 and Bucket 2 or Bucket 2 and Bucket 3. But, this quarter, in addition to all this updating, we had to integrate a completely new scenario, which is explaining, certainly, a significant part of the increase in Stage 1 and Stage 2 provisioning.

Going forward, I expect that the main driver of the evolution of the loan loss provisions is going to be the evolution of the impaired loans. There, we do not have much visibility. The only thing I can tell is that we do not expect a sharp increase in the number of defaults, going forward – at least in the very next quarter – because, simply, all the State mechanisms that we are here to provide – relief and support to the economy – are still operating.

On Wirecard, what we have lost is time, actually, because we were counting on this partnership to develop and to strengthen our offers, aiming at developing our business on e-merchants. Actually, we have invested a little energy and some operational costs in order to develop functionalities in connection with Wirecard. All this has been actually stopped now, with what happened with Wirecard, so we have lost time.

It is not a disaster for us because, actually, we have already very strong positions in the payment space. We are the number one card issuer in France. We have a very strong market share in retail merchants and so on and so forth. However, we have lost time. We have already started to put in place a plan B in order to develop ourselves, the functionalities that we were awaiting from Wirecard.

On the switch, what I can tell is that, actually, the biggest benefit of the switch is not really when it is triggered because what you have seen here is that the triggering of the switch is generating only a very modest compensation between the Regional Banks and Crédit Agricole S.A. The benefit is that we have a capital relief. It is true that considering our strong capital position, we are very comfortable with the idea of continuing the dismantling of the switch, in connection with the commitments that we had taken for the medium-term plan.

Technically, we must wait for the clawback to take place before we can do another layer of dismantling. However, considering the very low level, actually, of the triggering that we had, end of June, normally, the clawback should come as soon as the end of this year.

Jon Peace: Great. Thank you.

Jérôme Grivet: Thank you.

Jacques-Henri Gaulard (Kepler Cheuvreux): Yes. Good afternoon, Jérôme. Two quick questions.

When I remember your outlook that you gave at the last call for Q1, which was really, really measured and when I am hearing the answer to my colleague, Jon, it really seems things are getting better. Even without proxying ourselves to 2021, but maybe more 2022, do you feel comfortable simply maintaining the targets of the plan, as they are, looking ahead 18 months? That would be the first question.

The second question is really the performance of LCL on net interest income because if I understand well, the one-off was the dividend on Visa in Q2 2019. I would take it that instead of going down 3.6% underlying, the net interest income would have been more or less flat, which is an amazing performance versus competition. Is there any particular explanation for that really, really good performance at LCL? Thank you.

Jérôme Grivet: Okay. Let me start with the second question. Actually, I mentioned Visa dividends, but actually, it was more a valuation effect of the Visa shares. Nevertheless, it is the same. It is the base effect that we had in Q2 2019 that we do not have any longer in Q2 2020.

Now, clearly, the net interest margin is very resilient. However, because of the commercial dynamics – because, as I mentioned, loan outstandings outside state-guaranteed loans are up 7% between June 2019 and June 2020.

This is definitely producing the same mechanisms as the one we have already mentioned, i.e., a net interest margin which continues to be a little bit under pressure because new loans continue to be booked at a lower rate than the average level of older loans, but a volume effect that is compensating. All in all, yes, the top line at LCL is quite resilient. However, we are of the opinion that this should continue, going forward, unless there is something unexpected that takes place.

Then, the 2022 targets. We have not decided that it was necessary, for the time being, to either withdraw or review these targets. The main targets are:

- A target, in terms of profitability, 11% of return on tangible equity at 11% of CET1 ratio.
- A target, in terms of cost-to-income ratio.
- A target of solvency, of course.
- And also a target, in terms of net profit.

For the time being, we are still working on trying to reaching these targets.

Jacques-Henri Gaulard: Super clear. Thanks a lot, Jérôme.

Giulia Miotto (Morgan Stanley): Yes. Hi. Good morning. Thank you for taking my questions. I have two.

The first one on consumer credit originations. You said that it had bounced back strongly. I wonder when it comes to underwriting consumer credit, how are you thinking, in terms of the uncertainty around unemployment, once the government measures taper off? This will be my first question. Essentially, will this lead to lower consumer credit loan growth because the outlook is more uncertain or, actually, no, you are still comfortable, and hence, you will see good growth?

Then, secondly, in terms of loans in moratorium, what is the total for Crédit Agricole S.A.? I think you disclosed the French number. I am not sure I have seen the total Group number. How are provisioning for those? Are you taking any provisions, or are you still assuming that they are performing at this stage? Also, always on the credit moratoria, can you comment on how that book has been evolving? Is this coming down? Are you still seeing requests? Thank you.

Jérôme Grivet: Let me start with the first question. On consumer credit origination, it is true that we have had a sharp rebound. We are not back at the level we had in June 2019, as I mentioned, but the rebound is sharp. There is also, at the same time, some, I would say, shift in the mix of loans. We are, more and more, granting equipment loans rather than pure treasury loans.

It means that we have a smaller margin on these loans, but also, going forward, a lower level of risk. You know that in France, we have the usury rates, which is preventing, actually, the consumer credit lenders to really tackle with the lower end of the market because the lower end of the market would deserve rates in order to have a decent risk-reward level. That would not meet the usury rate ceiling.

This is why, structurally, in France, we have a lower dynamic of consumer credit. We have the whole fringe of the population which is not de facto eligible to this category of loans. This is clearly, possibly going forwards, going to represent a constraint on the development of consumer credit loans. On the other hand, again, the development of equipment loans is good. It is proving to be quite dynamic nowadays. It represented a significant part of the credit demand in June.

