Fourth Quarter and Full Year 2023 Results

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Financial and Business Update

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Introduction

Good afternoon. Thank you very much. Thanks for attending this conference. I want to start directly on the presentation on page four, if you want.

Very good results in 2023

And the first message I want to insist on is the fact that we are posting very good results for this year, 2023. And, indeed, we are posting for Crédit Agricole SA a record level of net profit. This is leading us to propose to the General Assembly meeting a dividend for 2023 at €1.05 per share, which would be up 24% as compared to the 2022 dividend, excluding, of course, the part of this dividend that was linked to 2019.

The fourth quarter of the year was marked in the Insurance activities by weather-related claims. But nevertheless, it was a good quarter, with revenues, excluding Insurance revenues, up more than 9%; recurring cost base, which is completely under control with an increase of 3.7%; and cost of risk, which continues to be in line with what we have posted in the previous quarters.

Last point on this page, let me remind you that we have been organising a dedicated workshop on climate strategy end of last year, and we continue to be dedicated to improve our policy regarding climate change and to deploy all the trajectories that we have published on different sectors.

CASA key figures pro forma IFRS 17

If I go now to page five with the P&L of Crédit Agricole SA, to start with, what you can see is that for the full year, the net profit is at €5.9 billion on an underlying basis, it is up 11% as compared to 2022. And for the full year, it is €6.3 billion, up close to 20% as compared to the stated net profit for 2022. Revenues are up 9.5% for the full year. Cost base is increasing by 8.9%, so we have a positive jaws for this full year, and thus we improve further the cost/income ratio globally.

CAG key figures pro forma IFRS 17

If I go now to the following page with the figures for Crédit Agricole Group, again, what you can see is that for the full year, we have a net profit of €8.3 billion on a stated basis, plus 3.3%, and €7.6 billion, minus 1.5% on an underlying basis. So again, a very high level of profit for the group globally.

Roll-out of strategic plan

Let me now dig a little bit more into the rollout of our strategic plan at the level of CASA.

The universal banking development model ensures steady, high growth in revenues

On page eight, you have some reminders of the global strategies that we are following permanently. And again, this is showing the efficiency of our model, which is combining client capture plus improvement of equipment rates plus permanent enlargement of the scope of products and services that we are proposing to our clients. On the right-hand side of the page, you see that we have been able to achieve different acquisitions and to conclude different partnerships in the last period of time, thus enhancing further the development of our business lines. And on the right-hand bottom part of the page, this is leading to a steady increase in our top line, which is up around one-third in the last six years and, again, close to 10% only on 2023.

Net income group share

On page nine, some additional details regarding the net profit of Crédit Agricole SA on 2023. Maybe just two indications on this page. The first indication is that the record profit that we are posting, with an improvement of €1 billion of net profit on a stated basis and €600 million on an underlying basis, is spread across all business lines – asset gathering, large customers, specialised financial services, and retail banking activities. And on the right-hand side of the page, some indication on the fact that this improvement of the net profit is mainly and almost exclusively driven by the improvement of the gross operating income. The other elements are either negligible or even negative, as the increase in the level of taxes and the other elements.

Very high return on equity, reflected in dividend

On page 10, some elements regarding the profitability, which is and continues to be at a very high level. Again, 12.6% of return on tangible equity at Crédit Agricole SA. It is the third year in a row that we are above 12%. And if I assess the profitability of Crédit Agricole SA, in average over the last seven years, we have been around 12% almost permanently. This is leading again to this dividend per share of €1.05 per share. And you can see that it's a multiplication by three of the level of the dividend between 2024 and 2023 over the last nine years.

All financial indicators are in line with the MTP targets

Page 11, a reminder of the 2025 target that we had set for the medium-term plan. And you can assess that we are perfectly online with those targets, with a net income group share at €5.9 billion on an underlying basis, so close to the level of €6 billion that we are committed to reach by 2025. I just want to insist on the fact that this level of €6 billion and above for 2025 is going alongside with a hypothesis of cost of risk of 40 bps, which is a little bit higher than the one we had indeed this year.

Return on tangible equity 12.6%, which is reached in 2023, so already above the target of 2025. And cost/income ratio, we target to be permanently below 58%. We are at 55.4%, so comfortably below this ceiling that we had set.

CET1 stands end of 2023 at 11.8%, so clearly comfortably within the target of 11%. And last point, we are committed to distribute 50% in cash of our net profit. This is more than reached with the level of dividend of €1.05 for this year. So no issue either on these points.

Progress on the customer project

We continue to progress alongside the strategic lines that we had set back in 2022, developing the new business lines we have announced last year, Crédit Agricole Transitions & Énergies and Crédit Agricole Santé & Territoires. We continue to develop the activities and to progressively put in place the different businesses that are going to fuel those two new businesses. And we continue also to progress in terms of customer satisfaction, in terms of digitisation of our services and products, thus leading to a good level of customer capture, with close to 600,000 new customers net captured since the beginning of the medium-term plan.

Climate strategy

Last page on these elements regarding the medium-term plan, we continue to develop our climate strategy. We have committed, end of last year, for net-zero trajectories for five additional sectors, so that we now cover 10 sectors. And the global strategy relies, first and foremost, on the accelerated development of the financing of low-carbon and renewable energy sources, with some very ambitious figures that are on this page, amongst which a multiplication by three of the financing that was put in place by Crédit Agricole Transitions & Énergies and an increase by 80% between 2020 and 2025 of the exposure of Crédit Agricole CIB on low-carbon energy financing.

And at the same time, we accelerate our disengagement from fossil fuels, with a sharp reduction that we forecast by 75% of the emissions that we financed through the oil and gas financing, that we have in place by 2023. The previous target was only a reduction by 30%. This is completely embedded in our offers, in our internal processes amongst which the budget processing, and in our reporting. Of course, we are induced to do so by the strengthening of the regulation regarding reporting and disclosure.

