Q3 and 9M 2020 Results

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General Summary

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Opening remarks

Good afternoon to every one of you. I will try to make a very quick presentation, especially today because I imagine that some of you may have in mind some other topics and other worries than simply our results.

Summary

Key figures

So let me start directly on page four of this presentation where you have the main figures, in terms of profitability for the Group. I just want to make a few comments on this page. First, keep in mind that from a macroeconomic point of view, but also from a Group point of view, the third quarter of this year was earmarked with a very significant rebound in the level of activity. What we show on this page is that we have had very good operational performances, which translate, for example, with the gross operating income, which is up both for the Group and for CASA.

Net profit is very resilient, despite the level of the cost of risk. I will go back on this question later on. You can see that both for the Group and for CASA, especially if you look at the underlying figures, the level of profit is very close or even a little bit above the one that we have posted last year for the same period.

Solvency is progressing very rapidly and is now reaching record levels, both for CASA and for the Group. Last point on this page, the return on tangible equity for CASA, at 10% annualised for the first nine months of the year, is again, very resilient, despite the very high level of capital that we have for CASA.

Very robust, the Group is, more than ever, committed to strongly support its customers and the economy

If I go now to the next page, I told you that gross operating income was up both for CASA and for the Group on the quarter. This is the results of the top line, which is up in both cases, and a cost line, which is down in both cases. It means that we have significantly improved our cost/income ratios in the two perimeters. In addition to that, we continue to have very high quality of our loan books and the coverage of the NPLs, which continued to be very comfortable.

We have continued this quarter to engage into operations leading to a simplification of the scope of the Group with the sale of the residual stake that we had in Banque Saudi Fransi, with the sale of a small Spanish bank that belonged mostly to one of the regional banks of Crédit Agricole, Bankoa, and lastly, with the initiation of the sale process of CACF NL, our consumer credit operation in the Netherlands, which is now declassified under IFRS 5.

In addition to that, we can mention that the main elements explaining the difference between the stated and the underlying figures, in terms of profit for CASA and for the Group are explained precisely by those last two elements: the declassification of CACF NL and the sale of Bankoa.

The Group's activity has recovered its pre-crisis level

If I go on the on the next page, page six, you can see an illustration of what I just explained, i.e. the very sharp rebound in the level of activity for the Group with all the indicators that are shown on this page that clearly are rebounding very significantly, very dynamically after the lockdown period this spring.

You see that in most cases, we are now not only catching up with the level pre-crisis, but also above this level. This is especially important, in terms of customer capture, where we continue to grow, actually, our customer bases in retail banking activities.

The Group, number one supporter of the economy since the beginning of the crisis

If I go on the next page, just a few elements to highlight the contribution of the Group to this very specific period for our clients across the board. We have been very active in granting to our customers state-guaranteed loans, with a total amount of close to €30 billion in France.

And we have also been very active in granting our customers payment holidays, with granted payment holidays to our customers in more than 500,000 occasions. At the end of September, two-thirds of these payment holidays had ended. Every time the normal repayment date has been past, 97 of the payments have resumed without any difficulty, showing that, actually, this payment holiday was a very useful and practical tool in order for us to help our customers.

A Group with strong foundations, armed to face the crisis

Strength of the universal banking model, with 24 strategic partnerships, and more than 800 million customers in Europe and Asia

If I go on the following page, just an illustration of the reason why we have proven so robust and so able to navigate through this very special year without any major impact on our P&L. It is clearly the result of the strength of our business model – universal banking model with a very solid customer base in retail banking activities, more than 50 million customers in our own retail network, plus the addition of a very significant series of strategic partnerships – 24, as of today – which gives us access to many more customers in order to sell the product of our different specialised business lines. Clearly, the combination of those two elements is providing solidity and resilience to the Group very significantly.

A Group continually reinforcing its solidity

High levels of solvency and liquidity

If I go on the next page, it is a summary of what I would call the robustness indicators of the Group, which are summarised on this page. A CET1 ratio of 17%, a very high quality loan book with the level of NPL which is only at 2.5%, end of September, a very prudent provision approach, which is leading to a coverage ratio of those NPL of above 80% at Group level, and lastly, a liquidity position which is very comfortable with liquidity reserves, which are in excess of €400 billion, end of September.

CASA Summary

Revenues

In Q3 and over nine months, overall good resilience in the current environment, excellent performance of the LC

Let me now dig a little bit inside the performances of Crédit Agricole SA itself, starting with the revenues on page 11. What you can see is that both on the quarter and then the first nine months of the year, we have managed to post a positive evolution of the top line, +1.5% for the quarter and +2% for the first nine months of the year. It is a very good performance, which is clearly the result of the diversification of our businesses and also the high proportion of our revenues being recurrent.

We have tried to calculate the proportion of our revenues which are linked to recurring activities, or recurring contracts, or recurring services that we sell to our customers. Actually, we end up with the conclusion that more than three-quarters of our revenues are clearly recurring, i.e., providing resilience and solidity to our top line.

Expenses

Expenses down Q3/Q3, jaws effect +2.6pp Q3/Q3

If I go on the next page, the cost line, page 12, what you can see is that on the quarter, we have managed to decrease a little bit the cost base by 1.2%. Actually, it is been stable across the first nine months of the year. However, what is even more interesting is that in the business lines where we had to record a decrease in the top line, which happened in some of our business lines, we have managed, at the same time, to decrease the cost line in order to preserve as much as possible the profitability.

It is another illustration of the efficiency of our method of monitoring the cost base. Each business line is responsible for its cost base and it has to defend as much as possible, its own cost/income ratio. This is the most efficient way to monitor, globally, the cost base in a very decentralised group like our group.

This is leading to a very impressive performance, in terms of cost efficiency across the board because if I take a helicopter view on this issue of cost efficiency and if I look back to where we were in Q3 2015, I acknowledge that we have been able to decrease in five years the cost/income ratio of CASA by more than 11 percentage points, going down from 69.4% to 58.1%. It is a very impressive and solid performer.

Risks: High-quality assets, NPL and coverage ratio among the best in Europe

Going now to the risks and the quality of our loan book. I have said that at Group level, we have 2.5% NPL ratio and more than 80% coverage ratio. We have also a very high quality of exposure at CASA level, with an NPL ratio which is a little bit below 3.5% and with the coverage ratio which is close to 70%.

You may see that the coverage ratio on those two parameters is a little bit down as compared to the end of June. It is almost totally explained by a technical factor, which is the entry into force of a new definition of the default, which is, to put it in a nutshell, leading to a slight increase of the Stage 3 – so, the non-performing loan bucket – without needing an increase in the same proportion of the provision because it is made of defaults under observation and not real defaults.

Risks: Effectiveness of public policies, allowing stabilisation of environment and cost of risk

In terms of cost of risk this quarter on page 14, what you can see is that it is still significantly above the cost of risk that we posted in Q3 2019. However, it has started to decrease, as compared to Q2 2020. It has decreased, indeed, quite significantly, minus one-third on CASA perimeter and almost a division by two on the Group's perimeter.

We continue to have a significant proportion of the cost of risk, which is made of provision on the performing loans in our portfolios – the provisions related to Stage 1 and Stage 2 assets. Actually, in our outstandings of loan loss provisions, one-quarter of this provision for CASA and almost 30% for the Group are made of Stage 1 and Stage 2 provisions.

Risks: High coverage ratios in all business lines

NPL ratios under control

If I go now to page 15, which is providing some details by business line, what you can see is that, actually, in all cases, we have the same type of phenomenon as the one I have described globally, i.e., a significant proportion of the provisioning which is made of Stage 1 and Stage 2 provisioning and a decrease of the level of additional provisioning, as compared to Q2.

