First Quarter 2021 Results

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Results Overview

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Good afternoon to every one of you. I am happy to present to you the results of the group, and of Crédit Agricole SA for this first quarter of 2021. Let me go to the slideshow as rapidly as possible in order to leave you time for your questions.

Figures

So we can start on page four. You can see that the group is posting a net profit of €1.75 billion, which is almost double as compared to Q1 2020. When restated from the traditional specific items, and I will go back on this one just afterwards, the underlying net income group share stands at €1.6 billion, and it is still an increase of 63%.

The main element that we restate this quarter is the fact that we have received from the Single Resolution Board an approval to *a posteriori* restate our contribution for the last five years, from 2016 to 2020, and this represents a positive one-off that we book on this quarter that represents €185 million for the group, and €130 million for Crédit Agricole SA. This element being, of course, nonrecurring, it is restated, and it is not integrated in our underlying figures.

P&L

If I go a little bit down on the P&L of the group globally what you can see is that these results are not only very high and solid, but they are also of a good quality. Revenues are very significantly up, plus 8.5% cost base, excluding the normal contributions to the Single Resolution Fund are stable.

And the cost of risk is down 42%. So this is leading to this €1.6 billion net profit at group level, and to a solvency ratio, CET1 ratio, at 17.3%. If you go on the next page with CASA's figures, the same trends can be identified. Net income group share stated above €1 billion for this first quarter is up 63%, 64%.

This specific item that is restated, and the underlying net income group share stands at €932 million. It is up 43% Q1 on Q1. And again, we have the same tendencies inside the P&L with revenues up 7.2% as compared to Q1 2020. It is also up 4% compared to Q4 2020.

The cost base excluding the contribution to the Single Resolution Fund is flat. And it is even slightly down as compared to Q4 last year, minus 0.5%. And the cost of risk is down 38% compared to Q1, and also minus 23% compared to Q4 2020.

Elements

I can go directly maybe on page eight, and just give you some elements on what happened during this first quarter of 2021. I think what is important to keep in mind is that back in 2020, the first quarter was still, for the biggest part of it, a quarter of normal activity. And all the restrictions to the economic activities started only end of March. This first quarter of 2021 has been indeed earmarked with the continuation of some significant restrictions measures. And despite that, we have managed to continue to develop our activities across the board.

And you can see that we have succeeded in attracting new customers this quarter, a significant number of new customers, 469,000 new Retail Banking customers in France and Italy. And we have managed also to increase the main activity indicators: loans outstanding, customer assets, consumer credit outstandings, and also the number of non-life insurance policies. So it means that we have learned how to continue to operate under restrictions. And we have been quite active from this viewpoint.

Revenue line

If I go now on page nine, just to take a look on the way the revenue line has been built at CASA in this first quarter of 2021, you can see that all business lines contributed to this increase in the topline of our P&L. It has been very much the case for the asset gathering division, and also for the large customers' business division.

But you can see that also in the retail banking business division, we have managed to post an increase in the topline. It is only with the Specialised Financial Services that we have had a topline that remained flat in Q1 as compared to Q1 2020.

But it is interesting also to note on the right-hand bottom, top part of the page is these series of net revenues that we have posted in the last five years for the first quarter of the year. And you can see that steadily, year after year, we have managed to increase the level of revenues. It has also been the case for the next quarters of the year in Q2, Q3 and Q4. We will see if we manage to continue this trend for the rest of this year.

Cost base evolution

If I take a look at the evolution of the cost base, so I told you that the cost base was globally flat Q1 on Q1, if you exclude the contribution to the Single Resolution Fund, it is been more or less the case in every business division, with a slight increase in the Asset Gathering and Large Customers business divisions which were the one that posted the highest increase in the evolution of their revenues, when the cost base continued to decline in the Specialised Financial Services division and in the Retail Banking division. You can see that of course the cost-to-income ratio continues to significantly decline. It is now at 58% excluding the contribution to the Single Resolution Fund.

Single resolution fund

Maybe one last point on this issue of the Single Resolution Fund I wanted to raise this quarter. As I said, we have booked one positive element, which is restated and not included in the underlying figures. And we have booked the traditional contribution, yearly contribution, of €510 million this year. This figure compares to a published and underlying figure of €360 million in Q1 2020, but actually in 2020, we have had to book a complement to this contribution in Q2 of €79 million.

So actually the €510 million that we booked this quarter, which is going to represent the whole of the contribution for the full year – no complement is expected in Q2 – it has to be compared with actually a level for last year which was globally €439 million, but it was booked over Q1 and Q2.

Asset quality

If I go now on page 11 talking about the asset quality, I think that the main messages are very straightforward. The asset quality remains very, very good with the level of non-performing loans compared to the total outstanding which is stable, both for Crédit Agricole SA, and for the group globally. And the coverage ratios continue to slightly improve, 72% for Crédit Agricole SA, and 84.4% for the group globally. So the quality of the loan book remains very, very solid.

When it comes to the cost of risk itself on this quarter, what you can see is that both for the group and for the SA, the cost of risk globally declined. You know that the cost of risk is made of two different elements.