Crédit Agricole SA Summary

Activity

Let me now dig a little bit more into the figures, starting on page 15 with some elements regarding the activity that we have had in 2023 and especially in the last quarter of 2023. Again, a very good level of customer capture. You see the figures here, close to 2 million new customers and net an increase of the customer base by close to 200,000 new customers. We continue to equip, to improve the equipment of those customers with our different products and services, especially P&C insurance policies.

Of course, this year and also in the last quarter of the year, the production of new loans has slowed down as compared to what it was in 2022.This is, of course, linked to the increase in the level of rates. But nevertheless, loans outstanding continue to grow. And the rest of our activities had a very good momentum, both for the full year and especially for the last quarter. And I can give some example regarding the CIB activities, where we have posted a very high level of activity in the last quarter, very close to the one we had back in 2022, which was a record year.

In asset management, we have had strong inflows for the full year and especially for the fourth quarter, bringing assets under management back over €2,000 billion. The level of activity in the Insurance business has been very good also for the full year; for life insurance activities, a record level of unit-linked products inside the new inflows, and a very buoyant activity both in P&C and protection businesses, with premium income sharply up. And we also provide some data regarding Crédit Agricole Italia, where we have seen a sharp increase in the production of new loans.

Revenues

Let me now dig a little bit into the evolution of the revenues. Starting with the full year, revenues are up 12% on the stated basis and 9.5% on an underlying basis, which is a sharp increase. And on the quarter, we have, of course, to spread the evolution of the revenues between the Insurance activities and the other activities. When it comes to the other activities, revenues are up 9% on the quarter, and it is the case for the large customers division, for the specialised financial services division, and also for the retail banking activities.

When it comes to asset-gathering activities, revenues at Amundi were at a good level, and the impact that we have had this quarter is concentrated on the Insurance activities. On the Insurance activities, we have a significant decrease in the level of revenues compared to a fourth quarter of 2022 that we have restated under IFRS 17. And this decrease in the level of revenues is explained by three main elements.

The first one, and the most important one, is the fact that we have had, in the fourth quarter of 2023, a very high level of claims regarding weather events that took place during this fourth quarter as compared to a fourth quarter of 2022, which had a low level of claims regarding weather events. And you know that under IFRS 17, there is no longer the possibility of smoothing the impact of those weather events by using or building some specific provisions. So we have said it several times in the past, but this is an illustration of that, we have to take one-off the impact of those events. Nevertheless, all in all for the full year, revenues in the Insurance business division are at a very good level.

The other two elements that explain this decrease in the level of revenues this quarter coming from the Insurance business is first the restatement of Q4 2022 under IFRS 17, which increased the level of revenues as compared to what it was under IFRS 4 by around €100 million. And the second element is the fact that we have taken some specific one-offs this quarter that represented also around €100 million this quarter, which are not replicable.

So all in all, in terms of revenues, a good level of activity, and a sharp increase in the level of revenues for the full year, and a momentum that continues to go at the same pace in the fourth quarter.

Expenses

If I go now to page 17, regarding the evolution of the cost basis. Again, some specific elements, I want to comment on the fourth quarter. On the fourth quarter, there is apparently a significant increase in the cost base, by close to €500 million on a stated basis and even at €500 million on an underlying basis. But actually, the biggest part of this evolution is explained first by scope effect. We have now in our parameter Crédit Agricole Auto Bank, and we have also the European activities of RBCs, which were not in our parameter back one year ago. This represents close to €200 million of cost basis.

We have also some non-recurring items, both base effects in 2022, close to €100 million, and some specific one-offs in last quarter of 2023 for, again, close to €200 million. So net-net, the underlying recurring cost base is up this quarter only 3.7%. This is perfectly in line with the level of inflation that we are having now in France and Europe, which where the biggest part of our cost base is taking place.

And for the full year, we have a level of cost base evolution which is in the region of 8%. And again, we have a significant scope effect and some non-recurring items. And if I restate the evolution of the cost base for the full year from these scope effects and from these non-recurring items, the evolution is closer to 4%. Nevertheless, even if I take the 8.1% or 8.9% of evolution of the cost base, I compare it to the evolution of the top line, definitely, we have a positive jaws effect.

Gross operating income

If I go now to page 18, regarding the gross operating income, what we can see is that on the fourth quarter, if I leave alone the asset-gathering business division, because of the specific elements regarding the Insurance activities, there is a further improvement of all business divisions in terms of gross operating income. And this is also very much the case for the full year, where all business divisions, including the asset-gathering business division, are significantly improving their levels of gross operating income this quarter.

On the right-hand side of the page, we continue to have a decrease in the cost/income ratio at CASA, be it with or without the effect of the Single Resolution Fund, and we continue to be in the best part of the sample of European peers that we follow on this point of view.

Risks

If I go now to page 19, starting with the cost of risk, what you can see is that in the fourth quarter of this year, we have a certain stability of the cost of risk, both vis-a-vis the fourth quarter of 2022, and also vis-a-vis the third quarter of 2023. So, all in all, there is a very moderate evolution of the cost of risk for the full year, around 9% for Crédit Agricole SA, and 6% for the Group, despite the increase in loans outstanding. So no deterioration in the credit quality, neither for the full year, nor for the fourth quarter.

You can see that this is very much the case on most business divisions on page 20. I want to stress the fact that on the financing activities of CACIB, we continue to have a very, very low cost of risk. Actually, it is close to zero this quarter, and it is very moderate for the full year. At the level of the Consumer Finance entity, we have now a level of cost of risk which is more or less stabilised at a higher level than back in 2022, but no further deterioration and the level that is, in absolute terms, far below the sharp levels that we could have had in the past.