On the moratorium, the €4.2 billion of capital payments that we have postponed, it is €3 billion for the regional banks and €1.2 billion for LCL. There is no specific consequence of such a moratorium on the provisioning. It means that we continue to book provisions assessing the quality of the borrower and assessing the existence or not of payment incidence.

Then, your last question was about "do we continue to grant a new moratorium?". I think that this is now more or less stopped or at least slowed down very significantly because it was really made to cover the lockdown period. We are now in a much more normal situation. I think that the amounts are not going to increase.

Giulia Miotto: Thank you. Sorry, can I just follow-up? You gave me the amount for France. What is the amount globally?

Jérôme Grivet: In Italy?

Giulia Miotto: Yes, or everywhere else.

Jérôme Grivet: The rest is in Italy. Actually, when we say that in Italy, we have provided around €2 billion of facilities linked to the COVID, it is about half-half between State-guaranteed loans in Italy and payment holidays. The capital of the payment holidays that we have granted in Italy is around €900 million or €1 billion.

Giulia Miotto: Perfect. Thank you.

Jérôme Grivet: Thank you.

Jean-François Neuez (Goldman Sachs): Hi, there. Hi, Jérôme. Good afternoon. I just wanted to ask a quick question on the dividend – well, the main extension. In there, there seems to be a possibility for banks or for companies which are part of a Group to upstream dividend. I think some Spanish banks have hinted at the possibility of using this. If that is right, do you think that it is a possibility for Crédit Agricole S.A. or do you think it is not necessarily the best course of action at this particular time?

When we go to 2021 – again, on capital returns – if the dividends would be reallowed? For example, some Italian banks have also continued to say that they want to proceed with the payments in lieu of the cancelled dividends for last year. Is this also something that you would be considering continuing?

Then, I just wanted to ask on the French Retail Banking. Again, following Jacques-Henri's question, I think this is quite notable also in fees and the net interest income across all revenue lines. I just wanted to understand whether you could compare and contrast your performance and what you think you LCL did better than peers? I am just trying to understand whether that is a good base to go forward or whether there was anything exceptional in there.

Jérôme Grivet: Okay. On dividend, our capital position is very clear. You have it on the table: 12% CET1 ratio at CASA and above 16% at Group level. In both cases, far above the targets, far above the different constraints that we have to respect. So, we definitely are in the capacity of paying our dividends. That is the first point.

The second point – and you have the figures in mind, but if CASA had paid its dividend, regarding 2019, this would have represented a hit of around 60 or 70 bps on its capital ratio as compared to the level that we have now. It is still above 11%. Considering the high retention of results at Group level, if CASA pays its dividend at the level it was initially forecast, this would represent around 15 bps at Group level, considering the retention of 56% of these dividends by the Regional Banks.

This is the situation. Nevertheless, we are never going to do anything that is not compliant with ECB's regulations. It is very, I think, ineffective to try and comment in length the situation. The recommendation is here. It is not really useful to discuss what could be the situation if it was not here.

Again, we have the capacity to pay, that is for sure, both at Group and at CASA level. You were hinting towards Group assessments. Definitely at Group level, it is a very low impact. However, we are not going to do anything that is not compliant with ECB's instructions.

Jean-François Neuez: Okay. With regards to the French Retail sustainability?

Jérôme Grivet: Yes. On the French Retail, I mean this is simply proving that our business model in which we try and develop as much as possible the cross-selling between the different business lines, we stress as much as we can the interest of the customer in the global relationship, which is the relational approach and not the transactional approach.

It is efficient. We know that, actually, this model is more widely developed at the level of the Regional Banks than at the level of LCL. However, LCL is permanently trying to catch up with the parameters and the figures of the regional banks. This is proving to be efficient, clearly.

There is nothing exceptional in Q2 2020 performances. We do not see any reason why those performances would not continue.

Jean-François Neuez: Okay, very clear. Thanks a lot.

Tarik El Mejjad (Bank of America Merrill Lynch): Hi, Jérôme. Good afternoon. Just a couple of questions, please.

On the cost of risk, in your scenarios for the second part of the year and for next year, how do you factor in the risk of some deterioration in your portfolios after all these government guarantee schemes and supports are unwinding? I am sure you are factoring that somehow. However, can you just explain to us a bit that is weighted in your risk scenarios?

Secondly, in Italy, can you comment on how the Intesa/UBI consolidation will impact the competition in the environment and the pricing? Do you have to take any management actions to correct the trajectory of your growth, given this consolidation?

Lastly, just coming back on Jean-François' question on the dividend. I think the ECB put in a press release that if any banks can justify some legal obligation to pay a dividend, then it could be looked at. I get your point that there is no point to challenge ECB's recommendations, but is there a case for you that you have to pay a dividend to the parent to support even more the economy and so on. That is an argument you have tried to make already back in April. Thank you.

Jérôme Grivet: In the cost of risk, as you know, when we assess the cost of risk or when we evaluate the cost of risk, we embed in the model different scenarios. The main scenario is described on page 39. We have also integrated a more favourable scenario and also a less favourable scenario. We have a whole set of scenarios with different weighting of each scenario.

Of course, these scenarios, each of them has a narrative. In certain unfavourable scenarios, the narrative is that the different fiscal measures that we await from the government are not efficient enough and that also this is leading to the fact that the biggest part of the additional savings put aside by the individuals in France are kept and are not spent. This is integrated in, I would say, the less favourable scenario.

The second element is, of course, that, as you can see, the central scenario that we have integrated is less favourable than the one we used in Q1 because, obviously, we have seen the situation evolve between the end of Q1 and the end of Q2.

