



# **H1 2021 Results**

Thursday, 5<sup>th</sup> August 2021

## **Introduction**

Jerome Grivet

*Deputy GM & Chief Financial Officer*

Good afternoon, everyone; happy to share this hour and a half with you for the presentation of our Q2 and H1 results, which, as you have seen are very good results. And I should say that these results are good. It is not a surprise because as Philippe Brassac explained it several times yesterday in front of the Board, in the context of this very specific crisis, where public authorities have put in place several measures in order to protect the economy, it is not a surprise that banks have good results.

### **Crédit Agricole Group Key Figures**

Nevertheless, I think that our results are specifically good with a net profit you can see on page 4 for the group, which is not only up around 85-90%, as compared to last year, but also significantly up as compared to 2019 for the same period, both for the quarter and for the first half of the year. It is the case for the stated figures and as far as the underlying net income is concerned, the improvement is also very significant: plus one third on the quarter, plus close to 45% on the first half of the year. But also a significant improvement as compared to the underlying figures in 2019: plus 28% for the quarter and plus 21% for the half of the year.

### **CASA key Figures**

On the following page, you will see the figures for Crédit Agricole SA for the quarter: close to €2 billion in terms of stated net income, and close to €3 billion for the half of the year. And restated from some specific items that I will comment later on, we still have €1.6 billion of net profit for the quarter and €2.5 billion for the for the half year. And it is up around 45% in both cases, as compared to last year, and also up 25-30% as compared to 2019.

This very good performance has been reached by a very, I would say, virtuous combination of the high growth in terms of revenues, plus 12% for the quarter and plus 10% for half year, which is much steeper than the increase in the cost base, plus 8% and 4%. So the gross operating income is sharply up, around 20%. And then the cost of risk is very significantly down: minus 70% for the quarter and minus 60% for the first half of the year.

The underlying cost income ratio for the quarter stands around 55% which is a further and significant improvement as compared to Q2 last year, and the solvency is at a high level, 12.6% for CASA end of June.

### **Key Messages**

On the following page, you have the main messages that we want to insist on in this quarter, but I think I can summarise that in saying that the economy is recovering very rapidly after the different phases of lockdowns that we have had. In this context, the level of activity that we have had in all business lines has been very booming, very buoyant, and this is leading to this very sharp improvement in our profitability both through an increase in the top line and a significant decrease in the cost of risk line, thus preserving and improving and strengthening further the capital position of the group and of Credit Agricole SA.

**Economic Activity**

If I go now to page 8, you will see an illustration of what I was just saying regarding the economic situation in France, where you can see that seen through our own prism which is the number of payments that we process. We have seen indeed in the different lockdown periods a significant decrease in the level of activity; but the two comments I can make is that every time after these lockdowns, we have seen a sharp rebound, and then lockdown after lockdown, the decrease is smaller each time, proving that the economy is progressively integrating in its behaviour the consequences of the different lockdowns.

So this is leading to the indicators that you have on the bottom part of the page, which illustrate the level of confidence of both the households and the business leaders as well as the PMI.

**Business Activity**

On page 9, some elements illustrating the fact that this very, I would say, fast rebound of the economy is translating into a very good level of activity for our different businesses. This is illustrated by the customer capture, which was significantly up in H1 '21 as compared to H1 '20. And indeed, we are now close to the number of new customers that we had attracted back in 2019. It is also illustrated by the volume of new loans that we have put in place in the in the in Q2 '21. Up 15% on Q2 '19. It is also the case for some additional product lines, like the volume of new consumer loan that we put in place: up 62% in Q2 '21, as compared to Q2 '20.

In the insurance area, it is the example of the number of new policies that we have underwritten in P&C activities up also 62%, close to 63%, between Q2 '20 and Q2 '21. So, this is leading to this very sharp increase in the top line. You can see on page 10, that this increase is not only the case as compared to Q2 '20 but also as compared to Q2 '19. Indeed, both for the quarter and for the semester, the increase is a double digit increase or close to a double-digit increase, even if we exclude the scope effect.

Interestingly also, this increase is very well spread across all business lines with the exception of the large customers division, which, you remember, had a very, very buoyant quarter in Q2 '20 and is now in at a more normalised, I would say, level of activity, but nevertheless a good level of activity.

**Revenues**

What I wanted to explain on the following page is that actually these good performance in terms of revenue generation that we posted in Q2 and H1 '21, both compared to '20 and to '19 is actually part of a much wider achievement, which is the fact that in the last five years, quarter after quarter, both for Q1, for Q2, for Q3, and Q4 we will see later on this year, but both for Q1 and Q2, we have managed to improve the top line year after year after year.

This is the result of a very balanced breakdown of our revenues at CASA level first between fees, net interest margin, interest revenues and other revenues. Also this very good resilience is the consequence of revenue generation which is made by three quarters of revenues in connection with stocks of contracts, and stocks of products that we have in our balance sheet. Thus, only a quarter of the revenues are linked to transactions that we have regularly to rebuild year after year.

Therefore, a very good resilience and a very good revenue generation capacity illustrated on this page 11.

### **Expenses**

When it comes to the evolution of the cost base. Indeed, when we first look at the evolution of the cost base between Q2 '20 and Q2 '21, at 8.3%, it may seem a little bit too dynamic, even though it is still well below the evolution of the top line. However, if we take into account three elements, which are the base effect, Q2 '20 was a very low base in terms of costs, considering the fact that Q2 '20 was earmarked by a lockdown, the most severe lockdown, for the biggest part of it. Second element is the scope effect, and third element and effect linked to the increase this quarter of the provisions that we book for future variable compensations, actually, the evolution is very moderate.

Actually, if we compare Q2 '21, to Q2 '19, excluding scope effect, so in two years' time, the increase in the cost base is only 3.6%, which is very moderate. If you assess those figures for the full quarter, you will see evolution which are in the same region around 4 to 4.5% if you compare to '20, or to '19. All in all, we continue to have a very strict monitoring of the cost base in this period of time.

### **Operating Efficiency**

This is illustrated indeed, by the following page, which is page 13, where you see two interesting elements. The first one is the fact that in the last five years, in Q2, we have managed to post a positive jaws between the evolution of the top line and the evolution of the coastline. And indeed, in five years' time, we have managed to generate a total of close to 10 percentage points of positive jaws effect. And this is leading to what you see on the right-hand side of this page, which is a decrease by close to five percentage points in five years of the cost to income ratio of the second quarter since 2017. Indeed, if we had looked back a little bit earlier in time, the decrease would even have been sharper.

### **Asset Quality**

Let us go now to page 14, to the topic of the asset quality. Well, nothing much to say indeed, because the asset quality remains very, very good across the board for Crédit Agricole SA and for the Group globally. You can see that the NPL ratios are stable as compared to March 21. You may recall that in March 21, they were decreasing slightly as compared to end of last year. So indeed, we continue to have a very good quality of our credit portfolio.

Considering the provisioning that we have did this quarter, this is indeed leading to a slight increase in the coverage ratios that we post. It is close to 75% at the level of Crédit Agricole SA, and close and even a little bit above 85% at the level of the Group globally, considering the very high 102% within the regional banks. All in all, we have more than €10 billion of reserves in CASA's balance sheet, and €20 billion all together for the group, in which at CASA, we have around 27% of this amount, which is facing sound loans, performing loans. At the level of the Group globally, the proportion of provisions covering a performing loans is even above 1/3. Thus, very prudent provisioning approach.

### **Risk**

Despite this prudent provisioning approach, what you will see on page 15 is that the cost of risk this quarter declined significantly, at CASA, it is minus 72% Q2 on Q2 and minus 34% Q2

on Q1. And this decrease is explained both by a very sharp decrease in the evolution of S1 and S2 cost of risk, but no write backs on S1 and S2 provisioning; simply a slight increase and also a sharp decrease in the S3 provisioning because of the evolution of the quality of the loan book which again was very good.