At LCL, as well as the regional banks of Crédit Agricole, we have a cost of risk which is in the region of 18 bps, and it is concentrated on certain segments of small businesses or self-employed professionals that are weakened either by the increase in the cost of energy or by some specific difficulties in the real estate building business in France due to, amongst other elements, the increase in interest rates.

Asset quality

If I go to page 21, the same figures and the same trends, a high level of loan loss reserves, close to €10 billion for Crédit Agricole SA and above €20 billion for the Group globally. A level of non-performing loans overall low, 2.6% for Crédit Agricole SA, 2.1% for the Group. And the coverage ratio, which continues to be high, above 70% for Crédit Agricole SA and far above 80% for the Group globally.

This is illustrated on page 22 where you can see that both the Group and Crédit Agricole SA are comparing very well vis-a-vis most of their European peers, and the diversification of the loan books that we have both for the Group and for Crédit Agricole SA explained very well the reasons why this level of cost of risk is low and this level of asset quality is very good.

Financial strength CASA

Let me go now to the solvency on page 23. At CASA, the CET1 ratio is stable between end of Q3 and end of Q4. Despite the top-up that we have decided to propose on the level of dividend, the normal level of dividend applying strictly our 50% pay-out policy would have represented an impact of 16 bps on our CET1 ratio. And the top-up that we have decided to propose to the General Assembly meeting represents an increase of 6 bps. So all in all, nevertheless, we retained around 10 bps of solvency this quarter thanks to the high level of profits.

The organic growth of our business line represents only 8 bps, and as the other elements are quite marginal, actually, this explains the stability of the CET1 ratio at CASA, far above this target that we have of 11%. At Group level, we have more or less the same trends with a level of solvency which continues to be at the forefront of all European G-SIBs, far above the second best capitalised G-SIB in Europe and with an absolute level which is stable over the quarter at 17.5%, a distance to SREP at 820 bps.

Financial strength CAG

Regarding liquidity. Starting with the customer deposits, it increased close to 3% over the quarter at a very high level above €1,111 billion. And we continue to have a very good level of diversification of these customer deposits, ensuring the stability and the dynamics of our customer deposit basis. This is generating liquidity indicators which continue to be very well-oriented, with liquidity reserves increasing further this quarter, close to €450 billion, to LCR ratios above 140%, be it for Crédit Agricole SA and for the Group, and be it end of the period or over the whole period.

And last point, we still have €27 billion of TLTRO to repay, but of course we have far than enough reserves to face these repayments, which are due this year in March and June mainly.

I will stop now with this presentation. I simply summarise it stating that we have had a very, very good year, a momentum and a dynamic that is still very active over the last quarter of the year, and thus we confirm very comfortably our targets for 2025. And as always we will try as much as we can to beat those targets.

Thanks, and I am ready now to take your questions.

Q&A

Delphine Lee (JP Morgan): Good afternoon. Thank you for taking my questions. So I have got two. My first one is on the cost/income and cost in general. You are already at 55%, which is clearly well below your long-term target of below 58%. So just wondering, is the intention in the next couple of years to continue to have just a positive jaw of 0.5 percentage point, or how does that square with your targets in 2025?

My second question is on capital and pay-out. If you could just remind us of the moving parts on capital between the acquisitions and trim, just so we assess what is ahead. And also on pay-out, is €1.05 DPS the new floor? So do you intend to continue to be flexible about the pay-out ratio and potentially pay-out maybe closer to 55, 60% going forward? Thank you.

Jérôme Grivet: Thank you, Delphine. When it comes to the cost/income ratio target, I think we are comfortable with this target of being below 58%, because we think that considering the business model that we have, considering the type of risks that we take, considering the size of the balance sheet that we mobilise, having a cost/income ratio of below 58% is prudent enough to enable us to cover any level of credit risk that can arise. And so this is a very high level of security for us.

We do not think that it is useful to improve permanently the cost/income ratio and to target permanently further improvements of the cost/income ratio. And we think that there is probably a better way to remunerate our shareholders and to boost our development, which is to use the capacity that we have had to generate cost cuttings and improvements in the cost/income ratio to continue to invest.

So definitely there is no intention from our side to modify this level. We target and we have committed to be below 58%. We are going to do whatever we can in order to remain below 58%, this is clearly a commitment, but we are also happy to invest in order to enhance our development capacities going forward.

So no modification of the cost/income ratio commitment. Of course, no decision to increase the cost base without any purpose and the capacity to invest whenever it is needed in order to enhance further the development.

And it is going to be more or less the same story regarding the capital trajectory and the way we see the capital situation.

Let me start with the first part of your question regarding the moving pieces that are going to take place, vis-a-vis the capital going forward. The elements that are known for the coming one or two years are Trim. We still have another €4 billion of RWAs to take and it is not sure if it is going to be in 2024 or 2025. We have the closing of the Degroof Petercam acquisition that is going to take place this summer. Again, the precise date is not set for the time being. We continue to collect the different authorisations that we need to have before closing the deal, but it is going to be either end of Q2 or beginning of Q3. And we know that this operation is going to represent a hit between 25 and 30 bps of CET1 ratio at the level of CASA.

We then have the last layer of the phasing out of IFRS 9. It is a tiny 5 bps this year and a tiny 5 bps next year. And then we have Basel IV starting January 2025, and we continue to be of the opinion that seen from now, this is going to be neutral for CASA in terms of capital consumption, in terms of solvency. And again, when it comes to the phasing in of the output floor end of the period, so in 2030 and even 2032, this is going to bite, but bite only at the level of the Group, not at the level of CASA. So definitely these moving pieces are tiny, are well identified and are completely compatible with our level of capital that we have now.