Maybe one element I can mention which is very special to the consumer credit business. This new definition of the default has, indeed, triggered a significant move between the Bucket 2 and Bucket 3. This is leading to a significant one-off, where we have reduced significantly the Bucket 2 provisioning and replaced it by the same amount of Bucket 3. However, the overall level of cost of risk is the 'normal' level, considering the context in which we are now.

Net income

Resilient results thanks to higher revenues and gross operating income (GOI)

This is leading to the level of net income, globally, on page 16. What you can see is that actually the decrease in the level of net income, both on the quarter and on the first nine months of the year, especially restated from the contribution to the Single Resolution Fund, which, once again, has increased this year as compared to the previous year.

We are -9% on the quarter and -8.8% on the first nine months. I think it is a very impressive performance to be able to post such a resilience, in terms of net profit, when you see such an increase in the level of the cost of risk compared to the previous year.

Business line by business line, you see that the evolutions are differentiated. Maybe just let me mention one point on this quarter. On the Asset Gathering business division, you see a decrease of €42 million of the net profit. It is more than explained by an accounting issue, which is the simple fact that within the perimeter of Crédit Agricole Assurance, we have modified this quarter the way we account for the AT1 coupons was issued by Crédit Agricole Assurance.

Up to now, they were accounted for against equity and they are now accounted for directly in the P&L in the minority interest. However, it does not change anything economically.

CASA Business Lines

Asset Gathering and Insurance

Solid activity

If I zoom a little bit now in the different business lines, starting precisely with the Asset Gathering and Insurance business division. On page 18, globally, what you can see is that the level of activity has been quite dynamic, with especially a very high level of net new inflows for Amundi, close to €35 billion, plus a positive market effect.

As I said, the contribution of this business division to the net profit of CASA would have been stable outside this technical and accounting issue, which, again, does not change anything, from an economic viewpoint.

Insurance

Strong increase in UL in life insurance, record property and casualty activity

Insurance activities, to put it in a nutshell, it is been a very good quarter, in terms of activity, despite the fact that the total premium income has decreased. Actually, however, it has been decreasing because of life insurance activities. In life insurance activities, we have nevertheless managed to keep a positive level of net inflows. Again, we have managed to have a very significant proportion of the net inflows made of unit-linked products.

For the other insurance activities, the capture, in terms of production of new policies has been very impressive. The premium income is up around 10%, both for P&C and for Protection. This is leading to a very solid financial performance because, again, if you look on page 19, on the P&L, you will see that the net income is up 1%, and this is only the minority interest, which is leading to a decrease in the net income in Group share.

Asset Management

Strong recovery in activity, solid results

If I go now on Amundi, I will be very swift because you have seen Amundi's publication last week. Very positive inflows. Revenues, which continue to suffer, from a Management fees' standpoint. However, there is an almost complete catch-up, thanks to the cost line. All in all, a profit, which is slightly up this quarter, contributing to CASA's net profit.

French Retails Banking – LCL

Business momentum, sharp increase in GOI and net income

Retail banking, starting with LCL. Another very good quarter at LCL. With all indicators oriented positively, it is been the case for the customer capture for the evolution of loans outstandings, for the customer savings, for the equipment to our customers in additional services and products. It is been also the case, from the financial viewpoint, with revenues up, thanks to a good combination of fees and net interest margins. Costs, down. Cost of risk, up. Nevertheless, net income Group share this quarter is up 14%.

International Retail Banking – Italy

Sustained activity, gross operating income stable

Italy, at Crédit Agricole Italia, a good level of activity and a good quarter, in terms of capture of the production of new loans and new contracts with our customers. Revenues, which are almost stable. Costs, slightly down. Cost of risk up significantly, but lower than the previous quarter. A decent level of profitability, all in all.

International Retail Banking, excluding Italy

Upturn in activity, continued provisioning of performing loans

The rest of the international retail banking activities suffered again this quarter mostly because of the combination of a significant decrease in interest rates and flattening of the yield curves in the different countries where we operate plus a forex effect, which is also negative, when we translate into euros the revenues generated locally. Nevertheless, we continue to monitor those activities with a very safe framework. We continue to have a local self-financing of the loan book, which is good, and a coverage of the NPL which is above 100%.

Specialised Financial Services

Upturn in activity confirmed

Specialised Financial Services: This is the division in which we have these very specific effects linked to the reclassification under IFRS 5 of CACF NL. However, when it comes to consumer credit and when it comes to its activities, the production of new loans this quarter was very good. Actually, it was above the production of consumer loans in the third quarter of 2019.

Revenues, restated from this perimeter effect linked to CACF, were actually only marginally down, -1.4%. Expenses are down more significantly, -2.5%, which is leading to a stable gross operating income and a net income which is only slightly down, globally. A very good resilience and a very good catch-up after the period of lockdown in the second quarter.

For the leasing and factoring activities, it was a more difficult quarter. The production of new contracts was good. However, the transformation of these new contracts into effective revenues is lagging a little bit. We expect a better fourth quarter.

Large Customers

Gross operating income sharply up thanks to sustained activity

Large Customers Division: This is definitely the division in which the top line was the most dynamic, globally, close to 12% evolution of the top line, with all activity indicators positively oriented, both for the CIB and for the asset servicing activity.

In the asset servicing activities, we continue to work on the integration of Santander Security Services into our setup. We continue also to work on the integration of KAS Bank. We have had the latest authorisation that will enable us to proceed to the merger only a few days ago, actually. There is a lot of work ahead of us in order to generate additional cost savings.

Corporate and Investment Banking

Business momentum still strong, risk-weighted assets down

CIB, more specifically on page 26, what you can see is that we have posted an increase of around 10% of the top line, which is the combination of a very, very good dynamic on the capital market activities.

On the financing activities, apparently a decrease in the level of revenues, but actually restated from forex effects and from a base effect, which is linked to the fact that in Q3 2019, for the last time, we had booked in this division a dividend that we received from Banque Saudi Fransi. Actually, revenues are also up in the financing division of the CIB.

The costs are only modestly up. In connection with the good level of activity, the cost of risk is definitely significantly higher than one year ago. It is close to a multiplication by 5. However, the biggest part of this provisioning is linked to performing assets. Actually, this quarter, the Stage 3 provision is representing only a very modest part of the global provisioning. Lastly, the level of RWAs within CACIB has decreased quite significantly this quarter. This is also helping the profitability, overall.

Corporate Centre

Decrease in financing costs

Corporate Centre, on page 27. We continue to follow the same path, which is the progressive reduction in the structural cost of the Corporate Centre. This quarter, we have benefitted also from additional contribution, which is, all in all, leading to an exceptionally low level of costs for the Corporate Centre.

Crédit Agricole Group

Regional banks

Major upturn in customer capture, net income up sharply

Regional banks of Crédit Agricole, on page 29. We are seeing, more or less, the same trends as the ones we see at LCL, i.e. a good level of customer capture and an increase of the customer base, a very dynamic evolution of the loan book, a very dynamic evolution of the production of new insurance policies on the basis of our customer base, leading, all in all, to an increase in the top line, a decrease in the cost line and, due to these technical effects about the new definition of default, also a significant reduction in the cost of risk. All in all, the contribution of the regional banks to the net income of the Group, globally, is up this quarter, +12.5%.

Financial Strength

Phased-in CET1 ratio: 12.6%, up +0.6pp, 160bp above the target, and 470bp above SREP requirements

We can go now on page 31 in order to take a look at the way we have managed to increase so significantly our solvency. This is the combination of a reduction in the level of RWAs, which you see on the left-hand side of the page.

The consumption of RWAs by the different business lines is down, despite the dynamic of the production of new loans because, actually, the new loans that we produce are home loans at LCL or CA Italia. Where we have seen reduction is the portfolio of loans consuming a higher level of RWAs.

