Crédit Agricole SA
Q3 2021 Results

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Introduction

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Welcome

Thank you. Good afternoon, all of you. It is a pleasure for me to walk you rapidly through the document we have published this morning and to present you the main features of our results.

Crédit Agricole Group key figures

Let me go directly to page four, where you have the main figures related to Crédit Agricole Group globally. You can see that for this quarter we post a net profit of around €2.2 billion, both on a stated basis and an underlying basis as well. It is an increase of 25% on a stated basis, plus 15.6% on an underlying basis. For the first nine months of the year, the net profit is €6.7 billion on a stated basis and €6.2 billion on an underlying basis.

Maybe three additional comments on this page. First, you can see that this quarter the difference between underlying and stated is very tiny. Second point, this high level of profit, which is a record high level actually for a period of nine months, is reached, again, I would say, through the same virtuous mechanisms, i.e., an increase in the top line, generating a strong and solid increase in the gross operating income and a significant decrease in the cost of risk.

CASA key figures

Let me go now to the figures related to Crédit Agricole SA itself, where you will see more or less the same trend. The net profit at €1.4 billion for the quarter, both on a stated and underlying basis. It is an increase of 43% on a stated basis and plus 27% almost on an underlying basis. And for the first nine months of the year, the net profit is at €4.4 billion on a stated basis and €3.9 billion, almost €4 billion, on an underlying basis. It is an increase of close to 38%.

Key Messages

> *Record high results, continuing the trend observed over past quarters. Full unwinding of the switch*

Let me go now to the main messages that we want to highlight this quarter. I think, again, we have a very robust commercial activity and we continue to capture new customers every quarter. This is generating a strong increase in the revenues and a strong increase in net profit, and the profitability stands at a high level again, 13.1% return on tangible equity for CASA over nine months. And this is leading us to confirm our friendly approach towards shareholder remuneration, with, as you know, a second share buyback operation, which is on its way nowadays, which is going to account for an additional €500 million.

The full unwinding of the switch mechanism will take place this very quarter on 16 November, i.e. next week, which is one year in advance as compared to the previous commitments that we had on this matter. And then we confirm the intention of repaying the remaining €0.40 of dividend per share that will deem we continue to owe to our shareholders after the skipped

2019 dividend. And this is going to be done through a top-up on the coming next two dividends.

Last point may be on this page. We confirm our very strong commitment towards accompanying the transition to a decarbonated world, and we will give some highlights on this very important topic in a dedicated press conference that will take place on 1 December in three weeks' time.

Crédit Agricole Group activity

Robust commercial activity, high customer capture

Let me go now on page eight, where you can have some figures illustrating what I just said, i.e. a strong level of customer capture and also a very good level of activity which is illustrated with three items here: the loan production of the retail bank in France; the revenues coming from the sale of new P&C insurance policies; and the rebound in production of new consumer loans. But, of course, we could have illustrated this trend with many more figures.

Revenues

Surge in revenues, due to strong activity

Let me go now to page nine, where we have some indications regarding the evolution of the top line this quarter and on the first nine months. This quarter, the increase in the top line is very dynamic, plus 7.6% on the quarter and even plus 9.1% for the first nine months of the year. And it is also a very strong evolution as compared to the same period in 2019, which was the period pre-pandemic.

And even if we restate those figures from some scope effect, we still have a very dynamic evolution of the top line, plus 4.4% Q3 on Q3 and plus 7.3% nine months on nine months.

Maybe one additional comment on this page and you will find details in the appendix of the document. We continue to have a progressive modification of the breakdown of our revenues toward a higher share dedicated to fees and commission as compared to net interest income.

All in all, the evolution of the top line between the first nine months of 2019 and the first nine months of 2021 represents an additional €1.7 billion of revenues.

Expenses

Increase in expenses linked to the recovery in activity and a scope effect; positive jaw effect excluding scope effect

Coming now to the expenses on cost base on page ten. What we can see is that there has been indeed an increase in the level of cost this quarter and on the first nine months of the year, but if again we restate the figures from the scope effects and the scope effects have been indeed quite significant this quarter with, for example, the integration of CreVal with also some technical adjustments regarding the accounting of Crédit Agricole Consumer Finance Netherlands and some additional items.

So if we restate the evolution of the cost base from this scope effect, we post this quarter an increase of 3.8% of the cost base and plus 3.4% on nine months, which means that on both periods we continue to have a positive jaws effect.

Maybe one last point on this cost base matter, the increase in the quarter represents a little bit more than €100 million restated from the scope effect and almost half of this increase is triggered by some additional provisions related to a variable compensation, be it bonuses, individual compensations, or also collective remuneration, especially in entities with a large number of employees like LCL.