At the level of the Group, you will find the same kind of evolution: a decrease of 63% of the total cost of risk Q2 on Q2 and minus 17% Q2 on Q1 with more or less the same trends, a very sharp decrease in S3 provisioning, because there is a fewer number of defaulting loans and therefore, of S1 and S2 provisioning, which is maintained at a rather high level, especially within the regional banks of Crédit Agricole. It is not linked to a significant change in the macroeconomic scenario, but much more to the continuous effort of sectorial provisioning within the regional banks.

### **Net Income Group Share**

Let's go now to page 16, where you see the global evolution of the P&L of CASA. What you can see in a nutshell on this page is that both on the quarter and on the semester, the evolution is very positive; it is plus 45% in terms of underlying profit as compared to Q2 20, and H1 20. It is still plus 30% and plus 25% if you take the 2019 reference.

What is interesting is to analyse the way this evolution is made. And if we take the example of the quarter, you can see that the net profit is increasing by around €500 million as compared to last year. There is an increase in the gross operating income of around €450 million; there is a decrease in the cost of risk of around €650 million. Then you have of course a very sharp increase in the level of taxes, plus €400 million, and an increase in the other items amongst which you have the minority interest, plus €200 million negative impact.

Therefore, this explains how this improvement of €500 million has been obtained. However, what is interesting really to keep in mind, it is a balanced combination of the improvement of the gross operating income and the decrease in the cost of risk. Lastly, on this page, you can see that this improvement is also very well balanced across the different business lines.

### **Profitability**

On page 17, again, look back in the past, it is the appreciation of our return on tangible equity across the last four and a half years. So 18 quarters. We have managed to post a return on tangible equity across those 18 quarters, which was permanently at least two and a half percentage points above the average of the ten biggest European banks posting a return on tangible equity. Again, this quarter and this semester at 13% and 13.6%, the return on tangible equity that we publish is very significantly above the average of this sample of European banks.

Last point on this page. As we said in February, once the ECB's authorisation will be granted to us, we will conduct the second share buyback operation that we had announced beginning of this year. The first one being well on its way. It is completed at around three quarters for the time being.

### **Our Societal Project**

On the following page, some highlights regarding our contribution to the transitions of the society. We have decided to join the Net Zero Banking Alliance, the Net Zero Asset Managers Alliance, and also we will join later on this year the Net Zero Insurance Alliance in order to

fully comply to our commitment to be best in class in terms of accompanying the transition of the economy globally.

However, at the same time, we also want to deploy our efforts in terms of social inclusivity. We will have dedicated initiatives regarding the integration of young people amongst the labour world in France going forward. Lastly, on this page, we will continue to integrate as much as possible climate changes opportunities in our business models and the different businesses of the Group. Retail Banking, Asset Management, Insurance, CIB, and Consumer Finance.

### **Group Development Model**

On page 19, an illustration on which we regularly insist, but I think it is very important to again explain: it is the growth engines that we have for the future. As you know, our model of universal banking is playing on three different growth engines. The first one is the scope of the services and businesses that we are able to develop, and we regularly extend the scope of our offers to our clients. The second element is the equipment; once we have a client and considering the scope of activities that we are able to propose those clients, we try as much as possible to develop their equipment rates. And the difference between the grey and the blue bar illustrates the improvements that we have managed to obtain in this regard in the last period of time.

Then the third axis is the improvement and the increase of the customer base itself by the acceleration of our customer capture, be it the customers that directly sit within CASA's balance sheet, i.e., within LCL or within Crédit Agricole Italia, or also, of course, within the regional banks of Crédit Agricole. You have here some indication regarding the improvement of the different equipment rates in 2021.

### **Asset Gathering and Insurance**

Let me go now on page 21, precisely, in order to give you some highlights regarding the different business lines of the Group, different business divisions, starting with the asset gathering and insurance business division on page 21. Maybe just one key element, which is the further development of the assets under management within this business division: €2.3 trillion of assets under management. Indeed, there has been an improvement in both in Asset Management life insurance and wealth management activities. And the P&L of this business division continues to improve significantly as compared to last year.

#### **Insurance**

On page 22, insurance activities. It has been a very good quarter in terms of commercial activity for the insurance business division, both in savings and retirements, where we have net inflows of €1.6 billion. What is interesting is that unit linked products represent 40% of the gross inflows, around 100% of the net inflows; because what you can see is that actually, we have been a slight a net outflow for euro products. They now represent more than 25% of the outstandings which is, as you know, a key target that we have for this business division.

In P&C the premium income is up 10%, Q2 on Q2, so it is a very sharp improvement. Generally, we have between seven and 7 and 8% increase over time, so 10% shows a very sharp acceleration. And in Protection businesses, personal insurance revenues are up even more sharply: plus 23%. It is mainly driven by the lending business, both for home loans and for consumer credit loans.

In this context the net income Group share of the business division is up and reaches a record level above €400 million for the quarter and €700 million for the half year. It is including positive market effects, but it is also the consequence of this very good level of commercial activity.

### **Asset Management**

On the following page, page 23, Amundi has already published its results. So you perfectly know all the figures, but I think that it can be summarised with a few ideas. The first one is that this quarter was earmarked by strong inflows in medium- to long-term assets. There were some outflows in money market funds, but in medium- and long-term assets, we have had significant inflows.

The second highlight is that Amundi is reaching a new high in terms of assets under management, close to €1.8 trillion. Revenues are very sharply up and both management fees and performance fees are very significantly up. Actually, Amundi has reached a record in terms of performance fees this quarter. The gross operating income is very significantly up, despite the fact that the provisions for variable compensation were by definition up in this context. Thus, Amundi is posting, also, a record level of underlying profit.

### **Large Customers**

If we go now to the large customers division, so CACIB plus CACEIS. Globally, there has been a good level of activity, probably less buoyant than the one we have had in Q2 '20, but nevertheless, a good level of activity, and which was definitely above the Q2 that we have had in the past in '17, '18, and '19.

In terms of custody activities, revenues were slightly impacted by a very ample liquidity position, which is costly, despite the fact that CACEIS is billing the biggest part of the cash it receives from its customers. There is nevertheless the remaining part that is supporting the negative interest rate condition that we have now. But when it comes to the fee part of the revenues of CACEIS, it is up significantly in line with the evolution of assets under custody and assets under administration which are up around 12% this quarter.

### **Corporate and Investment Banking**

Let me go now to CACIB on page 25. It is a mixed set of figures in terms of revenues, as you know, because, again, Q2 '20 was so high in terms of activity in the world of both syndicated loans and bond issuances, that it was difficult to replicate the same performance. Actually, what I have seen is that most banks are in the same situation this quarter. Nevertheless, globally, the activities of CACIB were good, with good performances in structured finance, in trade finance, in transaction banking, and also in investment banking activities and equities.

In this context, the gross operating income is down but considering the fact that the cost of risk was very benign this quarter, actually, CACIB is even posting a write back on loan loss provisions by €40 million, the net income of CACIB is up 15%, above €450 million for the quarter and above €700 million for the half year.

### **Specialised Financial Services**

In the Specialised Financial Services Division, both in consumer finance and also in leasing and factoring activities, the quarter was earmarked by a very high level of production of new contracts and new loans and new leasing put in place this quarter. So this is leading to an

improvement and an increase in the outstandings. An increase also in the top line, a very good cost control and a decrease in the cost of risk. So all in all, again, an improvement of the contribution of those activities to the net profit of Crédit Agricole SA.

### **French Retail Banking**

I will finish with the retail banking activities starting with LCL where, again, and I am sorry to repeat the same words permanently, we have seen a very high level of activity with a good level of production of new loans leading to an increase in loans outstanding, a good level also of customer assets. A good level of customer acquisition with close to 90,000 new customers attracted in Q2, and an increase in the equipment rate of these customers with the different additional products that LCL is selling to them. LCL also launched its new project, LCL new generation network, which is going to lead to the regrouping of 250 branches in a network of 1,600 branches, in order to better meet the customer requests in terms of advice and quality.