We have benefitted also from forex effects and from technical effects, which, all in all, led to this reduction in the level of RWAs. The other elements are more or less compensated. This is leading to this reduction in RWAs.

When you combine that reduction with a good level of profitability after having reserved a dividend to be paid in 2021, weather permitting, plus some methodological effects, which, this quarter, are positive. This is leading to this very high level of solvency at CASA, 12.6%. It is, of course, far above any regulatory requirement and also far above our target.

Phased-in CET1 ratio 17.0%, up +0.9pp, above SREP requirements by 810bp

For the Group, it is more or less the same story. We have a reduction in the level of RWAs for the same reason – so, -€11 billion. We have a good level of results. We provision, of course, the dividend to be paid in 2021. We have also some positive methodological effects. All in all, this is leading to a 90 bps increase in the solvency of the Group on this quarter only and to a buffer of above 800 basis points above the Pillar II requirements.

Comfortable level of liquidity reserves

In terms of liquidity, I think I can go very rapidly because, again, we are in a very comfortable situation, thanks both to the monetary policy put in place by the ECB plus our very good capacity to access to collateral and to mobilise collateral whenever we need it.

97% of the MLT market funding programme completed by CASA at end-October 2020

It also the same story for the market funding programmes of the Group, which are completed at 97% for CASA and both 80% for the Group, globally, at the end of the third quarter.

Conclusion

Very robust, the Group is, more than ever, committed to strongly support its customers and the economy

All in all, and I am now on page 36, I think that the conclusion can be quite simple. A very solid operational and financial performance this quarter. A very robust Group and a very robust CASA, from a balance sheet viewpoint, again, reinforced by this good financial performance. A Group, which is fully ready to continue to play its role in the management of this very specific crisis that we are navigating across.

Thank you. I will now take your questions, if you have some.

Q&A

Tarik El Mejjad (Bank of America Merrill Lynch): Hi. Yes.

Jérôme Grivet: Hello.

Tarik El Mejjad: I have two questions, please. Hi, Jérôme.

First one on the Italian M&A, so it is not a surprise. Your shares have been underperforming the index by 15%, 17% since the headlines came. I have not heard you really denying it and the markets either. Can you please just tell us if it is something you exclude doing or just maybe you can refresh what is your view, in terms of consolidation, in general, and in particular, in Italy?

The second question is on the cost of risk. You did not give us, again, the guidance for the full year or expectations. I think in the press release, you mentioned that Q4 could be tougher for some corporates and retail. Do you still expect to add some more management overlay or Stage 1 and 2 provisions as you did in Q3 or you think you are, at the moment, given the assumptions of second lockdown and so on, you are reserved enough? Especially in the financing activities, actually, where we still see some higher level of Stage 1 and 2 in Q3. Thank you.

Jérôme Grivet: Thank you for those two good questions. Let me start with Italy. Let me start with what we do in Italy and what we do there since probably 30 years. We are present in Italy not only in retail banking, but also, and I would even say, but above all, with our specialised business line. It is the case for the Asset Management, for the Consumer Credit, Car financing, Leasing, Factoring, CIB, Wealth Management – name it: all our specialised business lines are present in Italy. In most cases, actually, they have managed – I have forgotten to mention Insurance, of course.

All these business lines are present in Italy not only on the basis of our own customer base in our retail banking activity, but also, thanks to a whole series of partnerships that enabled us to grow, actually, our business line beyond our footprint in retail. It is the same business model than the one we had in France, but simply, it is a little bit skewed, I would say. In France, we have the largest market share in retail banking activities. Then, we will build – on the basis of this customer base, we have built all the specialised business lines. We struggle in order to try and grow our market share in the different specialised business lines at the same size as the one of the retail.

In Italy, we have decided that because our retail footprint was much smaller, we needed to find scope by those partnerships. Globally, this is leading to a situation where two-thirds of the net profit that we have made in Italy last year, and it is the same situation for the first nine months of this year and it was also the case in 2018, two-thirds of the profit comes from the business lines and one-third comes from the retail.

Does it mean that you do not want to grow in retail? Absolutely not. We try as much as possible to grow organically. All the performances that we post regularly show that we are, indeed, able to go above the market and more than the market in the different product lines that are distributed by our retail banking branches. It has been also the case, this quarter, in home loans or whatever.

Does this mean that we are not ready to take opportunities to accelerate this organic growth, taking advantage of, again, some opportunities? We have done it in the past and we have done it, I think, quite successfully. Always keeping in mind that we have a prudent approach on M&A transactions, we may take opportunities.

But, keep in mind that this is taking place in a global strategy, which is not a pure retail strategy and which is not a strategy on which we need to assign the first role to M&A. This is the strategy that we follow in Italy. This is the strategy that we have been following in the last, again, 30 years and especially in the last five years. We intend to continue alongside the same lines prudently, but decisively.

The second question was about cost of risk and guidance. Again, I do not like to provide guidance, especially in such an undetermined environment. The environment is really, really, really difficult to read across, especially from a sanitary view point. It has consequences on the economic situation. We have not provided guidance on the cost of risk, end of Q1 and end of Q2. We are not going to provide guidance end of Q3. What I can tell you, nevertheless, is that we have not changed the macroeconomic scenario on which we base our Bucket 1 and Bucket

2 provisioning in the third quarter. We are probably going to change this scenario for the end of year accounts.

Is this going to lead to a significant increase in the level of provisioning i.e., Bucket 1 and Bucket 2 provisioning? Not necessarily because our Bucket 1 and Bucket 2 provisioning is made of two additional layers. The first one is what we call the central forward-looking. It is the effect of the macroeconomic scenario that is applied to all businesses across the Group horizontally. Then, each business line may, if it deems it necessary, to add up to this central forward-looking, local forward-looking, which is based on a more accurate view on certain portfolios or certain geographies.

This quarter, indeed, the biggest part of the Stage 1 and Stage 2 additional provision that we have booked was the result within CACIB, within LCL, for example, of such a local forward-looking. Of course, if we modify a little bit the global macroeconomic scenario that is leading to the central forward looking, this will integrate, I would say, all these local provisions that have been booked in the third quarter in certain business lines – again, like LCL or CACIB. This is another reason why I do not expect a massive increase in Stage 1 and Stage 2 provision.

To summarise my answer, we will modify the scenario. It may lead to additional S1 and S2 provisions. However, I do not expect a massive increase. As far as the S3 provisions are concerned, we will simply see what the situation will be at the end of December.

Tarik El Mejjad: Thank you. If I understand, when you were setting your Q3 Stage 1 and 2 provisions, you had in mind some kind of form of lockdown and probably not national ones or you will have to adjust for that? Yes?

Jérôme Grivet: Yes. Actually –

Tarik El Mejjad: Okay.

Jérôme Grivet: – our scenario, which was established at the end of the first lockdown in end of the spring, beginning of the summer, proved in September to be a little bit more pessimistic than most of the official forecast. We found out that it was enough pessimistic to be used for the Q3 accounts. We have now a few weeks' time to fine-tune and to try to assess as best as possible the consequences of the new situation we are facing.

However, again, it is a moving situation. It is very, very difficult to precisely assess what is going to happen beginning of 2021, end of 2021, 2022, and so on and so forth.

Tarik El Mejjad: That's very clear. Thank you very much, Jérôme.

Jérôme Grivet: Thank you.

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

Jérôme Grivet: Hi.

Jon Peace: My first question is on the CET1 ratio. Could you just remind us of any headwinds and tailwinds – I am thinking software, for example – as we go into the year-end?

With your reference to the 60 basis points for 2019 dividend effectively and your ratio, how do you think about the potential for paying something additional on top of your 2020 accrual or would you think it was prudent to hold a buffer for economic uncertainty or even for M&A?