The third comment I can make on this question is that for the time being, every information that we get and every data that we collect is clearly proving that our central scenario is what is taking place now. It does not mean that it is going to be the case up to 2021 and 2022.

However, for the time being, what is happening in the reality is exactly what had been forecast by the government and what is clearly the way the Government in France, but also in the rest of the world, were intending to manage this sanitary crisis. I do not see any reason why we should, for the time being at least, change our views on that.

In Italy, it is true that consolidation has been a motto and a question on the table since, now, several years. It is true that, lately, a significant operation took place. As always, we are, of course, monitoring permanently the situation.

As I have always said, you perfectly know what type of operation we could be interested in. It is not that type of a big consolidation that has taken place recently in which we could be interested because we have been, in the past, successfully working on incremental consolidation transactions.

Regarding the question on dividend, it is very difficult to comment in-depth. Could we be entitled to say that we have a legally binding obligation to pay a dividend from CASA to the Regional Banks? I do not think it is really a case that we want to open. Again, I think that what is important for us, besides all the legal and technical elements, is to be in compliance with the ECB's instructions.

Tarik El Mejjad: Okay. Thank you, Jérôme.

Delphine Lee (J.P. Morgan): Hello. Good afternoon, Jérôme.

Jérôme Grivet: Hello.

Delphine Lee: I just have two questions. First of all, just going back to capital, I just want to understand a little bit your priorities, in terms of the usage of excess capital. Do you have quite a bit of a buffer over EBITDA. Is the plan, if you excess capital, to first reimburse switch entirely and then consider potentially buybacks or paying a special dividend or would it be small bolt-on transactions? Just to understand a bit the thinking on capital management.

The second question is on TLTRO. You have the €90 billion, you mentioned. Can you just help us a little bit to understand what is the benefit that we should expect, in terms of net interest income for the second half of this year – I assume in LCL, mainly?

Then, my last question is on the cost of risk. When I look at your slide 15, what you see from the Stage 3 is that there have been some increases, obviously, from low levels. However, are you expecting these trends to continue or is the second-half level, in terms of Stage 3 provisioning, going to be much lower? Thank you very much.

Jérôme Grivet: Capital management, to start with. We are not going to enter into M&A transactions simply because we have capital in order to finance them. Clearly, we do not think about M&A because we have 'excess of capital'. Clearly, the two things are separated.

I think that as we have always said, on a long-term basis – so, i.e., besides the present situation – our target is to distribute half of our earnings to our shareholders and to use the rest of the solvency that we generate in order to develop, in a productive manner, our different activities. That is clearly the long-term target.

It happened that presently, the dividend policy is under constraint. We are not going to reassess a long-term capital management policy simply because there is, for the time being – and we expect and we hope it is not going to last forever – a constraint on one of the elements that is key in our capital management policy, which is the dividend policy.

In addition to that, what I can say is that unwinding the switch has always been in our idea, the way of trimming a little bit, in an opportunistic manner, some excess of solvency in order to enhance our earnings per share without having to modify our dividend policy and without having to enter into a share buyback policy, which would be a little bit detrimental to minority shareholders because of the presence of a majority shareholder that is not going to participate, nevertheless, in this share buyback policy.

We have this additional tool, which is useful in order to finetune, I would say, our capital trajectory, which is the switch mechanism. We are committed to go up to at least 50% of dismantling by 2022.

These are, I would say, the key components of our capital management policy. For the time being, we do not want to modify these key components of our capital management policy simply because there is a temporary constraint on the distribution of dividends.

We see the TLTRO as a way for us to globally finance our balance sheet. We are not in the position where we say we are going to take a certain amount of TLTRO that we are going to dedicate to a certain type of asset. We are managing globally the balance sheet of the Group. We try permanently to combine security and, I would say, profitability: security because we want to avoid a situation where we have a liquidity cliff at a certain point in time and profitability because we try permanently to have the cheapest possible way of financing our balance sheet.

Clearly, the TLTRO belongs to the tools that can help reduce the cost of our funding. This is exactly what we had in mind when we decided the level that we have drawn at this window with the idea, of course, that, at the same time, our asset book is going to grow significantly because we are very active to lend to the economy. We have been very active, for example, to develop and to grant state-guaranteed loans.

Clearly, the fact that we have grown this amount to the TLTRO is going to help our P&L, going forward. At the same time, do not forget, for example, that we have put on our balance sheets several billion euros of state-guaranteed loans with a level of customer rate which is around zero. At the end of the day, the profitability is the difference between the cost of the liabilities and the yield of the assets.

Cost of risk, going forward? I already mentioned that the evolutions in Stage 1 and Stage 2 provisioning is going to depend on our capacity to maintain the main scenarios that we have used at the end of June. For the time being, as I said, we see no reason why we should change the state of scenarios.

The second component of the cost of risk is definitely the Stage 3 provisioning. This depends vastly on the evolution of our counterparts. What happened in the second quarter, which explains a significant part of the evolution of the Stage 3 provisioning, is the fact that first point, certain counterparts that were already very fragile before the beginning of the lockdown – so fragile that, actually, they could not claim any state-guaranteed loan or equivalent helps, really defaulted because of the lockdown, and so entered into Stage 3.

The other elements that we have seen, especially at CA-CIB, was the fact that certain counterparts that we had across the world proved to be actually fraudulent counterparts. This represented a quite material component of the Stage 3 provisioning in the second quarter. We do not expect that to be again the case, going forward.

Delphine Lee: Thank you very much.

Jérôme Grivet: Thank you.