And this context, the top line is up significantly plus 8%; the cost line continues to be very well monitored, plus only 2.2%. Thus, the gross operating income is up 21%, cost of risk declined significantly, minus 63%. And so the net income group share is up 78%.

### **Italy**

#### *Retail Banking*

Italy, in Italy, of course there is the integration of Creval this quarter, and I will come back on this issue later on. However, let's start with Crédit Agricole Italia, the original perimeter of Crédit Agricole Italia, because it is a quarter on which on this perimeter, the activity was very, very intense, with a strong increase in the production of new loans, very strong increase in the management of customer savings, and a very good development of the level of revenues which are up 12% if I exclude the Creval scope effect. At the same time, expenses again excluding Creval are decreasing a little bit, minus 1.5% and the cost of risk is down close to 60% on the permanent perimeter of Crédit Agricole Italia.

In addition to that, Creval is adding up some revenues, some costs, and all in all a net contribution of €7 million for the last two months of the quarter because the acquisition of Creval was completed beginning of May. However, the integration of Creval is not only the leading to this contribution of €7 million of net profit for the quarter. It is also of course the integration of Creval's balance sheet in Crédit Agricole Italia balance sheet with the first consolidation. This is leading to an increase of our RWAs. I will come back on this point later on, but it is an increase of €8.5 billion of additional RWAs. There is also the recognition of net badwill which is provisory but which represents for 100% of Crédit Agricole Italia, €378 million when translated to CASA, considering the minority interests within Crédit Agricole Italia. This is €285 million of net badwill. So the difference between the gross badwill and a first appreciation of the provisions that we will book in face of this amount of badwill.

Let me note, also, that this badwill is not for the time being prudentially recognised. It is going to be the case only end of this year when we will have the definitive PPA performed.

#### *Group*

Let me take the opportunity of this page just to commend globally the Group's presence and performance in Italy: we have managed to post a net profit in Italy globally of €385 million



this semester. And it is very well-balanced between the four main business divisions of the Group: 35% for the retail banking activities, but also 36% for the specialised financial services business division, 19% for the asset gathering business division and 10% for the large customers division. Again, as we have already mentioned, a comprehensive set of activities, generating a high level of profit in Italy.

### **International Retail Banking (Ex Italy)**

International Retail Banking activities excluding Italy. We have had several difficult quarters after the breakout of the pandemic, because the political answer in those countries was, amongst other elements, to decrease significantly the interest rates, which is putting a very high level of pressure on our top line. At the same time, we had, of course, to book some additional provisions.

The situation is now stabilising and actually revenues this quarter are up close to 5% and cost of risk is declining significantly. This business division is getting back to a more normal level of profitability; close to €40 million this quarter. It is back to a more normal level of return around 15% of return on tangible equity. It is much more normal for this business division.

### **Corporate Centre**

Corporate Centre, nothing much to say despite the fact that for the stable components of the Corporate Centre, we continue to have these progressive improvements. We have some relatively volatile elements; one negative one, which is the fact that the net tax profit is reducing for technical reasons this quarter. At the same time, as the private equity business, which sits within this business division, is posting better revenues than in Q2 '20. So these elements are compensating each other.

### **Regional Banks**

Let me go now to the regional banks of Crédit Agricole on page 33. You will see more or less the same trends and as the one we have noted regarding LCL, with a very good level of activity, very good level also of customer capture with close to €650,000 new customers attracted in the first half of the year. Loans outstandings and customer assets are up quite significantly. Revenues are rebounding plus 4%. Costs are very significantly up; you may notice that, but it is really in connection with the fact that last year the regional banks posted a very sharp write back on the valuable compensation reserve because of the dividend of CASA that was not paid in Q2 '20. And if you compare the cost base of the regional banks in Q2 '21 to the one they have posted in Q2 '19, actually, the evolution is very moderate; around 1%.

The contribution of the regional banks to the net profit of the Group, €740 million, it is up 12% as compared to last year.

### **Financial Strength**

#### *CASA*

Let me go now to the solvency on page 35. The CET1 ratio at CASA to start with: 12.6%. All in all, it is a decrease of 10 bps as compared to end of March. Actually, you can see on the right-hand side that the total RWA increased by around €9 billion out of which eight and a half are explained by the consolidation of Creval. It is really this one off effect and nothing more.

On the right-hand side of the page, you can see that this explains also, and more than explains actually, the slight decrease of 10 bps of the CET1 ratio because the retained earnings represent around 20 bps of additional solvency. But this €8.5 billion of RWA consume around 30 bps of solvency. So the difference is minus 10 bps on the ratio.

The other ratios continue to be at very good levels. Of course, the 12.6% CET1 ratio at CASA is far above a new requirement and far above the 11% target, we have already commented that.

#### *Group*

On the following page 36, the CET1 ratio of the Group globally stands at 17.3%. It is stable as compared to end of March; it is 840 bps above SREP requirement. And again, the evolution of the RWAs is almost completely explained by the integration of the €8.5 billion of RWAs coming from Creval. Again, this also explains the biggest part of the consumption of the retained earnings that we have this quarter at the level of the Group.

#### *Reserves and liquidity indicators*

In terms of liquidity, nothing much to say. We continue to have very ample liquidity reserves above €460 billion. Maybe just one point I can mention on this page, which is that our total TLTRO outstandings have increased a little bit by €10 billion this quarter. It is the result of first an additional drawing of €5 billion that we did on our own, I would say, plus €5 billion that we found in the balance sheet of Creval.

#### *Market funding programme*

Market funding programme is well on its way. 72% of the program of Crédit Agricole SA has been completed as of as of now, and at Group level it is close to €18 billion that we have raised end of June since the beginning of the year. Thus, it is really not an issue, as usual.

I think I can really stop here and try to answer now to your questions.

## **Q&A**

**Jacques-Henri Gaulard (Kepler Cheuvreux):** Yes. Good afternoon, Jerome. Two quick questions. The first one, when I look at your large corporate and investment banking, it really is really good when you compared to the objectives you had in '19. If annualise your cost base, which was supposed to be 2.8, you are there, and your revenue objective if you annualise them, again, you are at 5.3, you were at 5.

I was wondering to which extent even the targets you have and then you have the level of provision, which is virtually zero, whereby you are not actually completely too conservative on your CIB forecast for 2022? Which leads me to another question, which is, I am surprised you haven't actually confirmed the €5 billion net income. So I was wondering what drove you to be cautious.

The second question is also linked to CIB. If we could have from the ground, maybe a little bit of colour about how the ESG transitioning is going on with your clients; Do you find them well organised? Do you find them a bit in a panic? A colour you can actually give would be helpful. Thank you very much.

**Jerome Grivet:** Thank you, Jacques-Henri. Well, normally, we do not have to confirm quarter after quarter all our targets, I think it worked the other way around. If I had some doubt or if I felt it necessary to inform one of our targets, I would definitely warn the market from that. For the time being, as I regularly said it, we think that we are on track to reaching our different targets for 2022. For the time being we do not feel the necessity of updating these targets. But we will certainly have to do it at a certain point in time.

Regarding specifically CACIB, it is more or less the same. It is true that we continue to have the proof that the model that we have put in place to on CACIB since now, probably, around ten years is working. It is a model that has been challenged initially, because it is not, as I would say, market friendly as some models more invested into equities, for example, but we deem that this model, which is really focusing at financing our customers with market instruments and also balance sheet instruments, is really coherent with the DNA of the group. It produces a very stable level of profitability across time, which is very important for us. And it is generating a reasonable level of profitability, which is, again, coherent with our global model. So of course, once we will review, globally, our targets, which may happen, I do not know exactly when, but somewhere before end 2022 obviously, considering the fact that the present targets are aiming at 2022, we will give some additional colour on all the businesses, including the CIB.