Then, the second one is just as a follow-up to Tarik's question. What would you consider as your normalised through-the-cycle cost of risk? Thank you.

Jérôme Grivet: Okay. I will start with your second question because, actually, we have not changed views regarding the 'normalised cost of risk across the cycle' from what we had assumed when we published the medium-term plan back in June 2019. What we had said at this time was that the normalised cost of risk across the cycle at CASA was around 40 bps and at the Group level, globally, was around 25 bps. We have not really changed our mind.

We will see if we converge towards these levels rapidly or maybe more slowly. However, we have no reason to change our views on what should be the cost of risk across the cycle, considering the business mix that we have in the different parameters of CASA, on the one hand, and of the Group, on the other hand.

When it comes to the CET1 ratio, what we are expecting for the end of this year is, as you have mentioned, the potential benefit from the decision on the software. It is very cumbersome to fully calculate this impact. However, it is going to be a matter of bps, not a matter of tenths of bps.

What I expect is that it could be up to 10 bps of additional benefits, both for CASA and for the Group, not much more. Again, it is quite cumbersome to calculate because we have to go through each of our IT investments to see what is the remaining duration of amortisation and so on and so forth.

In terms of headwinds, TRIM exercises continue. We have a few billion of additional RWAs probably to account for, especially in the perimeter of CACIB. We do not know exactly how many billions that will be. Will it be around €5 billion? I do not know. However, it is going to be probably maybe even above €5 billion.

We have still to analyse different TRIM reports and to discuss with the ECB and so on and so forth. We have no precise indication on the calendar. Headwinds and tailwinds are expected. Globally, however, nothing would change significantly, considering the high level of solvency where we stand now.

When it comes now to this 60 bps dividend provision that we that we have kept – and actually, there was nothing else to do because as soon as we had the decision that we could not pay a dividend in 2020, we had nothing else to do than reintegrating these 60 bps of solvency into our ratio.

We are not going to hurry to take a view on what we are going to do with this amount. I understand that the ECB intends to give some clarity on what is going to be possible to do in 2021. We will wait for the ECB to talk and to express its views. Definitely, we think that if there is any openness in the ECB's statements, we definitely belong to the category of bank that could benefit from this openness because of the high level of solvency that we have.

Maybe one last point. If CASA consumes 60 bps by paying its dividend like it intended to do in 2020 and was prohibited to do, this consumes only around 15 bps at the level of the Group, globally. Clearly, you see that the dividend question, for us, is not a solvency issue.

Jon Peace: Yes. Thank you.

Jérôme Grivet: Maybe just one last point. When I talked about headwinds and tailwind, of course, it takes place within the global framework of 60 bps that we had explained regarding the implementation of BASEL IV that we had stated initially when we published the medium-term plan. It must be seen inside this, I would say, rough envelope.

Jon Peace: Thank you.

Jacques-Henri Gaulard (Kepler Cheuvreux): Very two quick questions for me.

First of all, your AT1 costs are obviously down sharply for nine months. Is it okay to actually annualise this number as a proxy for the year and also for forthcoming years?

B, you are mentioning the TLTRO, I would say, reversible gain. If you can actually quantify that, it would be great. Thank you very much.

Jérôme Grivet: AT1, well, what has happened, as I explained, is that we had for accounting – methodological reasons, we had to modify a little bit the treatment of part of our AT1 – the one that were issued by the insurance company. We have taken back, I would say, €43 million this quarter, which were directly accounted for against equity up to now that we had to recycle through the P&L. Again, it does not change anything, from a net asset standpoint or from an earnings per share standpoint, but it changes a little bit the way the P&L looks.

This €43 million is going to be increased in the fourth quarter by, I think, around an additional €25 million, which will follow exactly the same route. Definitely, going forward, around €75 million of AT1 coupons from the AT1 issued by Crédit Agricole Assurances are now going to appear in the P&L.

When it comes to the AT1s issued directly by CASA, we are on the same page, i.e., the average yearly cost, which is not completely evenly broken across quarters –

Jacques-Henri Gaulard: Yes. Yes.

Jérôme Grivet: – is around €420 million.

Jacques-Henri Gaulard: Cool.

Jérôme Grivet: A little bit above €400 million.

Jacques-Henri Gaulard: Thank you. The TLTRO?

Jérôme Grivet: On the TLTRO – excuse me, Jacques-Henri. The TLTRO. We have grown around €125 billion of TLTRO 3 globally, for the Group. Then, we have allocated a certain amount of those TLTRO drawings to the different business lines, each business line being entitled to a certain amount, considering its own contribution to the level of credit – the level of loans that are eligible to the TLTRO funding.

It means that a significant part was attributed to the regional banks, a part to LCL, to CACIB, to CA CF, and even to FCA Bank and, of course, a part with CASA directly. This is for the amount of TLTRO.

Then, I will let you make your own calculation, in terms of –

Jacques-Henri Gaulard: Yes.

Jérôme Grivet: – what it is generating, in terms of revenues because we consider now that this TLTRO drawing is part of our global funding and each entity –

Jacques-Henri Gaulard: Okay.

Jérôme Grivet: – has a mix of liabilities in which we have costly liabilities and cheap liabilities. The TLTRO is clearly a cheap liability, especially for the first 12 months. However, we have also some home purchase saving plans, which are very costly.

Each business line has a combination of liabilities which it manages with its ALM tools. The benefits of the TLTRO is really spread between the different business lines and each business line has decided whether it was going to modify or not the rest of its funding. However, globally, the Group has taken €125 billion of TLTRO 3.

Jacques-Henri Gaulard: Thank you. Very clear.

Jérôme Grivet: Thank you.

Jérôme Grivet: Hello, Phelbé.

Phelbé Pace (Société Générale): Hello. Good afternoon. Thank you for taking my question.

I have a follow-up question to the one related to Italy, actually, but a bit more generic to your approach to M&A, if I may. You are obviously in a very comfortable capital position right now, which allows you to embrace external growth if you want to. However, I guess despite the magnitude of your excess capital at the moment, it could still remain too limited if you wanted to opt for a larger, more structural deal – so, that is not something bolt on. Two questions here, please.

First, would CASA have the appetite for larger M&A deals that could not be financed only with cash?

Second, do you think that CASA has the capacity to conduct a larger acquisition in the near term? Because obviously, we can imagine that integration could be significantly slowed down and especially more difficult to execute in the current context. Those are my questions. Thank you.

Jérôme Grivet: Good question, again. First element of answer. This is not the excess of capital that we have that decides our strategy or our M&A strategy. It is exactly the opposite way. If we identify an operation which makes full sense, from a strategic viewpoint, that is accessible, that is coherent with what we want to do, and for which all the operational aspects are under control – and you are perfectly right to mention the fact that it is probably more difficult to integrate some acquisition in the present period of time because it is difficult simply for people to gather and to meet.

Then, if we are in such a situation, we identify the way we are going to finance the operation. However, it is not the other way around where we say, 'Well, we have a few billion of excess of capital. What can we do with it?' It is absolutely not the way we think about that.

Are we ready to engage into operation that may need not only our excess of cash? In the past, we did an operation. Actually, it was through Amundi. Amundi made a significant acquisition that required a capital increase. Actually, CASA provided a guarantee for the success of this capital increase. However, we have proven that it is perfectly okay for us if a large subsidiary like Amundi engages into an M&A transaction that is not financeable only with its cash position. Again, what is important is what we do, not how we finance it. Of course, once we have decided what we want to do, we must put in place the financing that is coherent with what the Group is, but we start with the operation itself.