Guillaume Tiberghien (Exane): Good afternoon. First, I have got a request. Would it be possible to get the NPL ratio for the sensitive sectors? You provided them in Q2, which is very useful. However, could we have the level in Q1 so that we can see the quarter-on-quarter evolution and, obviously, if you could continue to provide that, going forward?

Jérôme Grivet: Yes. Sure.

Guillaume Tiberghien: My two questions are – number one is on SFS. The margin, obviously, is quite a lot under pressure. You had well-flagged it. However, can you give us a little bit of an outlook, going forward, for the margin in consumer credit?

The second one is back to capital. Your current target is 11%. I am not asking you to spend your excess capital because you cannot at the moment. Actually, however, it is more about the target. Should you not reduce it, given the reduced NDA?

Maybe just to follow, a small third question. With regard to your scenarios, you explained the different weightings of those scenarios to get to Stage 1 and Stage 2. What are the weighting of base versus adverse versus good scenario that you use currently? Thank you.

Jérôme Grivet: Let me start with your last question because the answer is going to be quick. We do not disclose the weighting of the different scenarios. I am sorry, Guillaume, but we are not going to disclose it, by the way.

Guillaume Tiberghien: Is it?

Jérôme Grivet: Sorry. Going now to your second question regarding the CET1 target. It is true that actually with this margin above SREP, which stands above 400 bps, we are far above the type of buffer that we would want in the long run to keep above the Pillar 2 requirement. We do not necessarily think that the moment is well-chosen to modify the target because first, of course, this is an issue that needs to be discussed with the ECB; and second, this is an issue that needs to be explained calmly to the market.

Theoretically, however, it is true that all things being equal, the different regulatory requirements have reduced as compared to what they were at the end of last year by at least 60 bps for CASA. Again, all things being equal and in a normal period of time, this would trigger a proportional reduction in the level of our CET1 target. So, this is an issue which we perfectly have in mind and which we are going to address when the time has come.

Going now to Specialised Financial Services, I think that we are having a structural shift in the mix of the loans that we grant, especially in France. You know that in France, there is a trend since now several years, the reduction of revolving loans and to the increase of amortising loans because of legislative modifications.

This is, of course, putting a certain pressure on the customer rate. However, at the same time, this is, in the long run, providing probably a better level of cost of risk. This mix has also been impacted in the last period of time by an increase in the car financing business within Agos and within Sofinco.

It means, in addition to the car financing businesses that we do through, FCA Bank, there is also a growing demand for car financing loans directly addressed to our Agos or Sofinco branches lately. This is also a movement that is going into the same direction, i.e., longer loans, i.e., less risky loans, but also a lower rate.

There are several important shifts that are taking place in the business of consumer credit nowadays, which we are going to assess. The first reaction of the business is to monitor, as closely as possible, the cost base, which has been the case in this quarter. The best answer is to continue to monitor the cost base in order to adapt to this potentially lower level of margin in the medium-term.

Guillaume Tiberghien: *Merci beaucoup.*

Pierre Chédeville (CM-CIC Market Solutions): Yes. Good afternoon, Jérôme.

Jérôme Grivet: Hello, Pierre.

Pierre Chédeville: I have one question on Insurance. I was listening to the conf-call of AXA this morning. They explained that on their combined ratio, the impact of business interruption claims was balanced for RV amount by the better claims on motor. My question is could you give us any colour on the balance between business interruption and better claims on motor?

Also, you mentioned that you have paid €143 million, I guess, to professionals for business interruptions. However, you mentioned that it was voluntary.

Jérôme Grivet: Yes.

Pierre Chédeville: A mutualist act. However, I guess that you have also paid because it was in the contract.

Jérôme Grivet: No.

Pierre Chédeville: I wanted to know if –

Pierre Chédeville: No? **Jérôme Grivet:** No. Clearly – and this is an important point. This is an important point because actually, as you know, in France, considering all the buzz that took place around this issue of business interruption guarantees, there has been an audit by the local insurance supervisor, the AICPA. Actually, the AICPA fully acknowledged that our policies were absolutely not ambiguous regarding this question.

We have had, I think, no claim or almost no claim from any of our customers on this issue. This has been a purely, completely, totally voluntary decision that we have taken. It is a decision that we have taken in our interest because, going forward, this is going to be commercially positive for us, clearly.

We expect this to generate and to improve further the customer loyalty and our attractivity. However, regarding the policies themselves, we had absolutely no elements that could lead to some kind of a deal, as were mentioned for some other insurers. Clearly, no issue at all regarding our policies.

Pierre Chédeville: Concerning motor?

Jérôme Grivet: Concerning motor –

Pierre Chédeville: The combined ratio is quite low, actually. It is a little flat.

Jérôme Grivet: Yes. The combined ratio continues to be very good. Actually, the ratio between the claim indemnification globally and the premium that we got significantly improved in Q2 as compared to Q1 this year or Q2 last year. That is true. That is definitely true.

Pierre Chédeville: Was it due to motor claims?

Jérôme Grivet: It was massively due to the car insurance business.

Pierre Chédeville: Yes.

Jérôme Grivet: Unfortunately, our market share in the car insurance business is not as high, for example, as it is for the home insurance business.

Pierre Chédeville: Okay. However, they was less robbery also again.

Jérôme Grivet: Yes**.** However, you know that the amount of a premium on home insurance is lower than on the car insurance policy.

Pierre Chédeville: My second question is just technical. A very quick question. Your buffer against SREP is 410 and your buffer against MDA, as far as I understand, is 380. The difference is 30 basis points. What are exactly these 30 basis points? Is it P2G, or is there something I do not know?