And there is one last point, which is an element of actuality because it is an operation that was announced yesterday. There is this acquisition of Alpha Asset Management by Amundi that is going to be closed in the coming, I think, weeks. It is not a very complex operation, and this is going to represent 6 bps of capital consumption for us. So again, perfectly compatible with the level of capital that we have now.

So when it comes to the dividend policy, pay-out policy, we will continue to stick to the 50/50 policy, because we think that it is perfectly normal that we remunerate generously our shareholders. And we have proven in the past that we were very flexible to remunerate our shareholders, but we also want not to jeopardise our growth capacity. And we have proven also that we have the capacity to grow organically and inorganically in a profitable manner. And so we continue to foresee a further development of our business lines, mostly organic development, but ready to see the opportunities if we see some. So the 50% cash pay-out policy seems to us perfectly in line with this will of being able to continue to grow.

Delphine Lee: Great, thank you very much.

Jérôme Grivet: Thank you.

Giulia Aurora Miotto (Morgan Stanley): Okay, so two questions from me. The first one, as you just pointed out in the previous answer, you are not going to have any impact from Basel IV basically, and 11% remains your minimum. So with capital generation, that leaves you a bit of excess capital. Do you have any bolt-on opportunity in the horizon, and what are you looking for there? A continuation of what we have already seen or any change?

And then secondly, if I look at the revenue trajectory on slide eight, I think, of course, there has been some very strong growth. Looking forward, where do you see most growth coming from your divisions, and is there any part which, instead, is perhaps more challenged? Thanks.

Jérôme Grivet: Well thank you for your two questions, Giulia. In terms of bolt-on opportunities, we are not presently working on any specific opportunity. So there is no file on which we are actively working nowadays that would represent an opportunity in the very near future. But nevertheless, this is a permanent, I would say, a focus for us and for the different business lines, of course, maintaining the strict discipline that we have had in the last two or three years in terms of acquisitions, return on investment, return on normalised equity, capacity to integrate without any difficulty, and so on and so forth.

So we are ready to take advantage of opportunities, nothing very concrete seen from now, but of course this is by definition what happens with opportunities, they arise at any moment.

When it comes to the growth possibilities that we see, organic growth possibility mainly, well, it is limitless for us because, again – and page eight perfectly illustrates this strategy – by continuing to attract new customers, by improving the equipment of those customers with the scope of products and services that we are able to propose to them already now, and by trying to look at expansions, further expansion of this scope of products and services, we have very solid growth engines. And so we continue to think that Crédit Agricole SA will be a growth story in the coming year.

Giulia Aurora Miotto: Thank you.

Jacques-Henri Gaulard (Kepler Cheuvreux): Yes, good afternoon. I just had one question, which was about the one-off that you reported, the one-off items in Insurance to start with, and also generically throughout your cost base. One is the feeling that this was a choice rather than a necessity probably to think, 'Well, the nine months were already fantastic, we already had a really, really good year, might as well not make the year that exceptional to leave us a little bit of leeway for 2024.' Is this the right way to look at it? Thank you.

Jérôme Grivet: Well, Jacques-Henri, of course we have to strictly apply all accounting rules. So there is not so much flexibility, but of course when you end up in September with such a high result, there is always the capacity of optimising a little bit the further evolution of the level of profit.

Jacques-Henri Gaulard: Thank you, Jérôme.

Jérôme Grivet: Thank you.

Tarik El Mejjad (Bank of America): Hello, good morning. Hello Jérôme. I'm a bit surprised by your last answer actually. I am still thinking about it. You want to surprise us every quarter, not to manage expectations. So my question was really strategically on your view of your profitability. I know staying above 12% can be anything, right? You can be thinking on your budget 13%, 14%, whatever. But for us, we cannot give you much more credit than the 12%. And as you pointed out, you have been delivering on average that same for last seven years and above 12% for the last few quarters and years. You have been very active on bolt-on M&A and all very profitable and high margin business, and you are still aiming for the same net profit group share of above 6 billion.

So are you being really conservative and you stick to your, very disciplined on not moving targets within the plan, or there are some elements that you thought could be better and then it did not turn out that way, and then you have some positives from growth somewhere else and you still think that is the right number?

And maybe a question, you do not have to answer that, but I would ask it. Do you think consensus is reflecting all the latest M&A or bolt-on M&A you have done? Thank you.

Jérôme Grivet: Well, thank you Tarik. Well, I think that actually what we should have done is to put on the same page, the series of return on tangible equities that we have posted in the last seven years. So between 11% and 12% and 13.1% actually, because these are the different levels that we have reached. So, in average, probably 12%. And on the same page, the evolution of our top line. Because clearly, what we want to propose to our shareholders is not a return that would target to permanently improve, because, at a certain point in time, trees do not reach the sky, and there are some levels of profitability that may be a little bit unsustainable or that could lead to too high risks.

So our story, our value proposal is a story of growth. And so we are growing the top line, we are growing of course the equity basis, the tangible equity basis, and we are proposing a very steady level of return on this growing equity basis. And this is the value proposal that we are having.

So some of our competitors are targeting to improve their level of return. And it is funny to look at the grey bars on the bar chart on page 10, where you can see that from 2020 to 2023, some competitors have managed to increase, significantly, their level of profitability, approaching now ours. But is this also going alongside with an increase of the basis on which this profitability is calculated? I do not know. But our value proposal is clearly to continue to post, as much as possible, a very high level of profitability over time and, at the same time, to grow.

Tarik El Mejjad: Thank you. The drawback of that is that a culture like today, when you have a volatility of insurance that is normal under an IFRS 17 world, which is not always very well understood, you get penalised and as your parts of your value proposition of tangible book and so on. But I hear you, I hear you and I respect that approach. Thank you.