Provisions

The first one is the additional provisions that we booked regarding Stage 1 and Stage 2 loans. And this quarter, you can see that this component of the cost of risk has decreased as compared to last year, be it Q1, be it Q4 or be it the average across the full year. It is simply because we have made a significant effort of provisioning performing loans last year. But this quarter we do not see any reason to strengthen or to make more severe our macroeconomic scenario. And so the additional Stage 1 and Stage 2 provisioning that we have booked are only related either to the natural evolution of our credit portfolios or to some additional prudential approaches on certain specific sectors. And it is the same at the level of the group and at the level of Crédit Agricole SA.

Cost of risk

The second element of the cost of risk is made of the provisioning of non-performing loans. And what you can see is that, again, both for the group and for Crédit Agricole SA, the S3 provisioning is significantly below what we booked in Q1 2020 and more or less stable as compared to Q4 2020. So no sign of deterioration of the credit quality of our loan book again.

This is leading to a very positive evolution of the net income group share globally. On page 13, it is the case business division by business division where you can see that in each business division, we have managed to increase the bottom line quite significantly. The only exception being the corporate centre, but it is mainly and it is only due to a base effect in 2020.

And when you look differently across the P&L globally, what you can see is that the net profit increases by around €280 million. It is fuelled by a very significant increase in revenues, plus €370 million, and a significant decrease in the cost of risk, minus €240 million. And the two negative elements are the increase in the contribution to the Single Resolution Fund, plus €150 million, and the increase in corporate taxes and other elements, plus around €180 million.

Q1 Highlights

On page 14, some elements on two events of the quarter. The first event is Amundi entering into exclusive negotiation to acquire Lyxor. So this is going obviously not only to reinforce globally Amundi's positioning in the field of asset management in Europe, but it is also leading to a very strong improvement of its positioning in the European ETF market. And the second element is the success of the tender offer that we have launched in Italy on Creval. It has been a success because we have managed to get more than 90% of the capital of Creval for this tender offer. So this is going to enable us to delist Creval. And we have just reopened the offer in order to squeeze out the remaining shareholders, and in order to own 100% of the capital of Creval to facilitate the integration process later on.

Mobilisation

Let me go now on page 16, just some elements regarding the mobilisation of the group to support and to protect the economy during the crisis. I am not going to comment in-depth the process of state guaranteed loans because you are now quite familiar with that.

But just to mention that it continued this quarter. We have granted an additional close to €1 billion of additional state guaranteed loans this quarter. When it comes to payment holidays, it is now coming to an end, and in most cases, in 98% of the cases, to a positive end, because the payments are resuming completely normally. And we remind here that we have been also active in protecting vulnerable customers.

Economy

On page 17, what is important is what is now ahead of us. What is ahead of us is that the economy is picking up. It is picking up in France, in Italy, in Europe, in the rest of the world, and we absolutely must take part in that because all our competitors are active. And so we are working now on the next steps of this picking up of the economy. And we are ready to participate massively in the PPR initiative in France, Prêt Participatif Relance, with our life insurance company being the biggest contributor to the fund that is put in place to finance these loans.

Transformation

Last point on page 18. During this period of time, we have continued to accelerate on the societal transformation contribution of the group. We have acknowledged that this crisis is clearly confirming the relevance of our group project, and the relevance of integrating environmental and societal preoccupation in our group project, and we are accelerating on those elements.

Businesses

Let me now go rapidly through the different businesses, starting with the Asset Gathering and Insurance business division. Just to mention on page 20 that we have managed to grow quite significantly the volume of assets that we manage, and that the profit of this business division has significantly rebounded this quarter, plus 43.7%. When it comes to strictly insurance activities, on page 21, what we can say is that we have had a very positive commercial activity in this beginning of the year, and with an acceleration in March. We have seen that especially in the inflows in life insurance policies. The leadership positioning of Crédit Agricole Assurances has been strengthened further last year on the French market. And it continues to be the case with the continuation of market share gains in the non-life insurance activity. The net profit of this business increases by 45% this quarter as compared to Q1 2020.

On page 22, Amundi. Amundi has published last week its results. So you know them perfectly. I think two elements are worth mentioning. The first element is that again Amundi is reaching a record level of assets under management, €1,755 billion. And the second element is that Amundi is posting this quarter a record level of profit, an increase of 54.4% for the contribution of Amundi to our own P&L.

On page 23, large customers division, so CACIB plus CACEIS. I think that what we mention on page 23 is that globally the activity was very dynamic. It has been notably the case at CACEIS where we have seen a significant increase in assets under custody and assets under administration, and a significant increase in the contribution of CACEIS outside the Single Resolution Fund contribution.

CACIB

When it comes to CACIB on page 24 simply to illustrate the situation, this quarter the first quarter of 2021 has been the second best quarter in five years in terms of revenues for CACIB. And this performance has been reached both for capital market activities where we see a significant increase of 13%, and for financing activities, with a good level of the credit demand coming from customers.

The cost base remains very, very much under control excluding, again, an increase in the contribution to the Single Resolution Fund. The cost of risk significantly decreases. And thus the net income group share of CACIB is growing by 37.6% this quarter.

Specialised Financial Services

Specialised Financial Services division with the Consumer Credit Business, we have had a good level of production of new loans this quarter. It is an increase of more than 4% Q1 on Q1. So this is protecting more or less the level of loans outstandings at CACF end of March as compared to end of March 2020.