Regarding your questions on ESG and CIB clients, I think that Philippe Brassac said it to the press a few hours ago, actually. We intend to have a dedicated press event regarding our ESG commitments probably in the fall this year. So of course, this will be a good opportunity to give some colour on the way our customers behave regarding ESG challenges. However, what I can tell you is that this ESG question and especially the climate change issue is taken more and more seriously by all our clients.

It is no longer a feature that you add up on top of a business model that is designed outside this preoccupation. It is now completely embedded by us in our business model, but also by our clients. We have also now around 8,000 business clients that have been granted a transition note by our internal tool. It is really going to be more and more important feature. We will have this press event somewhere in the fall regarding ESG issues, and we will be able at that time to give colours on many aspects of this issue in all our businesses.

**Jean-Francois Neuez (Goldman Sachs):** Hi, Jerome. Good afternoon. I wanted to ask you first on the achievement so far in your business plan to follow up on Jacques-Henri's question. So you had the plan to be between 25% and 30% of revenues in asset gathering, which is the most capital light of the businesses you have I guess. Now it looks like it is going to be probably a bit over that; that will mechanically change your ROE in a sense, and your capital generation higher in terms of the mix, compared to risk-weighted asset consumption. I just wanted to understand whether you think you have more growth opportunity than you had at the time, in which case you would be able to re-employ that or whether in a sense, you will look to compress your ROE going forward, you are going to have to rethink the capital distribution slightly.

Leading me to my second sub question. I have to say, I am ashamed, I had understood that the share buyback would have compensated the entire share issuance from the script, but rereading the past communication, I realise as is written today that it is also including the

switch too. However, in a sense, why not expanding this and given all the capital you have to do the entire scrip dilution if you want?

And lastly, I just wanted to know, because today you produced some good results in Italy with Creval integration and so on, whether you could give us a sense as to, in 2022, what do you think pre provision profit guidance could be for the business?

**Jerome Grivet:** Many questions, Jean-Francois. I will try to make it short in the answers.

Regarding the first question, i.e., the breakdown of our activities between the different businesses, we are not going to constrain the development of one business line simply because it is a little bit ahead of the curve in terms of developments. And we are happy that the business in which we are probably ahead of the curve is a capital light business. And we are not going to try and force a rebalancing, which would not make sense if it does not correspond to business opportunities, real business opportunities, I would say.

We have always given indicative breakdowns of our sources of revenues in the future, and we think that this indicative breakdown makes sense. However, if the asset gathering business division is ahead of the curve, no problem for us, of course.

Again, I do not want to take the opportunity on here for second quarter result publication to reshuffle any kind of objectives. We will have at a certain point in time a dedicated moment to give some longer-term prospects for the whole business of the Group. It is the name of the game; we have for the time being targets for 2022. We are on track, which is positive, and we will, someday, give, again, longer term prospects, taking into account of course, everything that has happened in the course of the of the present medium term plan.

What I can say is that what has happened, indeed, is satisfactory, at least in our viewpoint. It is the case in terms of business development. It is also the case, of course, in terms of profitability, as I have explained, taking a certain long-term horizon since beginning of 2017 in terms of profitability.

Regarding the share buyback, I do not know what you understood at the time, when we announced the mechanism that we had put in place for the payment of the 2020 dividend. What is sure is that we are doing exactly what we had announced. We had announced that we wanted to eliminate first all the extra shares created on the basis of the take up of the minority shareholders. This is what we are doing now. As I said, I think we have completed 77% of this programme. It is going to be ended probably end of August, beginning of September. I do not know exactly when, depending on market conditions, but this will be done. Then we will add to that an extra share buyback operation that is going to take place in Q4. As soon as we have, of course, the authorisation of the ECB.

And this corresponds, of course, to when we presented this programme back in February this year. We had made in our models some assumptions regarding the share price, which by definition, are not exactly met. Nevertheless, globally, the operation is exactly as we presented it. This operation, the second share buyback, was aiming both at generating in combination with the switch dismantling as we have said, and we are committed to fully dismantle the switch mechanism before end 2022. We will do it.

In combination with the switch dismantling, this was aiming at improving, enhancing the earnings per share at the end of the day, all things included, all operations included. And it is

going to be the case at the end of the day once the second operation will be completed. And with pro forma, I would say, the dismantling of the switch mechanism and its pro forma because we cannot tell in advance when we will trigger the dismantling. This will enhance globally more or less the earnings per share by around 1%. And then the second goal of course was to rebuild the tangible book value per share, which is also going to be the case by end 2021 as compared to end 2020.

Why don't we not conduct an additional or wider or a larger share buyback? I have been asked about share buybacks since probably five years and I have always been very reluctant about share buybacks for one simple reason, which is that the majority shareholder, the SAS la Boétie is, in my best understanding of its intentions, of course, I cannot talk on its own its account, but it is my understanding that they do not participate in the share buybacks.

Thus, if I repeat regularly share buybacks operation, there will be a permanent increase in the stake owned by the SAS la Boétie, which is not, at the end of the day, probably the best thing for the minority shareholders.

Thus, I will conduct the second share buyback operation before year end. Then I will stick to my normal dividend policy, which is to pay a cash dividend. As I said also earlier, and I want to be precise on that, we consider that we have not fully paid the 2019 dividend up to now. We consider that end of 2021, end of 2022, when we will set the amount of the dividend that we intend to propose to the General Assembly meeting to pay, we will round up the numbers in order to progressively repay this unpaid 2019 dividend.

This is the way I am going to answer to your request of somehow boosting, I would say, the dividend yield, if I understand you and your concern correctly.

At the end of June, we have booked exactly the normal dividend policy for half of the attributable results. It is already 39 cents a share that is booked, reserved in our books, and end of year, we will see exactly what we can do in order to probably round up the numbers in order to boost the dividend that is going to be paid in in 2022.

If it is not enough to fully absorb this unpaid 2019 dividend, we will repeat the operation end of 2022. But it is not a commitment. It is an intention. You know that generally, of course we stick to our commitments, but we try also to stick to our intentions.

**Jean-Francois Neuez** Okay, and quickly on Creval?

**Jerome Grivet:** Excuse me your question was regarding the NPLs, right.

**Jean-Francois Neuez** No, no, I just wanted to think what you think is achievable run rate of pre provision profit in the quarters to come.

**Jerome Grivet:** It is way too early to tell because actually we are the owners of Creval since the beginning May, but actually we are in the driver's seat since only mid-June because you know that the General Assembly meeting that changed the management took place only on 18<sup>th</sup> June. So we are now conducting different due diligence operations within Creval in order to fully assess the potential of this integration of Creval.

We are going to give more colour on that in September, October, November. I do not know exactly when. But I am very confident that this is going to be a very accretive operation. I am very confident that we have been conservative when booking this provisory allocation of

the purchase price at the end of June. I am very confident that this operation will prove to be a very, very positive operation for the Group.

**Jean-Francois Neuez:** Okay, thank you very much, very clear on that.

**Azzurra Guelfi (Citi):** Hello. Good afternoon. A couple of questions for me. One is on French retail which has shown a very nice rebound especially on the revenue. When I look at the NII, what are the drivers that you expect for the second part of the year? Could this be level of sequential growth from now thanks to the momentum in lending and maybe a little bit better margin? If you can give us some colour on that.

The second one is looking at this slide where you show the market share gain. This has been increasing since the beginning of your plan. What are the area where you see more momentum for growth in the next couple of years, and what are the one that contributes more to the profitability improvement?

And if I may, a quick one on the provision, you have stage 1 and stage 2 provision; some of it might be used if there is a deterioration of economic condition. However, if you will have still some left, which probably is the base case, what is the role to release them? And what are your expectation for the release of this? Thank you.