Jérôme Grivet: Yeah. Maybe I take the opportunity of your comment, just to comment the level of profitability of the Insurance business. On this quarter, despite this very high level of claims on weather events, we have posted the level of profit which is closed to €350 million on the Insurance business division. And for the full year, it is €1,650 million and up 12.5% as compared to last year. So definitely, we are very happy with the insurance that we have. Even though this quarter was a little bit more bumpy, it posted a very decent level of profitability, and in both cases for the quarter and for the full year, it represents around 25% of the net profit of CASA.

Tarik El Mejjad: Absolutely. Thank you, Jérôme.

Chris Hallam (Goldman Sachs): Thanks for taking my questions. Two really quick ones, I think, just on the cost of risk in Consumer Finance, so €170 million in the fourth quarter. I think you said on the call that that was a normal level, so I just wonder, is that the right level to run rate or to annualise for 2024? So a classification on what you said earlier.

And then just secondly, maybe a broader question, just on the deal with Worldline. Maybe could you just remind us what the strategy is there, and what do you think you can do with a 7% stake in Worldline that you were not able to do previously?

Jérôme Grivet: Two good questions, of course, Chris. The first question regarding the cost of risk at CACF. In average, the cost of risk on the book of loans that is consolidated within CACF, is around 120 bps, so it is more or less stabilised at this level. I think that the assumption that we had in the medium-term plan for this business in terms of cost of risk, across the cycle or cost of risk that we deemed compatible with the capacity of reaching the €6 billion of net profit, was rather 160 bps. So, all in all, we are below this peak level of cost of risk. Nevertheless, what is important from my point of view, because it is a business in which we have the capacity to fine tune the credit granting criteria very rapidly in order to adjust the level of risk that we are taking, I think we are stabilised and it is okay for us.

Of course we would like and we would hope at a certain point in time to see this decreasing, but nevertheless, 120 bps is perfectly okay.

Second point regarding Worldline. The strategy is very clear. The strategy is to conclude an industrial partnership with Worldline. We are working on it since now many, many months. And even more than that, we have signed this agreement with them back last year, middle of last year, I think it was in July. We are still waiting for the approval from the European Commission to establish the joint venture, and I have now the idea that this approval from the European Commission is going to be granted probably March this year, so next month, which will enable us to create the joint venture formally. And it is going to go live very rapidly because of course we are preparing that since now many, many months. Then, this joint venture is going to start already working in order to improve the scope of products that the Group is offering to their merchant clients.

And this joint venture is going also to apply for a specific license in order to be able to propose directly payment services to customers, and it is going to develop its own business in partnership with the Group and their clients. So this is the strategy, is to conclude and to develop an industrial joint venture and an industrial partnership with Worldline.

When we saw what happened to Worldline last year, end of last year with the sharp decrease in the share price and some other elements of the kind, we deemed it was relevant to show our confidence regarding Worldline and its capacities by taking this stake at a price that we deemed reasonable. And this is outside the scope of the industrial partnership that we have concluded. So really what is important for us, what is key is the creation of this joint venture, the development of its business, and progressively the development of our industrial and commercial partnership. The 7% is something different. It comes with it. It was not a necessity, it was more triggered by the circumstances, and it is not the basis of our strategy.

Chris Hallam: Okay, thanks very much.

Jérôme Grivet: Thank you.

Geoff Dawes (Societe Generale): Hi, everyone. Yeah, good afternoon. A couple of questions if I may. First of all, on Amundi and obviously the Alpha acquisition yesterday, you have said in the past that you will try and limit integration efforts and acquisitions to one per operating division at any one time. Is Alpha big enough to qualify as that? Is that your operational bandwidth for bolt-on deals for asset management for the year, or can you run things alongside that as well? So that is the first question.

On the second question, French retail, could you give us an idea, as you are restarting production a little bit in the mortgage book, what kind of margins, pricing, ROE, whatever you look at, new mortgages in France are actually generating, just to give us an idea on a stand-alone basis before any cross-sell and everything else. So those are the questions. Thank you.

Jérôme Grivet: Thank you. Well, this acquisition that Amundi has signed and concluded, announced yesterday, is very important for Amundi because it is bringing some significant complement to the real asset business of Amundi. But nevertheless, it is a tiny operation. So I think it does not really apply or justify a very longer acquisition ban, to take your expression, because this one is, I think, quite easy to plug onto the rest of Amundi. It is not as complicated and as large in terms of assets under management and in terms of teams to integrate than, for example, the Lyxor just one and a half years ago. So definitely not the same category, for sure.

Geoff Dawes: So it is open for deals if needed?

Jérôme Grivet: And I think that Amundi is permanently explaining their strategy regarding the possibility of making acquisitions.

When it comes to French retail, what we are seeing for the time being, let us talk about volumes and then let us assess a little bit of pricing. When it comes to volumes, they were again a little subdued in the fourth quarter of last year, as was the case for most of the year. And even we have seen a decrease between the third and the fourth quarter in the production of new loans. But at the same time, we have seen a continuation of the increase in the level of rates, customer rates, that we have been able to justify vis-a-vis our customers.

And so the loans that were produced in the course of the four quarter were, on average, 46 bps above the rates of the loans that were produced in the third quarter. But you know that French banks have been lagging behind the increase of the usurary rate ceiling in the last one and a half years. So I think we have now reached the level where this ceiling is no longer that much biting. Nevertheless, the rates that we have signed and not put in place yet in the beginning of 2024 had a rate in average of 4.4%, which is of course very significantly above the back book. So, of course, this is positive for the future net interest income of LCL and globally for the market.

Geoff Dawes: Brilliant. That is really clear. Thank you.