The NBI is more or less stable excluding scope effect, the scope effect being the de-consolidation of the CACF NL which is under the process of being sold. And the cost of risk at CACF is declining quite significantly leading to a strong improvement of the contribution to CACF to the profit of the group.

It is more or less the same story for the leasing and factoring activities with a good level of commercial activity in the quarter, a good level of revenues too, a significant decrease in the cost of risk and a doubling of the contribution to our profits.

Retail banking

Retail banking activities starting with LCL. LCL despite the restrictions, managed to grow its customer base and grow its loans and deposits outstanding. The revenue is quite resilient, with an increase of close to 2%. The cost base continues to decline by around 2%. And the cost of risk is also significantly declining. It is spread more or less evenly between S1 and S2 provision and S3 provisions. So in this context, the net profit of LCL is up 12% this quarter.

International retail banking

Going now to International Retail Banking activity, and starting with Italy. You remember that Italy has had an earlier triggering of the lockdowns in 2020. And so the comparison in terms of activity between Q1 2021 and Q1 2020 shows a very significant increase in the level of activity, and in the number and the amount of products sold to our customers. So in this context, the topline is increasing quite significantly. The cost line is stable, and the cost of risk declined by around 14%. So the net contribution of Crédit Agricole Italia is up quite significantly, plus 76.6%.

For the rest of the International Retail Banking activities, the lowest point in terms of revenues was reached in Q2 last year. So it means that the comparison Q1 on Q1 is still challenging. Nevertheless as we have managed to control the cost base, and also to decrease a little bit the cost of risk, the evolution of the net profit is only slightly down, minus 13%, and would have been stable without forex effects. So it is a resilient quarter for this activity.

Corporate centre

I will finish with the corporate centre. The structural improvement of the costs of the corporate centre continues to operate. There is a base effect, which is quite challenging because you remember that in Q1 2020, we have had very significant intra group restatements that generated within the corporate centre, €175 million of revenues, which we do not have any longer this quarter. But restated from these elements, the improvement is very solid.

Just maybe one additional comment, in the corporate centre since the beginning of this year we are now booking the contribution of BforBank, which is now held with a stake of 50% plus one share by Crédit Agricole SA. And so it is equity accounted and it is generating a loss this quarter of €5 million. And we expect this to continue in the coming quarters and for at least for some years before we reach the breakeven. So you will have now to take that into account.

On page 31, the regional banks of Crédit Agricole. They have had a very good beginning of the year with good levels of activity, good customer attraction too, and a net level of revenues that was also boosted by the effect of the improvement in the market on their portfolio of assets. The cost base is stable. The cost of risk declined significantly. And so the contribution of the regional banks to the net profit of the group is doubled as compared to Q1 2020 which was much more difficult.

Let me go now to the solvency starting with the level of Crédit Agricole SA. There is a significant increase in the level of RWAs this quarter, plus around €12 billion, but actually €5 billion is explained by the dismantling of an additional 15% of the switch mechanism on the quarter. And then we have had around €5 billion or €6 billion of increase in the level of RWAs that are due either to forex effects or rating migration or TRIM. So the real organic increase in RWAs is much more moderate. The CET1 ratio of Crédit Agricole SA stands at 12.7%, which is of course very significantly above any requirement.

At the level of the group, the ratio stands at 17.3%. It is above the SREP level by 8.4 percentage points. And it is up 10 bps this quarter, nothing much more to mention.

T-LTRO

Liquidity is definitely not an issue. On page 35, what is important maybe to note is that we have further increased a little bit the level of T-LTRO drawings that we have taken at the T-LTRO window. We have now end of March, €152 billion of T-LTRO which are allocated to the different businesses of the group. And the liquidity reserves are at the highest level.

AT1

Last point regarding the financial management of the group. The advancement of the market funding programme is completely on track. Maybe just one other element we can mention is that we have announced just two days ago the call of an AT1 which is going to take place in June, and which is going to produce the effects in terms of AT1 coupons starting in Q3 this year. I think I can stop here in order now to try to answer to your questions.

Q&A

Jacques-Henri Gaulard (Kepler Cheuvreux): Just two questions. The first one would be on Creval maybe. Can you confirm that the synergies that were mentioned in the offer document will remain more or less the same and there is no particular change? And in that document what was maybe a little bit surprising was the amount of restructuring charges, which were actually quite high. If you can comment, that would be lovely.

And the second question would be on the perimeter of the group, you have been super active, with tons of initiatives in pretty much all of the important businesses. And I was wondering whether you believe that that perimeter would now remain more or less stable until you announce the new plan in 2022, or if there is any great opportunity starting up, you would seize it? Thank you.

Jérôme Grivet: Creval, you know that for the time being we have based our assumptions and every element that was in the tender offer document only on publicly available information, because obviously this was a listed entity, and we could not access some private data. So we have no reason because the offer has been successful to change our assumptions, but of course, we will have to fine-tune those assumptions. And it is also the case for the cost of the restructuration.