Of course, you have made reference to that. The key elements for us to identify and to tell if an operation is relevant is, of course, to make sure that we have the capacity to integrate and that we have the capacity to generate the type of profitability that we require for certain operation, which, among other elements, is the capacity to reach a return on investment of at least 10% after three years and mostly by cost synergies or sure synergies, I would say.

Phelbé Pace: Very clear. Thank you.

Jérôme Grivet: Thank you.

Lorraine Quoirez (UBS): Hi, Jérôme. Thanks for taking –

Jérôme Grivet: Hello, Lorraine.

Lorraine Quoirez: – my questions. I have a bit of follow-up questions as well on M&A.

One would be, in the past, I think you clearly said that you did not want to buy an entity and have to deal with issues around non-performing loans. I was wondering if this is still the case?

Then, I have another question, which is perhaps a little bit more generic. I think at the beginning of the call or at least the Q&A session, you said that you run different types of models. Obviously, through partnership, where you distribute the products manufactured by the product factory. Also, you own, effectively, a distribution network. My question would be, do you think a business model whereby you do not own at all distribution network, but you only work with partnership is a sustainable business model? Thank you.

Jérôme Grivet: Okay. Thank you. What I have always said is that our business model was not to manage a portfolio of NPL. I have always said that there are some investors which are dedicated to this business. They do it very well. They generally generate high profits on that. It is not our business. I repeat the same thing. In any kind of operation, what is interesting us not the capacity of making money through the management of an NPL portfolio and we stick to that clearly.

When it comes to partnerships and to the capacity of developing business models that would rely only on distribution partnerships and not on the direct position of distribution networks, well, it is already significantly the case because, actually, the full universal banking model – the perfect one – is only present in France and in Italy.

However, when it comes to Spain, for example, you see that our insurance companies have engaged into partnerships in order to distribute their products without having the control of any distribution network. It is also the case for the Consumer Credit, business. It is also the case for Amundi and even for CACEIS. Spain is a typical country in which we have managed through partnership – to identify and operate different partnerships without having, in this country, a retail network and a direct customer base. It is really something that is perfectly coherent with what we do.

Lorraine Quoirez: Thank you.

Giulia Aurora Miotto (Morgan Stanley): Yes. Hi. Good afternoon, Jérôme.

Jérôme Grivet: Hello.

Giulia Aurora Miotto: A couple of questions from me as well.

One, on cost delivery. As you mentioned in your presentation, it was very solid, so far this year. I was wondering is there anything more that you can do or any new ways of doing business, especially, thanks to digital channels, that can lead to further cost savings, going forward? That will be my first question.

Then, just a couple of quick ones. Corporate Centre, in particular, is there any guidance on the revenue line because it is quite volatile.

Then, finally, you discussed already the impact of lockdown potentially on provision. However, if I remember well, in the past quarters, you also had some impact on the insurance side because you decided to do some voluntary, let's say, payment, even though you were not obliged because you do not cover pandemic risk. I was wondering if this is something that you are planning to do again now. Thank you.

Jérôme Grivet: Let me start with the last question. We cannot rule out definitely things like that. However, we have no specific plans regarding such an operation for the time being. We have done a voluntary and very significant contribution to all our professional customers that were impacted by the lockdown in the first period of the year.

It was absolutely voluntary, not linked to our policies. I think it was very well-appreciated by the customers because of that. However, it is not a definitive, I would say, feature that is now embedded in our contract. Nothing is planned for the time being.

Corporate Centre? Clearly, it is and it will remain rather volatile. What is important for the Corporate Centre is the trend. Globally, the trend continues to be positively oriented towards a reduction of the structural costs. However, in addition to that, we have some more volatile elements that play a role in the Corporate Centre.

We have some businesses which are outside the main business lines. This year, they are performing much less than last year. It is specifically the case for the Private Equity business that we have kept in this Corporate Centre. We have also, as you know, and this is also significantly impacting the revenue line, we have also some accounting effects resulting from the elimination of intragroup debt issued by CASA and subscribed by Predica and Amundi, which are not accounted the same way by CASA, on the one hand, and by the investors, on the other hand. We have some elimination which play a role.

In most cases, there is a trend, which is, if I take this last example of accounting, elimination of intragroup debt, the trend is that, in average, it should converge towards zero. However, it creates volatility. What is important is really to acknowledge that all our efforts are leading to a progressive reduction in the cost of the Corporate Centre.

Then, as far as the cost line is concerned, I will start by saying that we are already below the target that we had initially set for 2022. Of course, every time we have the capacity to do better than the target, we do it. However, please recognise that we have committed to a target of being below 60% in 2022 and that we are now significantly below this target.

We will continue to work on the cost base. We will take advantage, where possible, of all the digitisation tools that are accessible. By the way, digitalisation is not only and is not necessarily leading to a reduction in cost because we view digitalisation as an additional tool, as an additional feature that we provide to our customers. It is not only and not principally a way of reducing the cost paid.

We invest. We invest a lot. We have pooled several IT resources between the different business lines in order, in the medium term, to generate additional cost savings. However, this required investments. The good news is that with the very low cost/income ratio that we have managed to post already, we have the capacity to invest.

Giulia Aurora Miotto: Thank you.

Jérôme Grivet: Thank you.

Jean-François Neuez (Goldman Sachs): Hi. Good afternoon. My first question was on just a simple question on the French Retail. I see that the commissions were very strong in comparison also to BNP, who reported yesterday, particularly driven by Securities Management and also the Insurance business. Then, the volumes of – okay, so there could be some more transactionality for Securities Management, but, the one thing, with regards to Insurance, which were up 4% in the first quarter, 18% in the last quarter, and 13% this quarter, year-over-year, they do not correlate as well as they used to with the outstandings in life insurance that you disclosed for the same dividends. I just wondered what was the driver there, and what you expect on the increase in distribution margin if I can call it this, in that particular business line?

Secondly, with regards to LCL, the net interest margin is holding up okay. In fact, we see also from the aggregate data of Bank of France that front book margin seems to be increasing. I just wanted to understand whether there was still any drag to come from interest rates or whether the commercial margins which we can see at Bank of France are a good indicator for the future of the margin in that division?

My second question is also on capital ratios, but rather more at the Group level. Obviously, the Caisses Régionales generally do not distribute much. The Group capital ratio is now 17%. I hear you when you said that it is not because you have money that you all of a sudden start thinking of how to spend it. However, nonetheless, that is a really, really high capital ratio. In a sense, you could argue that it is not employed very, very productively. I just wanted to understand what is the outlook because it is building up pretty fast at Group level. For example, in Investment Bank, you might want to, I do not know, originate more and distribute that to revenue seekers such as the Caisses Régionales and things like this. Just to try to understand how the reallocation of that capital could work.

Jérôme Grivet: Let me start with the second question, which is, of course, difficult and interesting, but also there is a simple way to answer it. Actually, it is structural with the regional banks that they continue to build up their level of capital because they do not have the same cost of equity as CASA, for example.

You know that the capital of the regional banks is sort of prudential capital that is generating this level of solvency is mostly made of reserves that are accumulated and that do not belong to the mutual shareholders. They own a mutual share. They are entitled to the repayment of the nominal amount of their mutual share. They are entitled to a remuneration of this preliminary amount. However, the reserves are action-related without being allocable, I would say, to identify the owner. It means that we do not have this necessity that CASA has, that whatever listed bank has, which is to remunerate all the prudential capital that is that is put at work.

It is a comfort, definitely. It is very efficient, in terms of generating, I would say, security and robustness within the Group. It is also an element that plays a role in the global capital structure of the Group because all the capital that we managed to build with CET1 at Group level is what we do not need to cover with AT1 or Tier 2 debt or even TLAC debt, when it comes to building the different capital ratios of the Group. Paradoxically, it is a cheap way to build our capital ratios. There is no need to identify investments that we could make, in order to use this 'excess of capital'.