Sam Moran-Smyth (Barclays): Hi, thanks. Hi, Jérôme. Yes, two questions please, both on LCL. So firstly, specifically on the quarter, you saw quite a bit of cost inflation, and I think in the slide you are flagging higher IT and staff costs. So just wondering to what extent we should view those as impacting each quarter from here, or some of the higher staff costs, Q4 specific.

And then secondly, just a bit more strategic. So you announced at your CMD 18 months ago that you would relaunch BforBank. We have not heard much more on that since then. On customer numbers alone, it seems to be somewhat behind the curve, so just wondering if there is a reason that a digital bank brand seems to be of lower importance to CASA than it does for peers. Thank you.

Jérôme Grivet: Thank you. Starting with the cost base at LCL, we have taken some one-offs at LCL as well as in other business divisions. Let me name two for LCL. The first one is that we have had in France a decision from the Supreme Court, *Cour de Cassation*, regarding the way we must calculate some specific provisions on paid leave. So all employers had to recalculate their paid leave provisions, and this triggered an increase, which was quite significant actually for LCL because LCL has a significant number of staff. And so I think for LCL it was in the region of €10 million of additional cost, which is a one-off, absolutely a one-off. It is not going to be repeated quarter after quarter. It is simply a readjustment of the level of the provision. And starting from now, the provision is going to be calculated according to the new rules set by the Supreme Court. So, nothing to expect in the future.

The second element is regarding some IT costs. We have decided to write off some IT investments that we had in our balance sheet that were going to generate over time some amortisation. And for some reasons, either linked to their obsolescence or some other reasons, we have decided to write off those elements from our balance sheet, thus easing the efforts of amortising over time. And this is representing, I think, between €10 million and €20 million for this specific element.

So, all in all, at LCL, the non-recurring elements of increase in the cost basis represent €32 million on the quarter alone. And going forward, we will continue to monitor the cost base at LCL much closer to what you have seen in the last period of time, which is also the case globally for 2023, with an increase for the full year which was limited to less than 3.5%.

Then when it comes to BforBank, it is not moving the needles at the level of the figures for Crédit Agricole SA globally nowadays. But we have relaunched completely BforBank back in September, and so now we have a very, very steady level of customer capture, which is around 2,000 customers a week, and it has been regularly improving in the last four months. And so we are on track. The idea is not to pay a lot to attract customers that are going to leave us very rapidly, but to build really a customer base that is going to be loyal to BforBank in the long run and that is going to appreciate the specific value of BforBank for their customers. So we are on track and no worry regarding BforBank at this point in time.

Sam Moran-Smyth: Thank you.

Jérôme Grivet: Thank you.

Stefan Stalmann (Autonomous Research): Hi, Jérôme. I hope you are well. I wanted to ask two things please. On slide 19 where you detail your cost of risk, there is about €66 million of other provisions. Could you maybe explain what they relate to? Some of them seem to be in Italy.

And the second question also is a risk question regarding US commercial real estate, which is becoming a bit of a hot topic these days with banks in the US and Japan and Europe being caught out – individual banks, very importantly. Do you see anything in your particular commercial real estate book where fault lines appear, or are you totally comfortable with the way the portfolio looks like and how it is provisioned?

Jérôme Grivet: The €66 million of provision globally at CASA is spread between CACIB on the one hand and CA Italia on the other hand. It is made of different categories of provision for legal claims for different elements. So not one specific issue, but bits and pieces of provisions regarding different topics which are not credit risk related, but nothing very specific and nothing that is going to be repeated over time. Even if it is not under IFRS 9, it is prudent rather than anything else.

When it comes to commercial real estate, if we were seeing signs of difficulties in our portfolio, we would certainly have taken some additional provisions, especially considering the level of cost of credit risk at CACIB, which was almost nil on this quarter. But definitely what we see is that we have not identified any weakness in our portfolio, neither globally nor specifically in the US, where we have a rather small portfolio as compared to the size that we have globally. And so definitely, of course, we are seeing what is taking place in the world, but no specific worry regarding our portfolio. And we provide on page 65 some additional information regarding our portfolio.

Stefan Stalmann: Great. Thank you, Jérôme.

Guillaume Tiberghien (BNP Paribas): Thank you. Good afternoon. I have got two question and one clarification please. The clarification, earlier you said that the new business rates in Q4 for LCL was 4.4%. Did you say mortgages specifically or overall, and is it in January still 4.4%?

The two questions are number one on the cost. You seem to suggest the underlying cost growth is about 3.7%. Are there any elements in 2024 that get you to think that we can ease from that level of 3.7%? And then the second question, small detail, but on the RWA slide you highlight plus €2.9 billion on corporate centre due to some FX impact. So are we going to get back those €2.9 billion in Q1? Thank you.

Jérôme Grivet: Okay. Very precise questions, Guillaume, as usual. On the 4.4%, it is the level of the rate, the home loans that we have approved in January, and so those loans have not been put in place yet and had not been put in place in the figures of the fourth quarter by definition. They are going to be progressively put in place over the course of the first quarter of this year. And this level was already around the same level back in October. So I think that what we can acknowledge is that we have reached some kind of a plateau when it comes to the pricing of new home loans in France, at least in our activities.

On the cost base, what do we see going forward in 2024? We are going to continue to have some scope effects in the first and second quarter, because the integration of Crédit Agricole Auto Bank was made only in the beginning of the second quarter of 2023. So the first quarter is going to have a scope effect, and the integration of RBC's European activities took place only at beginning of the third quarter. So again, in the second quarter, we will still have the scope effect regarding RBC. Then we will have, of course the integration of Degroof Petercam, middle of the year, and we will have some integration costs, both for RBC and for Degroof Petercam.

So these elements are definitely going to play a role in the overall cost base in 2024, but we will of course provide all the details regarding those specific elements of cost.