Jérôme Grivet: No, it is not P2G. It is not P2G.

Pierre Chédeville: It was –

Jérôme Grivet: It is much more technical, actually. It is explained, I think, on the Credit Update we have put online also today. On page 24, you have the different elements that explain both the distance to P2R threat and to MDA because it is linked to the Tier 1 capital ratio and not the core Tier 1 capital ratio. You have all information. Emily, for example, would be absolutely delighted to give a basic presentation on that, if you wish.

Pierre Chédeville: I am sure of that. Thank you very much.

Jérôme Grivet: Thank you, Pierre.

Lorraine Quoirez (UBS): Hello, good afternoon. I have a question on the Corporate Centre. When I look at the slide 27, you talk about decreasing in financing costs, operating expenses, and so on. We see there are quite a few, I would say, one-off items or specific items this year. I was wondering whether you could give us a little bit any indication on how we should think about the Corporate Centre, in particular, next year?

Jérôme Grivet: The structural part is made of three different buckets, as you know. I think we are now giving some clarity on these three different buckets. The first one is what we call balance sheet and holdings. This is the one on which the trend is permanently to do reduction. What we expect and what we are working at is to continue to reduce the cost of this bucket.

Then, there are two other buckets which are structural. The first one is all the businesses which do not sit within a dedicated business line. Typically it is the real estate business, which is a small real estate development business. We have also the private equity business. We have some other minor activities which are structurally inside the Corporate Centre, but which may post a certain volatility in their P&L. Clearly, this quarter, they generated a negative P&L because the biggest part of this bucket is made of private equity activities. The valuation of the private equity funds that we have there was negatively oriented.

Then, the third part is structurally converging towards zero because it is a series of support functions that we have for the Group. They have costs. However, they bill their costs to the business lines regularly. It means that on a specific quarter, the P&L may be a little bit positive or negative. However, across the board on a long-term basis, it is converging towards zero.

The main item, which is the one on which we work harder in order to reduce it, is what we call balance sheet and holdings. You see that, really, this is improving regularly. We hope, and we are working in order to make it to continue to reduce.

Then, there is the last element, which is the volatile part, which I will explain rapidly. This can be structurally quite volatile, with significantly high or low levels. Again, this is more or less converging towards zero, in average. However, the volatility, which is linked, especially to intragroup accounting elements, may be significant on a specific quarter.

Lorraine Quoirez: Perhaps just very quickly as a follow-up, on your balance and holding part, how fast can we expect any improvements in the financing costs]?

Jérôme Grivet: It is a multiplication of a volume effect and the price effect. What we try to do is to reduce the volume of the debt that is carried by this Corporate Centre. Every time we manage to upstream dividend from a subsidiary, this is reducing the level of debt that we need to have. Every time we manage to lower the cost of the funding that we still need in the Corporate Centre, we also manage to reduce the overall cost. These two elements are clearly the key drivers.

The average cost has been significantly reducing in the last few years and is going to continue to shrink because of market conditions. In terms of volume, it depends on the capacity of upstreaming dividends. It depends on the profitability of the subsidiaries.

It depends also sometimes, on the acquisitions that we have made because, for example, when Amundi acquired Pioneer Investments, Amundi needed a capital increase. We participated in the capital increase at CASA. This led us to pay a significant amount so suddenly to increase, again, the cash-out on this Corporate Centre.

Lorraine Quoirez: Thank you.

Jérôme Grivet: Thank you.

Azzurra Guelfi (Citi): Hello. Good afternoon. A couple questions on the deposits.

When you look at the deposit evolution, it has been very strong across the different asset divisions. How do you expect the issue of bonds, going forward, in terms of the risk appetite of customers? Will they switch to asset management products, or do you think it will continue to remain liquid or towards a switch to consumption?

Then, on the Large Customers, can you tell us how do you see the business evolving for the second part of the year and next year, especially the financing? I understand that the market component is hard to forecast. Thank you.

Jérôme Grivet: In both cases, I am going to be a little bit disappointing for you, Azzurra, because this mainly depends, in both cases, on the customer behaviour. When it comes to especially side deposits, actually, of course, we expect, and we hope that the amount of cash that has been parked on the side deposit is going to reduce because this would prove, actually, the real confidence of the household.

We expect that at least part of this excess of cash that has been put on the side deposits is going to be used to increase the consumption. However, for the time being, we have to wait because yes, the consumption has significantly increased. However, compared to the very significant amount of cash that was filed on the side deposits, it is only a small part of this excess that has been spent up to now.

It is more or less the same for the Large Customers division and the financing activities because we are here and ready to answer to any requests of our customers that need to be financed. Of course, if, at a certain point in time, there is a weaker business sentiment and a lower appetite of our corporate customers to raise financing in order to develop their activities and to invest, we will have to deal with it.

For the time being, we do not see any slowdown. However, we are going to see a slowdown which is the usual summer slowdown. We have no sign of deterioration of the business sentiment. In both cases, however, confidence and business sentiment is going to be the key.

Azzurra Guelfi: Thank you.

Jérôme Grivet: Thank you.

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

My first question is on costs. At Group level, you have done really well on cost. I just want to better understand the cost outlook in Large Customers. I appreciate there have been some perimeter effects distorting the first half. Really, are you working on cost efforts within Large Corporates as you seem to be doing elsewhere in the Group? Or is it more a case 'Look, you have this revenue windfall in the first half, so do you know what, there is no pressure to really tackle the cost base in Large Corporates'? Really, the first question on the Large Corporates cost outlook.