Once we have really dug into Creval, which is going to be the case when we will have a new board of directors you may have seen that a general assembly meeting has been convened for 18th June. So this will be the occasion for the board to be changed in accordance with the new shareholding of the company. And we will of course conduct some audit within Creval in order to, again, fine-tune the capacity of generating costs and revenue synergies and to fine-tune the cost of putting in place those restructuration. So up to now, no reason to change these figures. But we will have to fine-tune them, and we will have to do that in the process of purchase price allocation which is going probably to be made into two steps. One, very rapidly, but very rough and very conservative. And probably a second step before year-end with more precise figures.

When it comes to the perimeter of the group, you know that we have always said that the strategy of the group is not based on M&A. It is not based on acquisitions that we would target well in advance, and that we would try to realise in order to reach our strategic goals. The strategy of the group is really an organic one. But we have said that with some very precise financial criteria, we would be ready to take advantage of opportunities if they arise. So it has been the case lately. And you were referring to two important transactions that were announced more or less at the same time in the last few months, Lyxor and Creval. But we may perfectly leave several quarters in a row without announcing anything. It is not a must.

Jacques-Henri Gaulard: Thank you.

Jérôme Grivet: Thank you.

Delphine Lee (JP Morgan): So the first one I would like to ask on the payout ratio, just trying to understand a little bit your 50% policy which you said you would top up with a little bit of the full-year 2019 dividends. I think you mentioned €0.40. I just wondered how quickly we could see those extra dividends? And would they come in the form of specials or would they be part of your normal dividend policy?

And more broadly speaking, you are still targeting 11% CET1 I assume? I am just wondering how you get there given the level of capital you have now? And would you consider accelerating a little bit the switch to reimbursement in that context?

And then the second question is on cost of risk. You still mention that cost of risk is supposed to come down this year? And the question is how much given the start of the year. And you have worked in 37 basis points on Stage 1, Stage 2 provisions as well. So should we expect more of those Stage 1, Stage 2 provisioning again in the next few quarters or should that normalise and would you have a guidance for us for 2021? Thank you.

Jérôme Grivet: Well, I will start with the dividend. You are quite in a hurry to have some information. We are still in the process of building 2021 results. And so we will assess by year-end what is the normal dividend coming from the normal 50% cash payout policies and what kind of top up we can think of.

But this is going to be an issue that we will address only in Q4. So please, do not urge too much on this question. We still have to pay the 2020 dividend. That is going to be voted by the general assembly meeting next week. So we have time to think of this year dividend policy a little bit later on.

But definitely, we continue to have 11% as a target. So of course, considering the 12.7% ratio where we stand now, the margin is quite wide. Please take into consideration that we will have to finance somehow the Creval acquisition, which is going to represent maybe close to 20 bps, the Lyxor acquisition which is going to represent maybe 15 bps of ratio for Crédit Agricole SA. We still have some probably €4-5 billion of TRIM RWA to take this year, which is also going to represent a significant impact on our CET1 ratio. And we have, as you said rightly, the remaining 50% of the switch to unwind before end 2022.

So definitely, this is a commitment that we have taken, and this commitment will be fulfilled whatsoever. So this is all the main moving pieces that will take place regarding our capital and impacting of course definitely our dividend policy.

Then regarding the cost of risk, it is very, very difficult to tell in advance where we are going to stand in terms of cost of risk for the full year. What I can tell you is that this quarter, we have seen a significant decrease in the additional S1 and S2 provisions as I explained. What I can tell you is that also this remaining S1 and S2 additional provisions that we have booked this quarter were linked to, I would say, additional prudence i.e., either sectorial provisions that are taken either by LCL or by CACIB on certain sectors, or simply the pure result of the natural evolution and modification of the breakdown of our assets between S1 and S2. But it is really very tiny, and we do not expect to have to modify the macroeconomic scenario this year which would be the main driver of a significant movement on S1 and S2 provisioning.

We are very prudent in terms of provision. This is demonstrated, I would say, by the level of provisioning that we have in our books. We have close to €20 billion provision at group level, and close to €10 billion at CASA level. Inside those provisions, we have €2.7 billion of Stage 1 and Stage 2 provisioning at CASA level, and close to €7 billion S1 and S2 provisioning at group level. We do not intend to write back those amounts of provision going forward. And they are here just to attest them, to confirm our very prudent approach in terms of cost of risk.

But definitely what we see in the macroeconomic environment is not showing any sign of deterioration in the credit environment as of now.

Delphine Lee: Great, thank you very much.

Jérôme Grivet: Thank you.

Jean-Francois Neuez (Goldman Sachs): I just wanted to ask about the French Retail revenues and the Italian Retail revenues. Because compared to the domestic Italian peers that have reported up until now and also in France compared to BNP and SocGen, your revenues seem to be doing quite a fair bit better. I noticed some securities gain in Italy, but nonetheless up 5% year over year is a big number because I do not think you have many trading revenues, I do not think in there. And the same in France, the net interest margin seems to be much more resilient. So I remember you unwound some swaps back in a few years back. But I just wanted to try to understand firstly in Italy what was your net interest income trends? And also what you attribute the resilience on net interest margins to in those businesses?

Jérôme Grivet: Well in Italy as you said in the topline evolution you have a one-off that we have mentioned. We have also very good behaviour of what is called the managed savings for the account of our customers that generate a significant volume of fees this quarter.