**Jerome Grivet:** Thank you. French retail is a competitive market, it is a difficult market, it is a competitive market. As an example of that to you are aware that in Q2 this year, this is probably the lowest level that we have seen historically, for the average price, not only with us, but on the market for new home loans. Clearly, it is a very competitive market.

It is absolutely key on this market to be able to have a very, very intense global relationship with your customers. So this is where actually, we think that we have an edge as compared to some weaker or less complete, less comprehensive competitors.

In terms of prospects, what is for sure is that for the NII, the NII is at the end of the day the difference between the yield that you get on your loans, on your assets, and the costs that you have to stand on your liability. For the time being, we are seeing a further pressure on the average yield of our assets; because again, as I have mentioned, we have reached, I hope, a bottom this quarter in terms of rates for new loans, but this continues to put a certain pressure on the yield of assets. At the same time, we have benefited and we are still going to benefit in the coming quarters, hopefully, from some positive elements, like the fact that we have a resource at a negative rate, which is the T-LTRO. But this is not going to last forever. So it is very important to have a good momentum in terms of volume, development, and volumes of good quality. Of course, we do not want to relax our credit standards, of course, but it is very important to keep a good momentum in the development of the volumes. Also it is very important to be able to generate a growing amount of fees within revenues. The NII was significantly up this quarter, and definitely, it is benefiting for the time being from these very specific monetary conditions in connection with ECB policy.

However, even more importantly, fees are up more than 6% this quarter. This is also a very positive element because fees, of course, can be a little bit more volatile, but they are here to stay also because if our customers are loyal to us, and we do everything we can in order to keep them loyal, then products and services are going to add up and the fee base is going to continue to grow.

It is very important for us to continue to develop this model, which is leading to your second questions regarding market shares. Because what we are looking at in terms of development of products is definitely by definition all the products that improve the loyalty of our customers. What we have noted is that P&C insurance policies improve the loyalty of retail banking customers.

I ran the insurance business of the group for five years before joining this position. I have seen it from the side of the insurance companies. It is absolutely true that customer loyalty, considering the way we do our business of P&C insurance, every time we manage to sell a P&C insurance policy to a retail customer, it improves his loyalty and even more every time when he has a claim on his P&C insurance policy, considering the fact that we managed the claim in a very specific manner, we improve further the customer loyalty. So it is very important for us to continue to develop P&C insurance policies. Of course, life insurance because it is the continuation of the management of the assets of our customers. But P&C insurance is very important. Creditor insurance as well.

Real estate is important not for all our customers, of course, by definition, because not all our customers can afford to invest part of their savings in real estate solutions. However, every time we have a customer that wants to invest part of his savings in real estate solutions, we must be able to provide the answer. So, we are working on continuing to improve the capacity of selling real estate to our customers directly.

Then, in terms of provisions and potential for releases, you know that, of course, Crédit Agricole Group fully applies IFRS regulation, and we do not want to be outlier from this point. But at the same time, we have been in the past very reluctant in terms of provision write-backs. This explains why at the end of the day, we have a higher coverage ratio than most of our European peers.

My main preoccupation is not to wait for the moment when I will be able to release S1 and S2 provisions. I know that it is maybe not as aggressive as some of our competitors. However, clearly, we feel comfortable with the idea of having ample provisions, even ample S1 and S2 provisions. We are not desperate and waiting to write back those provisions in order to boost our profit.

**Giulia Miotto (Morgan Stanley):** Hi Jerome. Thank you for taking my question. Two, please. The first one on Italy. It is actually more strategic than the quarterly performance. Creval is now on track. You are looking at that new asset. However, would you potentially be interested in acquiring further assets as it seems that there are other potential banks or parts of banks coming to the market? That's my first question.

Then the second question, instead looking at trends for loans and deposits in the quarter, so quarter on quarter, deposits still keep growing more than loans in France, but also at the Group level. Do you have any evidence already from the July data that this trend is inverting? Or when do you expect it to invert? And perhaps what opportunity do you see from potentially lower deposits for your asset gathering businesses? Thank you.

**Jerome Grivet:** Thank you. Let's start with Italy. We are pragmatic and we are prudent. So pragmatically, we are focused on the integration of Creval. This is going to take probably another two or three quarters because, as I have said, we are conducting due diligence in order to fully assess everything within Creval then we will have of course, to organise the

legal merger of the two entities, Creval and Crédit Agricole Italia. Then we will have to industrially operate this merger, we will have to migrate Creval's operation in our platforms and so on and so forth. This is going to take time. And I think that part of the successes that we have had in the past in this viewpoint are linked to the fact that when we can do that kind of operation, we are very focused. I can tell you that Crédit Agricole Italia's management is really focused on the operations, which are complex; even though we are very confident, it needs to be really well prepared.

We are prudent at the same time, which means two things. We do not want to absorb too many things at the same time. Also of course we continue to monitor the situation; because again, I am looking back on what we are in Italy now: €385 million of net profit in the first half of the year. We have many, many interests in Italy and we need to permanently assess the situation and be able to protect and defend our interests in all business lines and not only in retail banking.

So, we are monitoring the situation we, of course, we are aware of some movements that are taking place or may take place, going forward. But for the time being, we are focused operationally on the integration of Creval.

Maybe one last point on this question. There is no need for us to grow further, inorganically, in retail banking activities. We have a nice setup, it is efficient, it is working well as the figures of Crédit Agricole Italia this quarter illustrated. There is no need for us to go further.

Regarding deposits and loans, it is true that this quarter, I think that globally for the group, including the regional banks of Crédit Agricole, customer loans increased by around €28 billion all in all, and customer deposits at the same time increased by around €30 billion, if I have the correct figures in mind. It is true that the difference between the loans and deposits shrank a little bit by €2 billion.

I think that this is this is going probably to reverse when our customers will have made up their minds on what part of this excess of deposits they want to consume and what part of these deposits they want to invest long term. What we see now is that consumption accelerates. Part of this extra deposit is really going to be consumed, but not in such a proportion for the time being, as to completely, I would say, wipe out the extra savings of the pandemic. And so there is probably going to be part of it that is going to be long-term invested. And of course, both Amundi and Crédit Agricole Assurance are ready to make their proposition to their customers in order to be here and to attract these inflows. However, for the time being consumers have not made up their mind. When you see all the uncertainties regarding the future evolution of the pandemic, I cannot blame them.

**Omar Fall (Barclays):** Hi, there. Two questions. Firstly, can you help us in modelling the insurance business, please, since it is quite volatile? That €400 million net income number, is that sustainable on which to base our forecast, or do we have to make, you know, an adjustment for the financial margin? Is that plus €187 million positive market impact year on year that you quote, just a normalisation from the press return a year ago and the current run rate is normal, or is the current quarter elevated?

Then on the P&C side, I guess you will have had an elevated combined ratio with some of these weather events. Could we have the euro million impact if you have it, and it is material?



Secondly, just wondering on the comment you made on rounding up the dividends for future years to include the 2019 dividend if I understood that correctly. Number one, do you consider all of the cancelled 2019 dividends as being available to be rounded up? Secondly, why do you suggest that this will be done over time when you are in a position of significant excess capital today? I mean, you could pay €2 billion today and you would still be above 11%, and ECB doesn't seem to mind your peers paying more than 100% of earnings. I guess the previous question kind of asked it a bit more elegantly but there are fears that maybe you are hoarding capital so that you can make a larger acquisition or larger transaction in Italy.

**Jerome Grivet:** Insurance modelling, it is going to be difficult to fully walk you through all the insurance modelling issues in in a few minutes' time. Of course, we will be ready to, and probably will have, at some point in time, to reorganise a dedicated workshop and insurance activities because definitely it is a little bit less familiar to bank analysts than the traditional banking issues.