Secondly, in car finance, was there any kind of impact from second-hand car residual values? It does not look like you have taken anything. You have not flagged anything, so I wonder if that is something you might need to do at the back-end of the year. What is your kind of outlook for car residual values in the car finance segments? Thank you.

Jérôme Grivet: Let me start with the Large Customers division. It is clear that in this division, as we do it in every division, we have set targets, in terms of the cost-to-income ratio. The responsibility of the manager of this business line, as is the case for every business line, is to reach his own cost-to-income target.

Of course, this quarter, considering the high level of revenues, there is a supplementary improvement of the cost-to-income ratio. I am not pretending that we are going to be able to monitor this business line at a cost-to-income ratio of 43% permanently. However, we have been operating the CIB with one of the lowest cost-to-income ratios of all European CIBs in the last few years, and we intend to continue. We are working on the cost base within the CIB, as we do in every other business line.

In the car financing business, it is true that as we are a large car financing operator, we are permanently monitoring the residual value of cars. Actually, however, the biggest part of the business that we do in car financing is a resale business. It means that what is important for us is, of course, first, the capacity of the borrowers to repay the loan rather than for us to repossess the car.

You know that for retail car financing loans, actually, the residual financial value is much smaller than when it comes to fleet financing. It means that, actually, the protection that is given by the car is bigger, actually, than in fleet financing. However, as in every business in which your guarantee is at least partially made of real assets, you need to assess regularly the capacity of adding a value of this asset, which is at or above the remaining capital. That is a necessity.

Kiri Vijayarajah: Right. Got it. Thanks, Jérôme.

Jérôme Grivet: Thank you.

Omar Fall (Barclays): Hi. Good afternoon, Jérôme. Thanks for taking my questions. Just two for me.

The first one – sorry to come back to the top line in French Retail but I just do not really understand the NII dynamics there at all. If I simply take net interest income 'X' per sale divided by loans, it is like a marginal decline in the quarter.

It is basically not that much different to Q4, yet you have had the high-volume growth on the deposits side, which is higher than the assets side, including current accounts up 30%. That is negative. You have got the State-guaranteed loans, which would be negative. Then, you have had lower swap rates, which are also negative. How is net interest margin so stable? If you can maybe just give some more colour?

Then, secondly, could you just discuss GAC Sofinco specifically, please, because I guess that business is like two to three months ahead of the rest of Consumer Finance in navigating the crisis lead and given where China is? I know it a different market, but how recovered is that? Is it basically back to normal run rates on the top line and asset quality? I know you gave like some volume changes between June and March, but it is hard to understand those because we do not really know the base. Thank you.

Jérôme Grivet: Okay. For GAC Sofinco, I am turning towards my colleagues in order to get the precise information. I do not have it in mind. When it comes to LCL, so just bear in mind that the loan outstandings were quite significantly up between end of June 2019 and end of June 2020 and that the mix is also improving because I do not have, again, the precise figures in mind, but I think we have them in the appendix.

There has been an effort at LCL in order to develop further, first, the consumer credit loans; and second, the SME and Professional loans, which generally have a better customer rate than home loans. There is a mixed effect that has also, I think, played a positive role in the preservation of the net interest margin. All in all, however, clearly, the volume effect has continued to be positive for LCL. For GAC, do you have the information?

Clotilde L'Angevin: What we have is that there was a slowdown in activity that was relatively moderate with a 10% decline in commercial business compared to the second quarter. However, the activity has been going again since June, in particular with GAC Sofinco, where we had a strong increase in production, reaching again the level that we had before the crisis.

We are having a pickup in GAC Sofinco. We have to be relatively prudent, as to the outlook again in China for GAC. However, the lockdown was earlier, and it took place also during the Chinese New Year, which makes us relatively confident as to what is going to happen this year for GAC Sofinco, in terms of the budget.

Omar Fall: Okay, understood. Sorry, just a quick follow-up. I guess the second half of the quarter would have had much better loan growth than the first half –

Jérôme Grivet: Yes.

Omar Fall: – implying that is actually negative to the net margin because of the averaging effect. You seem quite confident in the outlook. Does that then mean that you need volumes to really rebound very significantly from here to offset that margining effect?

Jérôme Grivet: Yes. It is true that the level of activity at LCL has rebounded quite significantly in the second part of the quarter. It means that going forward, on the course of the third quarter, the average level of loans is going to be significantly higher than the average level of outstanding of loans that we had in the second quarter.

No, we are positive with all the constraints that weigh and continue to weigh on Retail Banking activities in France, i.e., the cost of regulated savings accounts and the fact that the competition in home loans continues to be aggressive. However, with all these constraints, LCL is doing well, has a very, I would say, coherent customer approach, and is developing the equipment rate of its customers with the different products that we sell, and we are positive on LCL.

Omar Fall: Thank you very much, Jérôme.

Jérôme Grivet: Thank you.

Stefan Stalmann (Autonomous Research LLP): Good afternoon, Jérôme.

Jérôme Grivet: Hello, Stefan.

Stefan Stalmann: Thank you for taking my questions. I have two topics, please.

The first one. Again dividends, but from a different angle. I think you mentioned it in the context of the Corporate Centre. How have you actually handled intragroup dividends that are upstreamed into CASA like from CA-CIB or in the insurance business, etc.? How have you handled this in the first half of the year? If you could explain that, please?

Jérôme Grivet: Sure.

Stefan Stalmann: The second question goes back to the Consumer Finance business. I think if you back-hold the minority interest in Consumer from the tax benefit at Agos, it seems as if the underlying business of Agos was basically break-even in the second quarter. Is that a fair estimate?