When it comes to the RWAs of the corporate centre, I can tell you that a first operation that represents €1.5 billion of RWAs has already taken place. So this part is already out. And the second part, I do not know exactly when it is going to come, but we will check the element. But the €1.5 billion is already gone, end of January. It was a specific provision that we needed to take considering the RWA calculation rules, because we bought the dollars to repay an AT1, and the repayment of the AT1 is in indeed done. So now we have no longer the dollars in our books, and so we do not have the impact in terms of RWAs.

Guillaume Tiberghien: Thank you. My question on the cost maybe was misunderstood. It was more to try and understand whether on the underlying basis, excluding the scope, you can get better than the 3.7% where we finish the year.

Jérôme Grivet: We will see, we will do as much as we can, of course, to monitor the cost base. We will certainly have the full year effect of some salary increases that we had granted middle of last year. So, for the first part of the year, it is going to have an effect. But then, otherwise, we have adopted our budgets. We do not disclose the budget, but I can tell you that we have had some harsh discussions with the different business lines in order to curb as much as possible their asks regarding their capacity to spend.

Guillaume Tiberghien: Thank you.

Jérôme Grivet: Thank you.

Anke Reingen (RBC): Yeah, thank you very much for taking my question. I have two follow-up questions. Firstly, on the question from Delphine earlier about the €1.05 being a floor, I think you responded with the 50% pay-out ratio. But I guess that would not exclude you visiting where you end up at year end and then potentially top up.

Then secondly, on the cost of risk, there is around 40 basis points versus your current run rate. I guess that just assumes like some buffer for the financing area. Or is there a structural shift that we should be expecting that it goes to the 40 basis points? Thank you.

Jérôme Grivet: Well, we have not said that €1.05 was a floor. It happens that, for specific reasons, it has been the same level in the last three years. But actually the €1.05 of this year is not the same as the €1.05 we had in the last two years.

So I leave to every one of you the responsibility of assessing if there is a floor or not, but we do not commit to any kind of floor. The only commitment that we make in terms of dividend policy is the 50% pay-out policy in cash.

When it comes to the cost of risk, the 40 bps was an assumption, which is a blend, actually, between the different businesses – retail banking activities, corporate banking, consumer credit. So it is a blend. It is a conservative assumption of what could be the cost of risk across the cycle. And it is also an element of the commitment in terms of net profit, because what we are targeting is to be able to deliver a net profit above €6 billion, even though we have a 40 bps cost of risk.

So it is a calculation element. It is not a forecast. It is not a target, of course. It simply is an element of explanation of how you should look at the over €6 billion net profit target for 2025.

Anke Reingen: Okay, thank you very much. That was clear. Thank you.

Jérôme Grivet: Thank you.

Pierre Chedeville (CIC): Yes, good afternoon, Jérôme. One question regarding Insurance, as we see that people focus on that. Do you think that you need to change your underwriting policy or your re-insurance policy regarding P&C, considering the fact that now unfortunately we are probably living in a new world of nat cat, more frequent, notably. Do you think there is something like that to do in order to stabilise your technical ratio?

I was also wondering if we have a decrease in the rate, notably in the second half of 2024, do you think that you will have a significant sensitivity regarding the discounting effect on your reserves that may probably disturb the understanding of your results in that part? And do you think that it would be useful to give any sensitivity of your technical ratio regarding evolution of rates in IFRS 17?

My second question is about Italy. You mentioned that you have reached a ceiling on interest revenues, which is understandable regarding the high growth last year. In the meantime, some of your Italian competitors said that they see a continuing growth next year, less than in 2023, but still a growth in their interest margin. How do you explain that? Thank you very much.

Jérôme Grivet: Well, let me start with your last question because it is going to be quite swift actually. I do not want to comment what some of our competitors said. What I am seeing, and actually we are seeing it already in the course of the fourth quarter, is that there is some kind of stabilisation at a high level of the net interest income at the Crédit Agricole Italia. And probably we are not exactly the same as the other Italian banks, because we have probably granted more fixed rate loans in Italy than the average of the market, because we think that it is good for the consumers, and thus at the end of the day, good for our cost of risk.

When it comes to P&C insurance activities and underwriting criteria of reinsurance policy, it is clear that every year, when we prepare the next year, we have some elements on which we are going to play. We are, of course, integrating the cost of risk of year X into the pricing of the new policies for year X plus one. And definitely after a year in which the cost of risk, the cost of weather event has increased significantly, there is a translation into the pricing of the policies. So that is going to take place of course.

Then the second element is that we are discussing with the different reinsurance companies in order to adjust the level of reinsurance that we take, and it is a permanent arbitration between the cost of this reinsurance and the level of protection that is providing to us.

In addition to that, you may have seen that last year, Pacifica, which is the P&C insurance company of the Group, has issued a cat bond in order to complement its coverage of natural catastrophes' impacts going forward.

So it is a permanent adjustment. We have to play on these different elements in order to adjust to what we can foresee in terms of intensity and cost of weather events. But it is pretty sure that the cost of weather events is going to increase going forward, and that the only way to cover this increase in the cost is through the level of the premium that we have to apply. By definition, there is no possibility for us to take the charge at the place of our consumers.

Then, when it comes to the impact of rates on the discount dimension of the combined ratio, I do not have in mind any sensitivity on this topic, so I will check if we have some. If we have some, I promise that we will come back to you. But I do not have in mind any sensitivity analysis of this kind.

Pierre Chedeville: Okay. Thank you very much.

Jérôme Grivet: Probably safer to do so.

Pierre Chedeville: Okay, thank you.

Jérôme Grivet: Thank you.

Alberto Artoni (Intesa Sanpaolo): Good afternoon. Thank you for taking my question. Just a quick follow-up on the cost. I just wanted to understand, is it fair to say that, for you, beating your target of 12% return in tangible equity would be more important than beating your target of the cost/income below 58%? That would be explained by the type of bolt-on acquisition that you have made, where perhaps you might have higher cost/income, but very interesting return on tangible equity.