No. These elements that we quote as a positive market effect has not to be taken out of the normal run rates of the insurance revenues. It simply is an element that we point because this quarter, contrary to what happened last year, we have had some positive market effects in two aspects.

The first one is the fact that there are some legal reserves that we have to book within our books, if the value of certain assets decreases, the market value of certain assets decreases below a certain point. There is for example, the "Provision pour garantie plancher". So it is a provision for the floor guarantee that we provide on life insurance policies. There is also the "Provision pour depreciation durable", the provision regarding long-term depreciation of certain assets. Thus, all these provisions have to be booked when some assets go below a certain value. And they have to be covered fully by the insurance company. It is not shared with the policyholders. We have had some specific provisions of that kind one year ago, and part of it is coming back in this second quarter.

Then we have also some positive re-evaluation of assets that are marked at market value under IFRS-9. So this €187 million number that we have quoted is the addition of many events of this kind; some of them are being shared with policyholders, some of them being a 100% for the insurer. What is for sure is that this quarter, considering the fact that partially, because of this positive market effect, we have had a higher level of financial revenues, we have been able to take only a proportion of the financial margin that we are allowed to take on these financial revenues. We have been able to book some additional provisions that are allocated to the policyholders, but that will not necessarily be paid by year-end.

You know that this accounting between "participation aux benefices", so the yearly profit sharing rate and "participation aux excédents", PPE, which is reserved in our books, but not necessarily paid immediately and kept for the future, is definitely made only by the end of the year. What we have done this quarter, is that we have provisionally, again, increased this PPE because we had a very high level of financial revenues, but it is not definitive before year end. This is globally the mechanics that operate within the life insurance business.

In the P&C insurance business, it is true that this quarter, we have had a significant amount of weather events that impacted a little bit the P&L, but you know that there are two mechanics that really filter the impact of these weather events on the P&L of our insurance

company. The first element is that part of it is reinsured outside the group, and so of course, part of these weather events was taken by the reinsurance companies. Then there is a risk sharing mechanism between the insurance company and the banks that sell the policies, in order to align the interest in terms of underwriting the policies.

So, part of the cost of these weather events is shared by the regional banks of Crédit Agricole and by LCL through the level of fees that they get from Pacifica, which is the P&C insurance company. All in all this quarter, indeed, the ratio of claimed costs as compared to premium within Pacifica increased quite significantly compared to Q2 '20 from around 62% to 72%. It is significant, but Q2 20 was very low, because of the lockdown.

But in terms of combined ratio, which includes the commission that Pacifica is paying to the distribution networks, actually, it has been very stable around 97%. So actually, the profitability of Pacifica was more or less unchanged as compared to last year. So it is not a very significant impact that we have had this quarter, despite the fact that all these mechanisms, re-insurance and sharing of the risk with the distribution banks has been operating. All in all, is this level of profitability a run rate? I am not pretending that every quarter we are going to post €400 million of net profit for the insurance division. However, it is not an abnormal level whatsoever.

**Omar Fall:** Very clear. Got it.

**Jerome Grivet:** And then coming to your question regarding the dividend. First, the unpaid 2019 dividend was 70 cents per share. What we have said when we have presented the 2020 dividend scheme, earlier this year, was that this 2020 dividend scheme was covering around 30 cents of unpaid dividend coming from 2019. Because the normal dividend in 2020 would have been around 50 cents. So it means that we deem we have another 40 cents per share to pay to the shareholders in the future.

Then why do not we pay one of this amount? We do not like the idea of decreasing the level of the dividend. Paying an extra dividend or paying a very high dividend on this single year is not an idea that we like. We really want to be as stable, as recurring as possible. What I can tell you nevertheless is that we do not intend to keep in the long run extra capital in order to have a reserve just in case we have a large M&A operation to finance.

I have always said that it is better to be close to the target in terms of solvency and to ask the shareholders to provide the necessary funding of an M&A transaction because then it creates, I would say, a positive inducement to present a very convincing operation. So it is far better and it is and it is far more efficient.

**Omar Fall:** Just as a follow up, I take that on board, but do you see that there is maybe a clash between that view because if you do not want to pay one off more sizable dividends, yet you are in a position of significant excess capital, how do you then get down to a more normalised level of CET-1 if you are not banking on that optional capital for M&A?

**Jerome Grivet:** Yeah, of course. However, just keep in mind that up to a few days or weeks, the level of capital where we stand was a compulsory level, considering all the restrictions put in place by the ECB. The level of capital that we have now, and it is going to be the case up to the end of Q3 this year, is again a compulsory level of capital under which it was not

possible to go unless precisely we had concluded very large M&A transactions because it was the only way to spend capital accordingly to ECB's recommendation.

So now we are going to be starting in October in a more normal situation. Regarding our intentions for the fourth quarter, we want to stick to what we had at beginning of this year. So, again, it is the idea of being very previsible. We want to stick to what we had said, for the rest of the year. Then end of this year, we will assess exactly this rounding up the numbers exercise I was mentioning.

**Delphine Lee (JP Morgan):** Good afternoon, Jerome, and thanks for taking my questions. I just want to quickly clarify on what you said on the full year 19 dividends, the 40 cents remaining. You mentioned 21 and 22 to pay that; is the intention to pay the full 40 cents amount by the end of 22, i.e., by the end of your business plan, or you intend to spread that out over a longer time period? So could we expect 20 cents a year? Or is it going to take much longer?

Sorry to come back on the share buyback discussion, but I understand the regional banks do not want to increase their stake too much. That is why you have a preference for dividends, but you have just issued quite a lot of shares. Because the scrips that they have taken. So I do not understand why you wouldn't buy back part of a lot more of those shares and you are only buying back the shares taken up by the minority shareholders. I mean, in proportion that could be considered.

You have always run well above the 11% target. I was just wondering if that is a real target, or you actually aim to maintain some kind of buffer for prudence on top that on top of that 11%.

Just on capital, and that is my last one really, is just regulatory impacts on TRIM. So you haven't taken much this quarter. Can you just confirm how much is left for the year? Thank you.

**Jerome Grivet:** Okay, many questions. Finally, all related to capital somehow. Our intention is not to spread this 40 cents repayment on the next 40 years, to be a little bit caricatural, Delphine. Of course, we do not want to do it in too many years, but probably, if the situation is convenient, we can do it in two years. On the back of the 2021 dividend to be paid in 2022, and then on the back of the 2022 dividend to be paid in 23.

Then regarding the share buyback, actually, we are up to finish to repurchase the shares issued with the take up of the minorities at the end of the present share buyback operation. It means that the second share buyback operation is going to apply to part of the new shares created for the sake of the regional banks. That is for sure. So, we are not, preserving this number of share. So, the €500 million that we have announced is going to apply, by definition to shares, somehow, I would say notionally, intellectually created for the stakes of the of the regional banks.

What I was saying is that in my understanding, but really, I am not the shareholder; I am only the listed company in which the shareholder has a stake, but in my understanding there, the regional banks do not intend to sell shares during this share buyback operation, and so it means that mechanically, as they keep their shares, they are going to be related within the

capital of CASA. I think that it is not in the best interest of minority shareholders to see a majority shareholder seeing its stake mechanically growing and growing permanently.

This is why we prefer to pay a cash dividend to our shareholders. I can ensure that the 11% is the true target. Actually, if all these events regarding the dividend payment restrictions, had not happened, we would be much lower than the level where we stand now. That is for sure. There is no management buffer above this 11% target. That is absolutely certain.

But again, we are in an environment where we have restrictions on payments. We are also in an environment where there are still some uncertainties in terms of regulation, because we haven't talked about Basel IV yet. I think it is not useful to talk too much about Basel IV, because we are still waiting for the draft proposal of directive from the commission, but we need to know exactly where it is going to land before being able to really project our capital trajectory in the long run.