Also, it looks like the equity income from the joint ventures is holding up relatively well, compared to what is happening in the consolidated loan book. I was curious if these joint ventures are actually using the same IFRS 9 methodologies and also the same timing of applying them as CASA in its main entities – its controlled entities or whether there are, let us say, time lags or permanent differences in the models that are being used?

Jérôme Grivet: Let me start with the dividend question. The principle that was used in the first quarter is that all 100% subsidiaries were entitled to upstream their dividend. It means that CA-CIB, LCL, for example, upstreamed their dividends.

Contrary to that, all the subsidiaries in which we have minority shareholders could not upstream the dividends. It means that CACEIS, for example, or Crédit Agricole Italia or, even more obviously, Amundi could not upstream the dividend this year. It is a mix of different situations with which we had to deal.

In the consumer credit business, let me start with the equity-accounted entities. Yes, of course, they all apply the same type of methodologies that we use in order to evaluate the IFRS 9 provisioning because you know that in all cases, we have the management of the support and risk functions. We have the capacity to really monitor that.

It is a mix between, you know that within the equity-accounted entities in the consumer credit business, we have the car financing entities, where the business continued to be quite positively-oriented as soon as the lockdown period ended and where the cost of risk is not very significant because of the type of the business.

There is also mainly another traditional consumer credit business, which is Wafasalaf in Morocco. Wafasalaf has had a significant increase in its cost of risk. This led to a decrease in its contribution to the equity-accounted entities. The -22.7% that we had, leading to the €60 million contribution, is a mix between a good performance coming from the car financing entities and a weaker one coming from the Wafasalaf entity.

I am going to check that I really understood the other part of your question. What you are saying is that your math is leading to the conclusion that on this quarter, Agos just broke even. Is that is that the question that you were asking?

Stefan Stalmann: Yes, because the minority interest in Consumer Finance is basically identical to the minority interest that is associated with the tax benefits at Agos.

Jérôme Grivet: Yes.

Stefan Stalmann: It would seem as if the rest of Agos was basically not generating minority interests and, therefore, probably no profits.

Jérôme Grivet: Yes. It is clear that this quarter, the cost of risk at Agos was significantly higher, especially because you know that in Italy, the lockdown was quite strict. You know that in Italy, the collection on loans with payment incidents is performed by, I would say, physically.

It meant that for a one and a half or two months' time, there has not been or almost not been any physical collection on payment incidents in Italy. It is clear that we have had, probably this quarter, at Agos, an extra amount of provisioning led or triggered by this impossibility of collecting physically the repayments on the loans.

Stefan Stalmann: Right.

Jérôme Grivet: We need to wait until the situation is completely normalised in order to check whether this is a real payment incident or whether, simply, the simple fact that the collection can take place again is triggering the regularisation of the loan. Therefore, we have to reassess the risk situation at Agos in the course of the third quarter.

Stefan Stalmann: Right. Thank you very much. That is very useful. Thank you.

Matthew Clark (Mediobanca): Hi. A couple of questions. First one. Could you just help me understand the economics of the Government-guaranteed loans in France? I think you said clients were paying around zero for their loans. If you can fund yourself for 100 basis points below, using the TLTRO 3 as your marginal funding source, does that mean that you are earning a percentage point of interest margin net on these volumes or am I missing something? In which case, please tell me where I am going wrong there.

Then, the next question on the tax rate. Was there anything else this quarter that led to the low tax rate because the Affrancamento €39 million would seem to only be explaining part of the reason it is so low. Anything going on there?

Then, finally on rating migration within risk-weighted assets. Do you have any expectations there for headwinds in coming quarters or do you think it is not really an important effect for you or if it happens, would that be a next-year effect, kind of timed with the end of Government-support measures? Just any thoughts there, in terms of magnitude or timing. Thank you.

Jérôme Grivet: Okay. On state-guaranteed loans, the rate is nil. The borrower has simply to pay a premium, which is the price of the guarantee. For the first year, this premium is set, I would say, at a flat rate of 25 bps. This 25 bps is split 90% for the State and 10% for the bank, which is keeping the premium on its own part of the risk-taking.

It means that for the loan itself, outside the guarantee, the rate is indeed zero. It is nil. Of course, if we were able to say that we are marginally financing a specific state-guaranteed loan with a specific drawing on the TLTRO, we could say that we are going to trigger and to book a net margin of one percentage point.

Actually, again, what we do is that we manage globally the the balance sheet. The balance sheet is moving permanently, especially in these present circumstances where we have had many, many changes in the behaviour of customers.

To put it differently, the TLTRO is going to help decrease a little bit the weighted average cost of the funding of our balance sheet. At the same time, however, the state-guaranteed loans are not going to help boost the weighted average yield of the assets that we have in our balance sheet. The answer to your question fully depends on whether you want to have only a marginal reasoning or if you really take into account the reality, which is the global monitoring of the balance sheet.

Rating migration. We regularly review the rating of our different counterparts. We have to do it regularly. Of course, every time the credit quality of a counterpart deteriorates, we have to downgrade its rating in our system and this is triggering an increase in the level of RWAs. On this quarter alone, this led to close to €2 billion increase in RWAs at CA-CIB. It is not nothing, definitely. Possibly, it can continue, going forward.

This rating migration effect is part of the more global set of elements that trigger a modification in the level of RWAs. In itself, however, probably the rating migration will continue to be negative, going forward. Again, €1.9 billion of additional RWAs at CA-CIB in the last quarter.

Then, on tax –

Matthew Clark: Can I just check that?

Jérôme Grivet: Yes, go ahead.

Matthew Clark: How do you assess the counterparty rating there? Is it your internal assessment based on interest coverage – those kinds of metrics – or are you relying on external parties and external ratings there?