When it comes to LCL and to the fees that LCL has booked this quarter, you must keep in mind that insurance fees are not related only to life insurance activities. They also related to non-life activities. Actually, the portfolio of non-life contracts at LCL is building up rapidly because LCL has significantly accelerated in the equipment of its customers in non-life insurance policies.

This is generating an accrued amount of fees, going forward, with potentially a certain volatility which is linked to the level of risks within this portfolio – the sinistrality. Nevertheless, this is generating an increased amount of fees, as well as the fees generated by the life insurance policy.

Then, net interest margin. Everybody is focused only on home loans, which is not the only component of loans generating margins for LCL. However, it is true that for home loans, we have seen this quarter, a quite significant narrowing of the spread between the front book and the back book. Roughly, it is now around 30 bps, when it has been historically closer to 100 bps, then around 50 to 60 bps.

30 bps means that if things continue to evolve like they have been evolving in the last period of time, we may envisage the convergence of the yield of the front book and the back book probably around 2022, which would be a good thing because this would alleviate the very heavy weight that is penalising the net interest margin of Retail activities.

Jean-François Neuez: Okay. Thank you, Jérôme .

Jérôme Grivet: Thank you.

Azzurra Guelfi (Citi): Thank you. Hi. Good afternoon. A couple of questions for me.

One is on the volume outlook for France. If we look at the latest ECB lending survey, it seems that there is a bit of a slowdown of expectation from a very high base. Your lending, even excluding the state-guaranteed programme, is still very solid. If you can give us some indication on outlook in the various bits of the loan book?

Then, a couple of quick questions on Italy. One is, if you can give us the detail of the moratoria loans and how they are evolving there?

The second one is just to come back to the M&A, but very quickly. If I understood well, you said that you would only consider it if that make sense, if it arises. For a retail franchise, it could only be interesting if it included also the ability of cross-selling for your Asset Management, Amundi, or the Insurance. Am I understanding correctly what you mentioned? Thank you.

Jérôme Grivet: Thank you, Azzurra. Volumes in the French market? Yes, it has been performing well across the board. In loans to businesses, actually, we had a very sharp slowdown in the second quarter. What we have seen in the third quarter has been a catch-up, after a situation, where almost all our activity was made of state-guaranteed loans. There is a catch-up effect.

However, there is also a certain dynamic. Actually, when you analyse precisely the GDP growth in the third quarter, you see that, actually, the investment from businesses contributed significantly to this GDP growth in the third quarter. So, there has been a catch-up not only in lending to businesses, but also in investment from businesses in the third quarter in France.

What are the prospects? It is very difficult to tell, actually, because, again, we are in a very uncertain and moving situation, from a sanitary standpoint. This is leading to some impacts on the rest of the activities. This is definitely creating some wait-and-see attitude, especially when it comes to investing.

However, to summarise, yes, there has been a very good dynamic in loan evolution in France. This has partially translated into also a very significant increase in the volume of money that is put on side deposits, both by households and by businesses. Because at the same time, the spending of these liquidity lines has not been as fast as the granting of those liquidity lines.

In Italy, we have granted around €1.8 billion of state-guaranteed loans, which were, more or less, the same as in France – not exactly, but more or less. We have also provided around €800 million of payment holidays as moratoria. Those have been extended up to the end of this year or maybe January 2021. For the time being, we do not have the capacity to acknowledge how it is going to perform simply because we continue to be in the payment holiday period.

Then, M&A. I am not going to repeat what I already said. Our business model is made of cross-selling and is made of making different business lines working together. That is the only thing I want to say on that.

Guillaume Tiberghien (Exane BNP Paribas): Yes. Good morning. Good afternoon. I have two questions.

The first one, again, with regard to the AT1. I am sorry, but I got a little bit confused. You say now we should expect more than €400 million per year, which is what I had in mind before Q3. But is that now €400 million per year or more below the line as well as another €200 million per year in Insurance or is it the sum of the two -

Jérôme Grivet: No.

Guillaume Tiberghien: – that is €400 million?

Jérôme Grivet: No. No, not really. On this question, it is going to be precise. €405 million for the full year of 2020 below the line, i.e. directly against equity, and around €75 million above the line, i.e. through P&L. The pace, going forward, for what is going to be accounted for on the minority interest line is going to remain around €75 million a year, unless there is a new issuance or a repayment by Crédit Agricole Assurances. This is going to be the pace, going forward – €75 million above the line.

As far as the AT1 issued by CASA are concerned – so, the €405 million this year – may be a little bit higher next year. However, I was giving an indication of €420 million simply because, actually, we have increased the outstanding by issuing an additional AT1. It was in September, if I remember correctly – October.

Guillaume Tiberghien: Yes, €750 million.

Jérôme Grivet: Yes, exactly, the €750 million one. This is adding up a small amount of coupon and €420 million would be with the full year effect of this new AT1. However, I wanted to provide any indication of any kind of what we could do, going forward, with all these outstanding ATs.

Guillaume Tiberghien: Sure. Okay. Thank you.

The second question. Again, I am sorry because these are big numbers. In the Corporate Centre, I do not really understand the comment you made on TLTRO. Is it fair if I say I take Q3 revenues and I consider that within that, you have accrued 50 bps extra on the CASA portion of the €125 billion and that this will materialise for four quarters and then stop?

Jérôme Grivet: Yes. The question being –

Guillaume Tiberghien: All right.

Jérôme Grivet: I do not want to provide details on the exact proportion of what has been kept by CASA versus what has been lent by CASA to the different business lines, but, the reasoning is this one.

Guillaume Tiberghien: Okay. Fine. The last question is about the international retail outside of Italy. Obviously, they suffer from lower rates and lower effects. Is there more headwinds to come from lower rates or the current level is the new run rate?

The follow-up question on international retail, ex-Italy, is that now the ROE of those businesses, despite a good cost of risk or despite a higher cost of risk, is now approaching zero. The question arises now about would it not make sense, eventually, to get rid of those businesses in order to be a bit even purer, in terms of business model ?

Jérôme Grivet: First, the run rate is now – unless there is additional moves in the interest rates locally, we are now at the minimum run rate because the latest rate cuts took place in the second quarter. Definitely, this level is the new normal before the effects of all the efforts made locally to increase the top line by improving the revenue mix by generating additional conditions and so on and so forth. Of course, we are not satisfied with this level of activity and this level of profitability.

Then, strategically, what you can see and maybe what you can acknowledge is that every time we think that within the scope of businesses that we manage, there is a business that does not make sense, that does not generate the minimum level of profitability that we want to post and that is not strategic, we do not hesitate to dispose of it.

For the time being, we have sold in several transactions our 31% in the capital of Banque Saudi Fransi. We sold Bankoa. We sold the Bulgarian activities. We are in the process of selling the Romanian activities. We are in the process of selling CA CF Netherlands. We do not hesitate, when we deem it necessary, to fine-tune our perimeter in order to be more coherent and strategically aligned.

Guillaume Tiberghien: Perfect. Thank you very much, Jérôme.

Jérôme Grivet: Thank you.

Flora Bocahut (Jefferies): Yes. Good afternoon. The first question I wanted to ask you is regarding the switch unwinding. Just to see if you would potentially consider unwinding also the other 50% that you have now committed to, if this is a possibility for the future?

Then, going to Crédit Agricole Consumer Finance, where the revenue margin is rebounding this quarter. I think from the slide that you mentioned a positive change in the product mix. However, just if you could elaborate on how the product mix is changing there.

The very last question is regarding the Wealth Management business where the costs were significantly better this quarter. Just if you could elaborate on what was the driver and how sustainable that is? Thank you.