Then TRIM; TRIM is part of these regulatory uncertainties. In my understanding, but it is varying regularly quarter on quarter, we still have that around €6-7 billion of RWAs to take in the coming six quarters. So let's say between €6 and €7 billion in the coming six quarters. The calendar is not very precise, because you know it depends on interactions with the ECB on specific reports. And of course, we try to discuss and then there is a whole phase of interactions. So, the calendar is not very precise, but this is more or less what is left in front of us.

**Lorraine Quoirez (UBS):** Hi, Jerome. Thank you for taking my question. Just a quick one from me, actually; it is regarding to the accounting of T-LTRO. Can you remind me how is it accounted for in LCL? For how long will have the impact of that, and how much please? Thank you.

**Jerome Grivet:** Yes, it is accounted for, I would say, over time, it is accrued, actually. It means that every quarter we book a liability within LCL, but also within CACF, within Crédit Agricole Italia, within CASA, and, of course, within the regional banks of Crédit Agricole, which bears a negative interest rate of minus 1%.

So this was the case, up to end of June this year, because with uncertainty about the fact that the condition related to the extra premium was going to be met. Actually, it has been indeed met.

So, for this first period of premium, which is now over, the accounting was really straightforward. Then, since July 1<sup>st</sup>, we have started the second premium period, which is conditioned by another metric, another period of check of the evolution of the loans.

We will see with the accountants how we do for this new period. However, for the time being, what I can tell you is that the portfolio of loans, which is the condition for being granted the second premium is 3-4%. So we are again, quite comfortable with the idea that we are going to be able to receive this second premium for the second year.

**Lorraine Quoirez** Alright, and then in total, it should be over three years, right?

**Jerome Grivet:** No, the second period is also for one year, the first period was between June '20 and June '21. And the second period is between July '21, and June '22.

**Tarik El Mejjad (Bank of America):** Hi, Jerome. Just a couple of follow-ups please. First on the provisions. I mean, clearly you seem cautious on reducing the provisions and favouring higher coverage ratio versus these releases. But is it not automatic if you have to update your models? I guess you have to, if the environment is improving, that would be to release this? Or is it your choice not to adjust the models and be voluntarily more cautious in your assumptions?

The question two. Sorry to come back on capital because, I mean, correct me if I am wrong, but I sense some cautiousness versus your rhetoric in Q1. I mean, Basel IV, this is uncertain. But the pillar II requirement relief that you promised to update us in full year will probably offset all Basel IV or most of it. Then you are in excess capital.

So, I mean, if your intention is to increase a few cents per year to keep the progressiveness of the EPS, that would definitely take a long time if you do not use this excess capital to grow faster or non-organically. So I just wanted to know if the tone has changed this impression, or you sense that you want to be more cautious and progressive.

I mean, I hear you about the fact that we structured to pay dividend has the accumulation of capital, but it is fair, as well, to have a catch up to basically as it was abnormal to ban you pay dividend. It is also maybe unusual for you to deviate from your strategy of progressiveness, and run down the excess capital faster than what you had in mind pre-COVID. Thank you.

**Jerome Grivet:** Okay, let me start with the second question, actually. We did not change tone as compared to the beginning of the year. What I am just saying is that before accelerating the unwinding of this excess capital, I have first one tool and one usage, which is the dismantling of the switch mechanism. It is the commitment, as I said; it is going to be important to enhance the earnings and the earnings per share. It is to be done before year-end 2022. This is going to consume 60-65 bps of capital.

It is important, of course, to keep the necessary amount in order to do it exactly when we deem relevant to do so. Second element is that, of course, we have these uncertainties regarding Basel IV. I agree that alongside with Basel IV, there is this capacity of covering Pillar II requirement partially with AT1 and tier 2, and we do not forget this component of the of the package. However, of course, it is better to know the full picture before drawing a trajectory of depletion of capital, if I may say so. However, really, do not misunderstand me; I am absolutely not changing tone as compared to the beginning of the year regarding this issue.

In terms of provision, of course, it is automatic, but it is automatic, with many, many assessments that you can make.

The first assessment is the macroeconomic scenario that we use, in order to calculate the expected credit losses, one year expected credit loss or maturity expected credit losses. Of course, we have to reassess permanently the macroeconomic scenario; for the time being we are positive and of course we have a positive scenario. However, we do not want to be over positive even though there are some indications saying that most of the official public institutions that publish macroeconomic scenarios are more optimistic than what we are.

Nevertheless, we are not over optimistic on our own in-house scenario that we use for the provisioning. Second, you may have in mind that S1 and S2 provisioning is made of two layers. The first layer is the central forward-looking which is based upon our global macroeconomic scenario. Then we have local forward-looking layers that are added up to the normal S1 and S2 provisioning, either in connection with certain specific sectors or with certain specific geographies. And in this front, we have certain capacity of being more prudent than only the central forward-looking scenario.

**Stefan Stalman (Autonomous Research):** Good afternoon Jerome. I wanted to ask you, please on the stress test for Crédit Agricole Group.

I mean, the group drawdown was more than 6%. I guess we can back solve roughly for something around 5.5% to 6% for CASA as well. With that kind of stress test drawdown is 11% really the realistic CET1 level to shoot for? In that context, do actually Pillar 2G considerations play any role at all, at your level, or is that only an issue for the Group?

Maybe related to this question, a very general question: it always strikes me as surprising that a group like Crédit Agricole has such a severe stress test drawdown compared to many other banks. Is there anything that you would highlight that you think is responsible for that, and are there maybe any issues may be arising from the Group structure that penalise you compared to other banks? Any colour there would be very helpful. Thank you very much.

**Jerome Grivet:** Good questions, Stefan. Thank you very much. First, it is true that we have a depletion, which is huge, and which is bigger than the one we had previously, and bigger than the one of most of our peers. Nevertheless, considering the starting point of solvency at Group level, it is not really an issue. As you know, we end up this severe scenario stress testing, with a CET1 ratio which is close to 11%, which is the second best in the European space of systemic banks, the best being exactly at 11%. It is not really differentiating. We can consider that amongst the space of European systemic banks, we end up with the best resilience to this very severe stress scenario.

Then, why does it happen that we are so severely hit? I think, the main reason is the scenario itself: the scenario is hitting very hard on France, very hard on professionals, very hard on exactly all the businesses in which we are dominant in France. Of course, this scenario is hitting hard on our Group, because it is hitting hard, and in my opinion, absurdly high, specifically on the businesses in which we are very, very present, and in which we do not intend to exit, of course. These are our main priorities, and we are going to stick to these priorities. Of course, we think that the severe scenario of the EBA is not very credible, especially this idea of saying that there all public support is lifted and not applicable. It does not work like that in the real life. We do not buy that scenario. Nevertheless, we have applied it.

Second point, there are some specific elements that hit us particularly, which are either methodological, or which are linked to our good resilience to the scenario itself, I would say. In this second category is the fact that at no point in time we crossed the MDA threshold. It means that during all the period, we continue to pay AT1 coupons. So of course, compared to banks that stopped to pay AT1 coupons, as soon as the first year of the scenario, it is an additional capital depletion. For us, it is around 18 bps of deflation in the period.

Second element, and it is not in itself very interesting, but we have had in 2020, which is the reference of the stress testing, both for the starting point and for the run rate of activity. You know that we have had some specific one offs, like, for example, the fact that we have decided voluntarily to pay and to indemnify some of our customers that have an activity interruption insurance policy with us, that was not supposed to be called for a pandemic, but we have decided to, nevertheless, indemnify our customers on these grounds.

To pay voluntarily a significant amount of around €300 million for the Group globally. And the ECB and the EBA said that we had to do as if we were to continue to repeat the same, every year of this stress scenario. It is an example, but this is also a cost of around 16 bps of CET-1 depletion at the end of the day.