So of course, the level of fees can be volatile. But this quarter, we performed very well in this area. And of course we will try and continue to go in the same direction. So clearly in Italy net interest margin is under pressure. Customers are renegotiating not their rate, because many, many loans are based on the floating rate, so they do not renegotiate the rate, but they renegotiate the spread. And so we feel a real pressure on net interest revenues in Italy as well as in France. But we managed thanks to the volume effect and thanks to the development of the fees, to offset that and to have a dynamic evolution of the topline.

In France also, we always say the same. We have the volume effect that is positive and that is helped indeed by the decrease in interest rates. We have the development of fees and commissions. And we have, I would say, the will that we have to continue to attract new customers in order to develop our customer base.

So the P&L of LCL is a very simple one because it is a pure retail bank in France. It has no other activities. It has no other gimmicks in its P&L. So I think that it is quite straightforward.

Jean-Francois Neuez: Okay. It is just that it is slightly different compared to the peers. I mean quite the –

Jérôme Grivet: Maybe you should ask the peers.

Jean-Francois Neuez: We asked them too, today your call. Anyway, thanks, Jérôme.

Giulia Aurora Miotto (Morgan Stanley): My first question is about deposits, and the fact that they keep growing more than loans. So I was wondering what are you seeing on the ground? And do you think there is potential for an acceleration of a move from deposits on to investment products especially on your retail networks? And what is the potential from this revenue opportunity? So that would be my first question.

And then the second question goes back to the €5 billion 2022 guidance for net income group share. I was wondering if you have any updates for us on that one, and whether it would include also the recent acquisitions? Thank you.

Jérôme Grivet: Well, thank you. It is true that the customer deposit is evolving very, very rapidly. And actually, it has been the case at LCL. It is also the case within the regional banks of Crédit Agricole. It is the case throughout the whole banking sector.

I think that for the time being, it is here because all our customers, be it household or SMEs or corporates are very prudent in the context. And so they wish to keep big liquidity buffers, everyone at his or at her level.

So of course once the situation is going to be completely clarified, once the pandemic will be considered completely under control, all these people, be it the household or the businesses, are going probably to make decisions regarding their cash position. And these decisions can take different directions. We think, we expect, and to be frank we wish that a significant part of the savings accumulated by the household on their side deposits are going to be transformed into consumption because this is going to help significantly the pickup in the economic activity, and this is going to be good overall for the country. So we are not going to try and induce them I would say against their will to transform these savings or these deposits into long-term investment products. Of course, if part of this cash is relevant to be invested long-term, we are here, and we are ready to do so and to help our clients to find a solution because we precisely have the whole range of solutions. We have the life insurance solution. We have the asset management solution. We have also the real estate proposition. So we have the capacity to propose our customers the whole range of long-term investments if they wish. But clearly, we are not going to actively try to force them to go into these directions rather than consuming if they wish to do so, when they will consider that the confidence is here and the stability of the environment allows them to consume more. And it is more or less the same for businesses.

Then your second question was about our €5 billion of net profit target for 2022. Of course Q1 is not making the full year, but what we have seen in Q1 2021 is not discouraging us to continue to target this level of profit for next year, let me put it this way.

Giulia Aurora Miotto: Great. Thank you.

Jérôme Grivet: Thank you.

Guillaume Tiberghien (Exane BNP Paribas): I have got some questions on the CIB. In your medium-term target, you had cost-to-income ratio of below 55%. We are now at 50%. You are not going to give a new target presumably before the end of 2022, but can you just give us a feel as to whether you think you can continue to operate around 50% and therefore the previous target was a little bit optimistic or you think you are over [?] a little bit at the moment in CIB?

The second one relates to the CIB RWA in financing activity. They have gone up quite a lot. What is the outlook for that please?

And the last one is on the capital target. You have not changed your targets since CRD 5 Article 104a. So does it mean you will not change the target, and therefore you are not taking benefit of this opportunity? Or that you will wait before touching it to 10%, you wait until the environment has improved? Thank you.

Jérôme Grivet: First, the cost-to-income ratio at the CIB. We have always thought that having a low cost-to-income ratio in the CIB activity is a key element in the stability of the CIB. Because when you have a high cost-to-income ratio in this business, you are more or less induced to take the risks, whatever they are, in order to generate revenues, and this is the moment when you take the bad risks. So clearly we have designed our CIB to be operated with a low cost-to-income ratio. 55% is the target. And we think that 55% is already very competitive as compared to most of the other CIBs operating in Europe and in the world.

So it happens that this quarter we managed to go below 55%, and we are around 50%, which is all the best. Of course, we are not going to change for the time being the target. We have to reassess that in a steady exercise when we will reframe our medium-term plan and so on, and so forth. But we are happy to be below the target for the time being, no doubt about it.

RWA in the financing activities, well it is always a little bit volatile because if I take the series back last year, we started at €74 billion in Q1. We went up to close to €75 billion in Q2. We went down to €72 billion in Q3. And we are now at €78 billion including forex effect and including the effect of negative migration, and partially the effect of TRIM. So many, many pieces that were not linked to, I would say, the organic growth of the portfolio. So every time we have some strengthening of the regulatory requirements in terms of RWA calculation, we try then after to optimise and to stabilise the level of RWA. So we will try to do that in the coming quarters. But I prefer to have a CIB with this level of RWA and this level of cost-to-income ratio than trying to be too aggressive in terms of taking market risk, for example, and taking risks that are not completely taken into account by RWAs. I think we have a stable CIB, and this is exactly what we want to have.