My second question, very quickly, I understood that you expected some recovery on LCL in the second half of 2024. Is it still the case? Has something changed from that point of view? Thank you.

Jérôme Grivet: Okay, so let me start with your first question, which is a difficult one, and hopefully we have not been faced, up to now, with this arbitration to do between cost/income ratio and return on tangible equity, because all the bolt-on acquisitions that we have made, in average, had a cost income ratio after synergies at or below 58%. So nothing dilutive regarding our cost/income ratio, in terms of commitment.

So no jeopardization of our commitment of keeping our cost income ratio below 58%. At the same time, all these operations were generating a return on tangible equity, a marginal return on tangible equity, normalised equity above 12%. So all these operations were meeting, at the same time, those two criteria.

I do not have in mind any operation that could pose the question of making an arbitration between those two elements. It would be, of course, a puzzling situation. But for the time being, I do not have in mind any operation that would pose such a question.

When it comes to 2024 and the forecast of LCL, of course, when we say that we expect a pick-up in the NII at LCL somewhere in 2024, this is under a certain number of assumptions regarding the evolution of rates, namely the fact that the rates would not start to decrease too rapidly and would not decrease too abruptly. Because of course, if rates go back down very, very rapidly, and I do not expect that to take place, it would change a little bit the situation. But under the assumptions that we have made, and this assumption is namely the fact that the rates are not going to decrease before probably September, this is what we expect.

Alberto Artoni: Thank you very much.

Jérôme Grivet: Thank you.

Benoit Valleaux (ODDO BHF): Yes, good afternoon, Jérôme. Two questions on Insurance, one in P&C, one in Life. Maybe in P&C, just a follow-up question regarding profitability outlook. You mentioned price increase post cat nat losses. So how do you see the level of profitability? So this year, is it fair assume for example, that your combined ratio could return to 2022 level at 95% or below that under IFRS 17?

The second question, in Life, we have seen a decrease in outflows on traditional life insurance products in Q4 versus Q3. Despite this, you have reduced your level of PPE reserves, meaning that you try to boost your level of crediting rate paid to policy holders. So I just wonder if it is a kind of defensive move in order to preserve your book of business, or do you see this business as being profitable, and therefore you would like to push sales on this product going forward? Thank you.

Jérôme Grivet: Well, two good questions, and difficult to answer very simply. Of course, we have seen an increase in the combined ratio in 2023 as compared to 2022. I think that all the elements that I was mentioning earlier – underwriting and pricing policy, re-insurance policy, cat-bond issuance – all these elements are here in order to improve further, going forward, the combined ratio. We cannot commit to go back in 2024 to the level of 2022, but certainly we want to reduce this combined ratio going forward.

When it comes to Life insurance activities, we have been using the PPE exactly for the purpose for which it was made. Actually, the PPE is here to accompany the increase in rates, in order to preserve the portfolio, to develop the business, to remunerate the clients, the policy holders. We have used a small part of the PPE that we had. We still have 4.5% or 5% of the euro-denominated product outstanding in PPE for the future.

But clearly, the idea of the PPE was to be used, and legally we must use it in the eight years after the building up of the PPE. So it is here to be used. We have used it for all the purposes you mentioned, to preserve the book, to remunerate the customers, and to improve their loyalty, to increase their loyalty, and also to apply our client policy, which is a policy that needs to be client-friendly. So we did. It was reasonable to do so.

Benoit Valleaux: Okay, thank you.

Jérôme Grivet: Thank you.

Phelbe Pace (Societe Generale): Hello. Thank you very much. Thank you for taking my questions. I have two actually please on your Italian retail business, so apologies in advance if I am missing anything here. But you are describing a quite strong performance in the business this quarter, but on a quarter-on-quarter basis, it actually looks like your revenues are down quite significantly in the division. So can you give us some explanations around that, and whether you expect NII growth to decelerate quite quickly in the coming quarters, even in the context of gradual potential rate cuts, as you described it earlier?

Then secondly, still in Italy, but more generally, you are giving us the number of customer acquisition in the business this quarter. Can you remind us your retail market share in the country and whether you have been happy with the way it has evolved over the recent past? So those are my two questions. Thank you very much.

Jérôme Grivet: Thank you. On your last question, which country are you talking about? In Italy again?

Phelbe Pace: Still Italy. Yeah, indeed.

Jérôme Grivet: Okay. So in Italy, what we have seen in the last quarter was that, of course, the revenues were up globally for Crédit Agricole Italia. If you can show the page, revenues were up 4.4% and the net interest margin was a little bit down between Q3 and Q4. So exactly what we have been saying already between Q2 and Q3, i.e. we have more or less reached some kind of a plateau in terms of NII in Italy, because rates have stabilised and even started to decrease a little bit, if we talk about long-term rates.

So this is perfectly in line with what we had in mind. I think there is nothing more to say on that. Of course, the same assumption for the future evolution of rate applies as for LCL.

In terms of the development in the country, the last significant operation that we made was the acquisition of Creval inorganic growth operation. But now we are working on the organic development of Crédit Agricole Italia. In terms of number of new customers that we have managed to capture in Italia, we have managed to attract 175,000 new customers in Crédit Agricole Italia, which was an acceleration as compared to 2022.

So we combine inorganic growth, when available, and organic growth every time it is feasible. Just to mention that our market share in retail banking in Italy, is now at 5%, which is the highest level we have reached ever.

Phelbe Pace: Thank you.

Jérôme Grivet: Thanks very much. So again, thanks for attending this call, and looking forward to seeing you in the coming weeks or months. Bye-bye.

[END OF TRANSCRIPT]