As this stress testing exercise is not a negotiation, we have to apply at the end of the day to all their requests, we could each modify that, but we consider it a little bit unrealistic again. We have some bits and pieces like this. We have also the fact that our business model is precisely in the heart of the serious scenario of the EBA. However, going back to your question, there is nothing regarding our structure, our organisation that is contrary to this to the methodology and that would really penalise us. Then how it is going to play on the P2G, we do not know exactly; the ECB is, to a certain extent, a little bit of a black box regarding the connection between the results of the stress testing exercise and the SREP exercise. We know a little bit more about it in the fall because we have this SREP exercise meeting that is that is organised, I do not remember exactly, probably in September, October. We will see a little bit more how it works.

Then regarding CASA, there is no CASA stress testing. Of course, CASA is integrated in the stress testing of the Group. But we do not publish any CASA stress testing specific result and there is no request or requirement on CASA specifically regarding the stress testing.

**Kirishanthan Vijayarajah (HSBC):** Hi, Jerome. Good afternoon. Just a couple of questions on Creval, if I may. So firstly, on the net badwill on Creval, correct me if I am wrong, but you haven't included any kind of DTA benefits in there. Really, what is your thinking there? You know, roughly how much could the DTAs be worth eventually, on some of those adjustments you are taking?

Then, a related point, now you have your hands on the Creval business, have those PPAs come in line with what you originally expected when you were trying to you know, price up the original tender offer? Things like the extra provisioning needs on the loan book, etc., have they come in better or worse than anticipated? Because I guess then the macro has kind of yo-yoed around a bit since the beginning of the whole process when you launched the tender offer for Creval. Just your view on how the PPAs have come in versus original expectations. Thank you.

**Jerome Grivet:** Thank you. You are right. We did not book any DTA so far, because in order to be allowed to book DTAs, we have to have a legally binding decision of merger in place. The legally binding decision of merger is going to be taken after General Assembly meetings, both of Creval and of Crédit Agricole Italia, that are going to take place in Q4. So it is going to be only end of Q4 that we are going to be able to book the DTAs. Within Creval, off-balance sheet DTAs amount to around €180 million.

In terms of findings regarding the current situation, it is too early to tell. However, what I can tell you is that everything we see is confirming the very good potential of this acquisition in terms of complementing very, very nicely and very efficiently our set up in the northern part of Italy. Thus, it really is a very attractive acquisition.

**Matthew Clark (Mediobanca):** Good afternoon. Can I come back to your comments earlier that the €400 million net profit for the insurance business is kind of not an unusual or not an abnormal number? Would you also say that same would apply under IFRS-17? Can we still expect to see that level of profitability come through some quarters in the future and anything else you can say to help us understand the impact of IFRS-17 on the Group both from a capital and profitability perspective? Actually, my other question has been covered, thanks.

**Jerome Grivet:** Well, thank you, it is a very good question. Definitely IFRS-17 is going to be a headache both to apply and to explain and to live with in the future, that is for sure. We were not, as you can imagine, really candidates for IFRS-17. Nevertheless, we are going to apply IFRS-17, when it is when it is applicable, so starting in 2023. But with the dry run that we have to do in 2022, we will have a clearer view, pretty soon now on the effects. You know that under IFRS-17, the total profit generated by insurance activities at the end, the whole day, is going to be the same. The issue is that it may be spread quite differently over time. That is the difficulty. We have still some arbitration to do with the first time implementation of IFRS-17, between what is going to bite on our solvency at the level of the Group in order to protect as much as possible the profit generation capacity; or on the contrary, what is going to preserve better our solvency at Group level, but at the price of deteriorating a little bit the revenue trajectory and delaying a little bit to the acknowledgement of revenue.

These are questions that we are working on presently, quite hardly. We are going to be able to give more clarity on that probably end of this year. However, as of now, I am not really able to give you some precise colour on that. What I told about the €400 million is really under the present accounting standard.

**Matthew Clark:** Just to follow up on that, I think in the current business plan to 2022, when you came up with that, it was still expected that IFRS-17 would have been imposed by 2022, but you chose to exclude that effect. Does that mean that you really when we think about the order of magnitude IFRS-17, could be the order of magnitude that would have threatened your Group targets?

**Jerome Grivet:** It was much more – because in 2019, we had a much less clearer view of all IFRS-17 impact. And it was too difficult for us back in 2019 to really be able to give the I would say the sensitivity of the 2022 P&L target to the implementation of IFRS-17. So we preferred at that time to say that we were setting those targets under a constant accounting standards for the insurance activities. At the end of the day, we were right because indeed IFRS-17 is not going to really be the standard before 2023.

**Pierre Chedeville (CIC):** Hello, Jerome. Just a question regarding insurance. We have seen growth in penetration rate in your domestic market and even if there is room to progress further on LCL and Italy. My question was regarding the international development because I understand that you were keen to develop this insurance expertise elsewhere, and I wanted to know where you are regarding this international development and if you are also



exposed to exceptional floods in Germany, Belgium or Eastern Europe, because I do not know.

**Jerome Grivet:** 'Exceptional floods.' What do you mean by that?

**Pierre Chedeville:** « *Les inondations exceptionnelles* ».

**Jerome Grivet:** Okay. Excuse me. So the answer is no. The answer is no. No impact of the floods.

**Pierre Chedeville:** Okay. The other question is regarding provision. We have all understood that the level of provision is exceptionally low. We also understood that even if you are reluctant to make write backs, you will somehow in the future. My question was, in your opinion, when do you see the level of provision or a normal level of provision, we would say, around 40 bps, coming in 2023, 2024? How do you see that in your view? Thank you.

**Jerome Grivet:** Okay. Thanks Pierre. Well, in insurance activities, it is clear that we want to accelerate the international developments of, I would say, our know-how in terms of bank insurance capacities. And we have in the recent past taken several initiatives. Actually, Creval is the result of one of those initiatives, because initially, we started with a life insurance distribution partnership with Creval. This was the starting point of our love story with Creval. We have also concluded a partnership in Spain with Abanca. And to be clear, I am not pretending that the Creval scheme is going to be repeated in Spain. That is very clear. We have also a partnership with Novo Banco in Portugal; we have also a global insurance partnership between CACI and CACF activities across Europe. So CACF is distributing CACI, which is one of our insurance companies, products across all the whole Europe, alongside with personal finance products, consumer credit loans, or auto financing loans.

We have a full range of initiatives in order to develop our insurance activities across Europe. However, we definitely would like to accelerate on this front. We are working on several potential partnerships, that could enhance the development of our activities. Of course, we are going to work on several partnerships that are not going to generate anything. So it is something on which we are not going to communicate and from time to time, we may conclude some additional partnerships in order to boost our capacity of distributing insurance policies. However, we very much believe in the strength of this model. We think that we master this model of bank insurance distribution. We want to develop this model across Europe.

Regarding provisions you rightly quoted this figure of 40 bps, because this was precisely the across the cycle figure that we had in mind when we published our medium-term plan, 40 bps of cost of risk. It happened last year, we were above, and this year we are already significantly below for the time being.

When are we going to reach back this 40 bps amount? I do not know exactly. But on the single quarter Q2, we were at 24 bps on the perimeter of CASA, but if you take a rolling four quarter average, then you will end up with this 40 bps figure. So this 40 bps figure across the cycle is not irrelevant, I would say, and I expect that we are going to vary around this figure, and possibly we are going to be below this figure for the coming quarters and then at a certain point in time, but I do not know exactly when, we will be back at 40 bps.

**Pierre Chedeville:** Okay. Thank you very much.

**Jerome Grivet:** Well, thanks. I understand that this was the last question. So again, thank you for your time. Thank you for your attention. And I wish you all a good holiday. Personally, this is what I am going to do in the coming hours now, and most of the team in the coming days. I am glad that we are going to meet again in the fall after the vacation. Bye-bye.

[END OF TRANSCRIPT]