Last point on the capital target, we perfectly have in mind, and that one Article 104a is allowing us to reduce our target, all things being equal. The calculation that you can make as well as I can do that, would lead us to somewhere around 10.5% rather than 11% all things being equal.

But as we are presently at 12.7%, I do not really see the point in really modifying the official target. So you have seen that we still have ahead of us a significant number of elements that may impact our CET1 ratio. I think it is a little bit early to modify formally the target, but we have not forgotten about Article 104a.

Guillaume Tiberghien: Thank you.

Jérôme Grivet: Thank you.

Omar Fall (Barclays): Hi, good afternoon. So just firstly on insurance, you normally tell us to only look at the net profits, and not the rest of the P&L. So is this €300 million a normalised base after the pandemic disruptions last year? I ask because you quoted a lower C3S social contribution charge, and I cannot tell if that is a one-off or not, and how that is accounted. So in other words usually it used to be that Q1 for insurance is the lowest quarter, and net profit improves throughout the year. Is that kind of what we should still expect now?

Then second question is on LCL. If I look at loan growth, ex the guaranteed loans, in the last three quarters that has been plus 5%, plus 4%, and plus 3% this quarter. Why should that improve when the economy reopens because businesses have tons of liquidity and will spend time getting rid of the guaranteed loans. Mortgages are not elastic to reopening if we look at other countries. And consumer credit is small in the networks. It seems especially important for LCL because you are the only bank in Europe where NII is growing in line with loans somehow.

Jérôme Grivet: Insurance, it is true that this quarter has been quite a satisfying quarter in terms of profit generation. Let me start with two technical elements that are going to impact going forward the profitability of the insurance business.

The first one which is a negative one is that, as you know, since the middle of last year, we book the RT1 coupons in the P&L and no longer against equity. And this represents around €20 million a quarter of cost which is accounted for in the non-controlling interest line.

The second element which is positive is that the further unwinding of the Switch mechanism is generating some positive revenues. So it was absolutely marginally in Q1 because the unwinding took place only beginning of March, but you will have a full quarter effect starting in Q2 before the next step of unwinding the Switch mechanism which is supposed to take place before end 2022.

Then you have the normal course of business. Q1 2020 was weak before because of market effects. Q1 2021 is good. It is not exceptionally high, but it is good in terms of volumes of premium. And it is good in terms of market evolution that is leading to a preservation of the value of our assets. So of course, there is going to be some volatility. But I guess that this quarterly level is not completely irrelevant.

LCL and the evolution of the credit demand and the loan outstandings at LCL. Well what we know for sure is that many, many of our business customers have the intention to invest and to launch projects as soon as the sanitary situation is stabilised. So of course for some of them they have at least partially the cash on their accounts because they have secured the cash for some of them. They are going to need to borrow money from their bank. So we are ready to do so. And this is going to be the case for the SMEs, and also for the self-employed professionals that are a key component of the customer base of LCL.

Then for the household, we see no sign of slowdown in the credit demand for home loans. What we see is that the high council for the financial stability has put in place some constraints that may refrain some households to access to a home loan. But the appetite of the household to buy their homes continues to be significant in the present period of time. And clearly, we have seen a good level of activity for home loans again this quarter. So I do not see any reason why we should see a negative evolution of the loan book in the coming quarters at LCL.

Omar Fall: Right. And just as a very quick follow-up on consumer credit, you had mentioned that March was almost at the level of 2019, the highs of 2019. What is the average duration of the loan book that is consolidated?

Jérôme Grivet: It is about 30 months. It is about 30 months.

Omar Fall: Got it. Got it. Perfect, thank you.

Jérôme Grivet: Thank you.

Tarik El Mejjad (Bank of America): Hi. Good afternoon, Jérôme. Just two questions please. So first of all, a follow-up on the review of minimum capital. I mean, do you think that running a bank with such a large balance sheet would be acceptable to run the bank at below 11%?

I know there is requirement ratios, but also what is acceptable to run the bank at? I mean at the time we were talking all about 10% which became 11% and 12%, but, so there just to have your view on that.

And would you revise and apply the Article 104.5, would you probably just put it in conjunction with Basel IV, and basically, give a new target under Basel IV, which will then be half absorbing Basel IV? Would that be some kind of logic you will have?

And then second question, maybe it is too early, but what is your take on the discussion on the Single Resolution Fund contribution? I mean, as a large bank again, it impacts you materially. And so what is the latest on that? And what do you think? I mean a few banks are definitely lobbying on having it stopped by end of 2023. But what is your take on that? Thank you.

Jérôme Grivet: Thank you, Tarik. First question, we do not intend to steer large balance sheet as ours, as you say, at 10.5% or 11%. We steer it at 17%. Because what matters really is the solvency of the group globally, and the group is above 17%.

I remind you that we were targeting to be at 16% in 2022. We are already above 17%. And there is no reason why we should not continue to build up the capital robustness of the group globally. And CASA is inside the group, benefit from the high solvency of the Regional Banks, and do not need to be steered at such a high capital level. This is precisely, I would say, the attractive feature of the structure of the group that is really helping us to generate and to deliver a good return on equity for CASA's minority investors with being on the safe side globally in terms of solvency thanks to the group solvency.