Jérôme Grivet: Yes. Let me let me start with the switch. First, we still have two years to go. However, during those two years, we must fulfil our commitment to unwind 50% of the switch mechanism. There is another 15% of the total to go, which, before it can take place, needs that we see the clawback mechanism work for the triggering of the end of June. Before any move, we must wait for the clawback mechanism to work. Then, the first priority will be to take a look at the last 15%. The other 50% is definitely a possibility. We are not committed to any type of a timetable, but it is definitely a possibility.

Business mix in the Consumer Credit operations, well, there are different moves. There is a tendency, which has been triggered by regulation, leading to a permanent decrease in the proportion of revolving loans and a permanent increase in the proportion of amortising loans. This is producing a series of different effects.

The first effect is that it reduces a little bit the net margin that it would generate. However, going forward, it improves the cost of risk, by definition. There is a second move that is creating more or less the same effect, which is the fact that we have more and more loans that are granted on the basis of dedicated investments like a car, like some equipment for the house.

Again, this is generally a little bit less rewarding, in terms of margin, but better in terms of a risk profile that we will acknowledge, going forward. It is the combination. Of course, we try and adjust permanently our offer in order first, to suit to the needs of our customers; and second, to be as efficient as possible, from a revenue cost of risk combination.

We have, I would say, accompanied the pressure that we had felt on the margin in the last maybe three years by significant efforts to reduce the cost base in order to adjust our scope of business. However, I think that on these Consumer Credit issues, maybe I can give you a rendezvous because we intend to give a dedicated workshop on Consumer Credit activities like the ones we did a few years ago on Insurance and last year on CIB. It may take place in next December – probably on December 8th. We will have the occasion to provide much more clarity and details on the evolution of Consumer Credit activities.

Flora Bocahut: Okay. On the Wealth Management cost, please?

Jérôme Grivet: The Wealth Management – excuse me, I have forgotten this one. On the Wealth Management costs, it is true that since one and a half years, we are working very, very hard in trying to improve the profitability of the Wealth Management activities. Actually, we have managed to decrease and to engage into a tendency to decrease the cost base of the business.

In the first nine months last year, the cost base was close to €560 million. This year, it is about €520 million. It is a significant decrease. We continue our efforts in order to adapt to the context where definitely the revenues are a little bit harder to generate.

Flora Bocahut: Thank you just a quick clarification on the NIM in CA CF. Did you also use the TLTRO 3 there or did it benefit, basically, from lower funding cost in Q3?

Jérôme Grivet: A little bit and differently in the different activities, but, CA CF in France, it has the status of a bank, so it is entitled to access to the TLTRO. It is also the case for FCA Bank. It is not the case for Agos for example. It has not been the case everywhere.

Flora Bocahut: Thank you.

Delphine Lee (JP Morgan): Hi, good afternoon, Jérôme. Just a couple follow-ups from me.

First of all, on Italy, would you just mind giving us a little bit of an update on your thinking around Agos? I think your discussions about the JV. Just if you could give us a bit of colour on what is going on there.

More generally, on partnerships, just trying to think about in Italy, where do you think you still need to grow or where you think you have room to grow, in terms of the revenues of the business lines in Italy?

Then, the second question is more on capital and the usage of the excess capital. I think you mentioned the switch too. However, just trying to think, would you consider buy-backs to redistribute some of the excess or would you ever consider raising a little bit the payout ratio from the current 50% level? If you could share your thoughts around this? Thank you.

Jérôme Grivet: Okay. Agos – so, the situation is very clear. We own 61%. Banco BPM owns 39%. We have an agreement through which they distribute Agos products in their network. There is a specific provision in the agreement that is giving them the right, but, of course, the present environment is not necessarily the best one to do so. It gives them the right to trigger an IPO of Argos.

Of course, nobody really wants today to trigger such an IPO in the present context. Discussions are around the idea of what we do with this provision. Do we extend its validity? What is the context in which we could contemplate extending the validity and so on and so forth? It is rather technical and it does not change anything on the fact that the distribution agreement is up and running and is covering now all the branches of Banco BPM, which was not initially the case.

Partnership in Italy or elsewhere, well, it is a permanent search for us to – what we think when we assess the strength of the Group, what we think is that in several business lines – Asset Management, Consumer Credit, Insurance, life and non-life, and potentially also Leasing Factory, Custody – we are ranking among the top players in Europe. We have very good products. We have a very recognised expertise.

Every time we have the capacity of finding an access to a new customer base, if it is compatible with the other partnerships that we have, it is a good opportunity. We are not saying, 'Well, in Italy, we need five additional market share percentage points in that business or this business.'

Actually, it is not steered by Crédit Agricole SA itself. It is mostly driven by the capacity of the heads of each business line to identify new partners with whom it can work. Really, it is a matter of opportunity, but be sure that we are permanently trying to generate new partnerships.

In the last quarter alone, and this is on slide 8 of the slide show, we have been granted the license in China to build a new joint venture between Amundi and Bank of China, in which we are going to be the majority shareholder. We have concluded the partnership with Europ Assistance in France, which is in the scope of Generali. We have been buying the remaining 25% stake here in the capital of GMV Seguros that we had not before with the consolidation of the distribution agreement with Banco Novo. Clearly, we are working permanently on trying to expand those partnerships.

Capital, well, we are not going to talk about this question of 'excess of capital' or undistributed dividend before we have some clarity coming from the ECB. I think it is no use to think of all the theoretical possibilities. We will see when we have a new framework what we can do, what is relevant, what is coherent with our DNA, and we will provide a clarity on that. However, clearly, we have the capacity to pay a dividend. CASA, in the long run, continues to position itself as being a dividend payer.

Delphine Lee: Great. Thank you very much.

Jérôme Grivet: Thank you.

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

Jérôme Grivet: Hi, Pierre.

Pierre Chédeville: One first question on the page 41. You mentioned in the nota bene the sensitivity of the ECL if you weight your unfavourable scenario by more than ten points or something like that, whatever. I was wondering if you proceed like UK banks, for instance, which prefer to indicate what would be the deterioration of provisioning based on the central scenario weighted at 100% in case, for instance, of a degradation of 100 basis points to the GDP. I wanted to know if you had made this type of exercise, which, in my view, is more pertinent to feel exactly what is the risk of a degradation of the economy, that this type of exercise made -

Jérôme Grivet: - Well, you know, this idea that you can summarise all the Bank's parameters into a big spreadsheet, and that you can try to assess what is going on and what is going to happen if we move a number in that cell or this cell, is, I think, little bit of a fantasy. Excuse me to say so because the way –

Pierre Chédeville: No, I do agree with that. I am talking about the methodology because you do the same by saying that will –

Jérôme Grivet: Yes, we have to do this because –

Pierre Chédeville: You exactly do the same.

Jérôme Grivet: Yes.

Pierre Chédeville: However, I am still talking about the methodology of taking one scenario weighted at 100%.

Jérôme Grivet: Rather than –

Pierre Chédeville: Rather than three scenarios that I manipulate, I would say.

Jérôme Grivet: Yes. At the end of the day, when you weight the different scenarios, you end up with, I would say, a synthetic scenario, which you can also, I would say, reverse engineer. You can say that, 'I want to have that endgame scenario and I adjust the weight of the three base scenarios in order to generate the scenario I want to end up with.'

We can do those calculations. I do not know if it is going to improve significantly the image that we are going to provide to the market. However, we are going to see what we can do, in terms of going this route.

Pierre Chédeville: I was just doing this remark because I participated in a debate with Ernst & Young recently. We have noticed that this exercise made by UK banks led to an increase by more than 60% of ECL in these type of exercises while I see that for French banks, we only see a small increase in provision in case of this exercise. That was just my read on that.