Jérôme Grivet: No, it is –

Matthew Clark: How does that process work?

Jérôme Grivet: It is an internal process that takes into account all relevant information. However, it is an internal process with which we rate. We have an internal rating of all our counterparts. As you know, within the Group, we have several entities that can lend to the same counterpart.

Then, there is one of the entities of the Group, which is the leader in assessing this rating. For example, generally for the Larger Corporates, it is CA-CIB. However, for some smaller enterprises, some smaller businesses, it can be either LCL or CA-CIB or one of the Regional Banks, it depends.

Matthew Clark: Thank you. Then, on taxes, yes, I interrupted.

Jérôme Grivet: Yes. Then, on tax – excuse me, I was just looking at my notes. On tax, well, there is this Affrancamento effect, which is generating a decrease in the level of tax of around €60 million gross at Crédit Agricole Consumer Finance.

Besides, you know that there are two elements that generally trigger a reduction in the level of the tax rate. The 81 coupons, which are tax-deductible, but they do not play a massive role this quarter because it is not completely spread regularly across the different quarters. If I remember correctly, it was not a very significant amount this quarter.

Then, we have also the fact that some of our profits in different businesses are booked in geographies where the corporate tax rate is lower than in France. It is the case obviously for a big part of CA-CIB activities. However, it is also the case for some other activities. This is leading to an average tax rate which is structurally lower than the marginal corporate tax rate in France.

In addition to that, within the tax line, we can have regularly ups and downs that are linked either to the booking of certain revenues which benefit from the lower tax rate. It happens sometimes in the insurance business.

Also, however, we have some tax uncertainties or tax litigations. We book some provisions. Generally, with tax provisions, we are as prudent as we are with credit provisions. It means that every time there is a tax dispute that is settled, generally, it is settled with a lower cost than the one we had initially booked.

It means that we can have, on a specific quarter, some reversal of tax provisions that benefit to the average taxpayer. There have been some bits and pieces of elements like that this quarter across the board. This is leading to the provisional, I would say, tax rate of the quarter because you know that when it comes to taxes, the reality really takes place at the end of the year.

Matthew Clark: Great. Thank you very much.

Jérôme Grivet: Thank you.

Jacques-Henri Gaulard (Kepler Cheuvreux): Yes. Sorry. A couple of follow-ups. On the tax, Matthew's question was interesting. There is just this huge €77 million recovery on the Financing business. Just to have an idea of what it is.

The second question. What is quite interesting about the performance of the division is Wealth Management, which is doing extremely well, which has almost doubled its profitability versus last year. Again, is it a base from which we can actually work on? Are you comfortable about the return on net equity for 2022 which, for this division, is I think 25% and would correspond to a doubling of current profitability?

Lastly, I would be delighted to join the insurance one-on-one pitch-in between Pierre and Emily. Thank you.

Jérôme Grivet: Okay. On Wealth Management, it is clear that the business is improving since, now, several quarters. Actually, we had reached earlier, beginning of 2019 or even end of 2018, a low level of profitability. Jacques PROST, the head of the business is working on improving the cost efficiency and on improving the revenue generation capacity. So we expect, globally, the trend to continue.

Of course, there can be some ups and downs on a quarterly basis. The first quarter was very good revenue-wise. The second quarter was a little bit weaker, from a revenue point of view. However, it was better, also from a tax point of view, to go back to this point.

All in all, the bottom line improved. However, it is not there yet, in terms of profitability targets. Globally, your second question on the tax rate –

Jacques-Henri Gaulard: The Financing division, yes –

Jérôme Grivet: We are trying –

Jacques-Henri Gaulard: – which is a positive. Yes.

Jérôme Grivet: Yes. We have to dig a little bit into your question before answering. I do not have the answer offhand.

Jacques-Henri Gaulard: Okay. Yes. Thank you, Jérôme.

Jérôme Grivet: Thank you. I think we have one last question?

Phelbé Pace (Société Générale): Yes. Good afternoon. A quick follow-up question on LCL and on mortgage, specifically please, that I would like to squeeze in, if I may?

You seem quite confident about the mortgage volume outlook at LCL in the second half of the year. However, the *Observatoire du Crédit Logement* estimates now that mortgage production levels in France should fall by 26% in 2020 if the country's GDP declined by 10% this year, which is, I think, your main assumption. I would just like to understand what makes you confident that LCL could maintain good mortgage volume growth in the second half of the year in such a market context. Many thanks.

Jérôme Grivet: I said I was confident about LCL. I did not specifically say I was confident about the capacity of LCL to grow the home loan volumes. Globally, the business of LCL is behaving quite well.

Of course, if there is a certain downturn on the evolution of the home loan market, it is going to be also felt at LCL. However, as I said earlier, LCL tried to diversify a little bit the breakdown of its different categories of lending by increasing the corporate volumes, by increasing the consumer credit loans too, and the loans also aiming at professionals.

What is going to be important for us, globally for LCL, is the capacity of keeping a good dynamic of loans globally, not only home loans, and also a good dynamic on the sale of other products and services, so not only lending. The key to the Retail Banking business in France is really to be able to continue to develop the whole set of activities around the customers. I agree that there might be a slowdown in the home loan business, but LCL does not rely only on this business.

Phelbé Pace: Very clear. Thank you.

Jérôme Grivet: Thank you. I think it was the last question. Let me thank you for your attendance to this meeting. Let me wish you also nice holidays – at least for those of you that intend to take some holidays. It is going to be my case. Have a good afternoon. Bye bye.

[END OF TRANSCRIPT]