So I do not see any reason why we should not translate Article 104a exactly as it should, thus leading to a reduction by around 50 bps of the official target of CASA, as long as CASA continues to be part of Crédit Agricole group.

Of course, it is true that going forward there is another important moving piece which is Basel IV. And this is also you are right, another reason why we are in no hurry to modify formally our target because we do not know exactly how and when Basel IV is going to be transposed. But what we have heard is that we should access to potentially a draft directive somewhere after the Summer. So we will see at that moment exactly how to handle that.

The Single Resolution Fund. Yes, well officially the Single Resolution Fund will be completely ramped up at end of 2023. And after that, we should only contribute to maintain the Single Resolution Fund amount to this level of 1% of the covered deposit.

So normally this is what is going to happen. So it is too early to tell if this is really going to be the case. But you can count us amongst the banks that will try to, I would say, push the public authorities in this direction of stopping the ramping-up of the Single Resolution Fund at the pre-identified level. We pay such an important part to this fund that the sooner is the better for us.

Tarik El Mejjad: Thank you.

Pierre Chédeville (CIC): Yes, good afternoon, Jérôme. One question regarding the performance fees at Amundi. It seems that it was quite important this quarter. And I know that there is a reform which is prepared by the ESMA regarding the calculation of the fees and not on one year, but on five years. And I wanted to know if you had any idea of the impact that could have on Amundi revenues in the coming years if this reform is applied? First question.

The second question, we have seen some articles recently regarding, I do not know the term in English, fragmented payment - *paiement fragmenté* - which is to be –

Jérôme Grivet: Fractioning.

Pierre Chédeville: Fractioning, sorry. *[French]*. And I wanted to know what is the view of CACF regarding this business? Are you present in this business? And if not, would you like to be?

And my last question is regarding shipping. As one of the major player in the world, could you give us any colour regarding shipping, not only from the point of view of risk, but also from the point of view of revenues? Thank you, Jérôme.

Jérôme Grivet: Thank you. Starting with Amundi, and the performance fees. We are perfectly aware of course of this potential modification of the regulation regarding performance fees calculation. Amundi is already quite significantly in line with the new requirements of this regulation. So this may have a negative impact going forward, but quite moderate and really phased in across five years. So it is not something which is going to significantly modify things regarding performance fees. But performance fees are much more exposed simply to the volatility of the market because between Q1 2020 and Q1 2021, the evolution of performance fees explains €70 million of difference in terms of revenues at Amundi. So it is around 40% of the revenue increase at Amundi. So it is very significant. And it is by definition volatile because it is linked to the performance achieved by the portfolio managers at Amundi.

CACF, and the fractioned payment, it is clear that it is a developing trend on the market. And that more and more consumer credit operators are proposing this to their customers. Their customers being not only the final customer, but also the retail partners. And so CACF is definitely working on that. I am not able to tell exactly where they stand in terms of development of the offer. But they are perfectly aware of that, and they are working on it.

Well shipping, shipping, it is one of the businesses in which CACIB is very active. It is a business that has had last year some significant downs. Prices on the shipping market are very significantly up since several months with not only the global pickup in the economic activity, but also you know that this incident in the Suez Canal has triggered a very sharp increase in the pricing of shipping. So it is a business in which we have a significant exposure. It is around €12 billion to €13 billion of exposure at default. So it is important. It is significant. It is not massive. And it is one of the several sectors of activity in which CACIB is active. And it is a component of the balanced business model at CACIB.

And inside the shipping activity, we are exposed to several sub segments, be it leisure shipping, be it all the categories of carriers, plus also the ship makers and so on and so forth. So it is a very diversified exposure that we have.

Pierre Chédeville: And regarding leisure and carriers, are you worried about the situation?

Jérôme Grivet: Well, globally the shipping, the commercial shipping segments are performing very well. It is true that the leisure segment is almost completely on halt, but it is not going to last forever.

Pierre Chédeville: Hopefully, thank you, Jérôme.

Jérôme Grivet: Thank you.

Kiri Vijayarajah (HSBC): Yes, good afternoon, Jérôme. First question on capital. Just very quickly, I wanted to clarify any of the negative effects that you are flagging this quarter potentially unwind in the coming quarters. It feels like they are all pretty permanent on that slide. But just wanted to check that I was not missing anything there.

And then turning to the second question on those government-backed quasi-equity loans in the pipeline. Because you own a large insurance company, you have also got Amundi. I just wondered if your eventual exposure to that vehicle is going to be bigger than say your natural market share, your natural banking market share in France because of the way that particular fund is being structured. So really just a guidance on where you think your aggregate exposure might eventually end up taking account of all the various entities within the wider Crédit Agricole group? Thank you.

Jérôme Grivet: Okay, so starting with the capital headwinds that we have had this quarter. As I said, the increase in RWAs was around €12 billion, out of which we have had €5 billion linked to the Switch dismantling. Of course, this is here to last. We have had close to €2 billion of Forex effect. This is perfectly revertable, and it is going to vary across time. We have had €1.2 billion of negative rating migration of some counterparts at CACIB. And it is only a part of the €5 billion that we have had on the last four or five quarters. So this is definitely a trend for the time being. But if the economic recovery is operating as we expected, this is going to revert progressively.