Jérôme Grivet: It is difficult to assess only the risk by looking at the provision flows on a single quarter or even on a full year. The starting point is the outstanding of provisions that you already have booked in your balance sheet. As far the Group is concerned, we have €20 billion of provisions in our balance sheet, which already covers our NPL by 80% at Group level, 70% of CASA level. It is above the average of our peers in the European space.

Pierre Chédeville: Okay. Another question, page 11. You explained that one of your strengths is the fact that net interest income only represents 37% of your net banking income. That is due to the part of your savings business in your business with it. However, it is also due to a monetary policy and also due to the lockdown's consequences. My question would rather be what would be, if you had the dream, the best contribution of net interest income in your business model? Do you see what I mean?

Jérôme Grivet: Yes, I see what you mean. I think that the situation we present for the first nine months of 2020 is not that different from the one we had for the full year 2019. It is quite stable, actually. What is true is that if you take a helicopter view and if you if you look back on the last maybe ten years, you will see a sharp decrease in the proportion of net interest income in the total of our revenues for two reasons because we have grown significantly the non-interest-margin-generating activities and because also on the retail banking activities, the net interest margin has been very much compressed, going forward.

However, when we presented the medium-term plan one and a half years ago, we already said that net interest income was representing around one-third of our revenues and was supposed to reduce by two percentage points across the medium-term plan. It means that this is a feature that is already identified and actually and really, used in our business model not only since the lockdown period.

Pierre Chédeville: Okay. My last question relates to Europ Assistance.

Jérôme Grivet: Yes.

Pierre Chédeville: In your view, this change of the partnership was in the idea of improving a cost centre or improving a revenue centre?

Jérôme Grivet: It is not really a change of partners. It is a change of business models because when we were with the previous partner, we were a simple customer having a long-term contract. The assister was providing us the services of an assister. We are now in a completely different situation where we are a partner in the capital of the French operation of this assister.

It means that, of course, we have provided our business to this joint venture, but we have a joint venture with the Europ Assistance. It is a different strategy. Actually, it illustrates exactly what we have been doing in the non-life Insurance activities since we started probably 20 years ago.

We start by learning, in being the customer of another insurer more experienced than we can be or a reinsurer, if necessary. Then, after a certain progression on the yield curve, we try as much as possible to be autonomous and to be able to operate ourselves the business or to engage into joint venture through a partnership.

Pierre Chédeville: The Chinese strategy.

Jérôme Grivet: Maybe Chinese, but this is what.

Pierre Chédeville: Hope that you will not use it with Amundi.

Jérôme Grivet: We are going to be the majority shareholder of the new operation that we are going to build with Bank of China in China.

Pierre Chédeville: Okay. Thank you very much.

Jérôme Grivet: Thank you, Pierre.

Anke Reingen (Royal Bank of Canada) : Thank you very much for taking my question.

The first is, sorry, just a follow-up question on the M&A. Could you please remind us of the financial criteria for deals, in terms of EPS accretion and return on investments, and over what timeframe?

Then, secondly, I am just coming back to the cost control. Clearly, there has been very good performance, in terms of operating leverage and being continually just positive surprised. As you say, you are already at 2022 target. Can you maybe just talk about what has been or where you have done better than you expected when you put up the plan?

Not wanting to sound negative here, but, is there a risk that year 2020 benefitted from less travel and entertainment and then you could see a bump-up, maybe going into next year, when things return to somewhat normal? Thank you very much.

Jérôme Grivet: Thank you. In M&A, we have different criteria, but the most important one is that we want any M&A operation to generate a 10% return on investment after three years and to generate that return in a very secured manner, i.e., either by purely cost synergies or revenue synergies which are credible enough, because you know that generally in M&A transactions, we can be very ambitious on revenue synergies. However, this is generally more difficult to reach than the cost synergies, which are more accessible. This is clearly the main criteria that we would look at in any transaction of this kind.

In terms of cost control, I think that what we have done well and that what we will continue to do the same way is, again, to decentralise the responsibility of the evolution of the cost base across the business lines because who knows better what is the relevant cost base at LCL than the CEO of LCL?

He knows exactly where he is heading to, in terms of revenues. He knows exactly what he needs, in terms of branch number evolution, in terms of IT developments. He fine-tunes far better than what CASA could do the level of the of the cost base. This is exactly the way we want to continue to do things, i.e., to decentralise the responsibility, but also regularly to assess the evolution and to make sure that the improvement action plans are identified and are put in place.

It is true that probably in the last six months, we have benefitted from a reduction in certain expenses, especially travel and entertainment expenses because of the COVID crisis. We have had also, at the same time, some additional costs linked to the covid crisis which are not negligible.

All in all, the net economy is probably real. It is not so important. It is probably here to stay, at least in part, because I think that going forward, we will not have the same intensity, in terms of travel and entertainment as the one we used to have before. Clearly, we might see a rebound in certain costs after the end of all this sanitary crisis, but, we are not going to go back to the level where we were before.

Anke Reingen: Okay. Thank you very much.

Jérôme Grivet: Thank you.

Jérôme Grivet: Hello, Kirish.

Kirishanthan Vijayarajah (HSBC): Yes. Good afternoon, Jérôme. The overall good performance is CIB, overall. Specifically, in Structured Finance, I just want to term how does the deal pipeline look as you went into October because seasonally, 4Q is usually a little bit quieter, in terms of kind of CIB financing revenues. I am wondering if we need to allow for a bit of a steeper fall-off into fourth quarter this year.

Then, more broadly, if I look across all of your loan books, I wonder, have you told your loan officers to tighten lending criteria as we head into this kind of second lockdown? I know one of your peers was stressing yesterday how this second lockdown is going to be very different to the first. It would be helpful to hear your views on that topic, please. Thanks.

Jérôme Grivet: Yes. For the for the CIB revenues, going forward, and the pipeline, the pipeline is correct, i.e., we have been significantly improving in the last years our positioning towards our customers, which means that every time one of our clients wants to engage into an operation – a financing operation, a bond issuance, whatever – we are more and more often one of the possible banks to be chosen to lead this operation. From this viewpoint, the pipeline is quite satisfactory.

Then, the moment when our clients are going to trigger the operation will depend on the circumstances. It will depend on their needs. It will depend on the evolution of the sanitary crisis. It will depend probably on the way the American presidential election ends up and so on and so forth. We depend very much on client decisions regarding the timetable of their operations. However, every time one of our clients wants to engage into an operation, the chances that we are chosen to lead the operation has increased in the last period of time.

Then, did we strengthen our credit criteria? We cannot say so. What is for sure is that the present lockdown period is not the same than the previous one. That is for sure. In the first lockdown period in France, it was very simple. You had a few activities that were forbidden like the restaurants, the cafes, the bars and so on, and some retail shops.

You had a few activities that were compulsory. Actually, banks belong to the essential activity category and had to keep their branches open. For the rest of the activity represents the biggest part of the French economy. The motto was: you work only if it is possible remotely. This was definitely leading to a very sharp decrease in the level of activity.

Now, the motto is completely different. It is you work. Every time it is possible to work remotely, you do it remotely. However, for the rest of the time, we know that all the businesses, all the factories, all the offices have put in place some sanitary measures, some sanitary protocols that make it possible to work onsite safely.

This is why I believe that the effect of the second lockdown are going to be completely different on the global output and on the GDP evolution. Actually, it has already been estimated by some economists that say that it is going to be probably less hard, in terms of impact, as compared to what it was for the first lockdown.

Kirishanthan Vijayarajah: Great. Thanks, Jérôme.

Jérôme Grivet: Thank you. Thanks to every one of you. I do not know if we are going to meet in December like was initially planned, but, we are going to talk. Have a nice afternoon. Bye-bye.

[END OF TRANSCRIPT]