Then of course, we have had this TRIM effect that represented close to €3 billion of negative evolution of RWAs. This is here to stay until we found some ways of optimising the RWA calculation which is regularly the case. So you see there that I do not know what can be qualified as steady, and what must be qualified as volatile. But here are the main elements explaining the evolution of the RWAs.

And then we have had a reduction linked to the increase in interest rates triggering a decrease in the value of the equity stake in our insurance operation. So this can also vary across time depending on market parameters.

But definitely, we are absolutely not worried at all by this movement on the quarter where usually there is always a depletion in the CET1 ratio, because generally Q1 is a quarter where we book significant regulatory effects, negative regulatory effects. And Q1 is also the quarter of IFRIC 21. So it is a quarter where we generate less results than a normal quarter.

Then the equity loans that you were referring to part of the new mechanism put in place by the French government. It is true that we are going to represent a significant part of the investors within the fund that is going to fund these loans. €2.25 billion is going to be invested by Crédit Agricole Assurances in the fund. At the same time, Amundi is going to be the fund manager operating with another French bank. And what is important for us is that we are going to work hard in order to make sure that our bank networks are going to originate a significant proportion of these equity loans for their and for our customers, because when we are talking about the €2.25 billion that Predica is going to invest in that, it is, I would say, the liability side of the fund. But what is important is the asset side of the fund, who is providing loans, these equity loans.

And we are going to be very active in order to make sure that we provide a significant part of them. And then at the end of the day in terms of risks as you know there is a 30% government guarantee on these loans which is really protecting the investors.

Kiri Vijayarajah: Great. Thank you, Jérôme.

Jérôme Grivet: Thank you.

Matthew Clark (Mediobanca): So firstly, can I just come back to the insurance division and the topline. Should we read anything into the level of revenues compared to the insurance assets under management there which seem to be a bit lower than they have been in the past or is this really, is that a red herring, and we should be looking at some other metric in order to gauge the revenue power of that division? So any guidance or thoughts there would be appreciated.

And then second question is just on cost of risk and the Stage 1 and 2 provisions that you booked this quarter. I am just curious why you are still booking Stage 1 and 2 provisions? I mean what is it about the development to the macro environment during the first quarter or year to date that meant you are still taking these? I would have thought you took quite a lot of them last year. And that maybe there would be a chance of them to drop down to zero and you just see the defaults come through only Stage 3 provisions for here. So why are you still taking them? And will you keep taking them in coming quarters? Thanks.

Jérôme Grivet: Integrating insurance revenues into the P&L of the banking group is always quite complicated actually. And so the topline in the insurance activity is always somehow hard to read across through the lens of the banking group, but nevertheless what we have seen this quarter in the topline of the insurance activity is partially the reflect of a good level of activity and a good level of risk in the non-life activities plus, in the life activities, some positive effects coming from the recovery in the valuation of certain assets that we had to provision in Q1 2020 because of market movements, and that we could write back I would say in Q1 2021. So this is the combination of those elements.

What is important in the life insurance business is the capacity of continuing to generate the level of profit that we target. This clearly has been the case this quarter. And what is also important in the life insurance activity is the capacity of maintaining for the euro part of the book. And by the way, you may have seen that we have continued to increase the unit-linked part of the book. But for the euro part of the book, what is important is the capacity of continuing to preserve a spread, a significant spread, between the yield of the asset book that we manage and the profit-sharing rate that we intend to pay to our customers.

And this quarter, the yield continues to be quite significant between both. It is a little bit less than 100 bps which is very reassuring. And this allowed us not only to generate the level of profit that we post here, but also to continue to increase this provision that was progressively booked in order to protect our capacity to pay the profit-sharing rate to our customers going forward.

This provision, this specific provision, is now at €11.8 billion. And it has been an increase again of around €300 million simply on the quarter. It now represents around 5.6% of the outstanding in euros of Predica. So this is the situation of the insurance activity.

And the cost of risk, as I have said, the additional provisions in S1 and S2 can be justified by different reasons. It can be justified by a strengthening of the macroeconomic scenario if we deem it necessary. It is not the case. And we have not modified the macroeconomic scenario, because we are confident with what we have embedded into it.

It can be justified by the evolution of the loan portfolio that we have. So either, we have an increase in new loans and so this is increasing the S1 category, and so this requires some ECL, one-year ECL, so it is a very tiny amount, or we have migration between S1 and S2. And so this needs an increase in provisioning because the level of provisioning when the loan goes from S1 bucket to S2 bucket needs an increase in provisioning. It has not been very much the case this quarter either.

So the last reason which is very important because of our, I would say, DNA is the prudence that we add up, for the top up on the provisions that we regularly book, because LCL, because the regional banks, because CACIB deems it necessary to book an additional provision on a specific sector or on a specific geography. And so this has really explained the biggest part of the S1 and S2 provisioning this quarter, again because all these additional prudent approaches have been taken locally, but this is not the result of the central forward-looking scenario that we have embedded in our models.

Matthew Clark: Okay, thank you.

Jérôme Grivet: Well, thanks very much to all of you for attending this meeting. And I hope to meet you in person someday. Take care in the meanwhile. Bye-bye.

[END OF TRANSCRIPT]