Gross Operating Income

Generation of regularly growing revenues over the past five years, operational efficiency steadily improving

On page 11, we illustrate what is really a key feature of the business model of Crédit Agricole SA in the last four, five years. Here, we provide the figures since 2017. What you can see is that every quarter, be it the first quarter of the year, the second quarter, the third quarter, we have been able since 2017 to increase the revenue base. And in the same time, we have been able to decrease quite steadily the cost-to-income ratio. And if we look back to the first nine months of 2017 and we compare with the present figure, we have actually gained almost 5 percentage points in the cost-to-income ratio.

Asset Quality

Stable non performing loans ratio Q3/Q2, continued increase in coverage ratio

Going now to the asset quality and the cost of risk. What you can see on page 12 is that the asset quality continues to be very, very strong both on the perimeter of Crédit Agricole SA and for the regional banks, leading to a very impressive level of 2.2% of NPEs for the Group globally.

And as we have continued to be prudent in terms of provisioning, including the fact that we have added some further bucket one and bucket two provision again this quarter, the coverage ratio of our non-performing exposures with the different categories of provisions that we have in our balance sheet continued to grow significantly. We have reached now a level of 75% on the perimeter of CASA and 87% for the whole Group.

Risks

Stabilisation of cost of risk at a record low level, reflecting the effectiveness of support measures and the quality of the portfolio

On page 13, you can see that the cost of risk is decreasing very sharply as compared to Q3 2020. It is more or less stable as compared to Q2 2021. And as I said, it is made not only of Stage 3 provisioning, but also some slight positive adjustment on the Stage 1 and Stage 2 provisioning in connection with some sectorial approaches that, as you know, are performed in the Group under the local forward-looking approach.

We have not changed yet our macroeconomic scenarios. And we will do that in the fourth quarter, meaning that probably this is going to trigger some changes in the level of Stage 1 and Stage 2 provisioning end of this year.

Net Income Group Share

Surge in net income in all business lines, due to buoyant revenues

This is leading to the evolution of the net income Group share that is presented on page 14. And what you can see is that, as I have mentioned already, the net income Group share is sharply up, both on the quarter and for the first nine months of the year. And if we look globally on the first nine months of the year, you can see that we have been able to improve the net profit by around €1.1 billion in nine months, which is the combination of a very sharp increase in the gross operating income, plus €900 million, a significant decrease in the cost of risk, minus €1.2 billion, and of course, some negative elements, mainly the corporate taxes up around €1 billion.

So this explains how this increase of €1.1 billion in the net income has been performed. And it is really a balanced combination between the gross operating income and the decrease in the cost of risk.

Profitability

Underlying 9M-2021 ROTE 13.1%

On page 15, this slide we have already presented with the results of the second quarter. But again, the trend is very stable and very steady. We are posting a return on tangible equity, which is not only at a high level and significantly higher than last year, but also significantly above the average of our peers. And we are again close to 3.5 percentage points above the average of the sample of ten European banks that we have continued to follow this quarter.

Capital and Distribution

Last stage in the simplification of CASA's capital structure, in the shareholders' best interest

On page 16, just to look back on all the elements regarding shareholder remuneration that took place or that are going to take place this year. Just as a reminder, two share buyback operations representing above €1 billion and around 30 bps of CET1 invested. Two tranches of switch dismantling, one that took place beginning of March and the second one that is going to complete the unwinding middle of November this year.

All in all, this represents 80 bps of CET1 invested. The first series of operations, the share buyback is obviously going to reduce the number of shares. The second series of operation, the switch dismantling is going to generate an improvement of the net profit. So all in all, this is positive for the earnings per share.

And in addition to that, we confirm our dividend policy, which is going to allow us to fully repay the skipped 2019 dividend in three instalments, I would say. The first one, €0.30 per share, took place beginning of this year, and the next two are going to take place alongside the payment of the normal dividend for 2021 and 2022 for the remaining €0.40.

So all in all, over the course of the present medium-term plan, we will have respected fully our commitment to pay to our shareholders 50% of the attributable profit in cash.

Crédit Agricole SA – Business lines

Let me go now to a series of additional highlights business line by business line starting on page 18 with the asset gathering and insurance business division.

Asset Gathering and Insurance

Net income sharply up for the quarter (+24.8% Q3/Q3)

On page 18, what you can see is the evolution of the assets that we manage. They are, of course, sharply up amongst other elements to a positive market effect. And also, this business division is showing a very strong increase in its contribution to the net profit of the Group, plus 24%, close to 25% for the quarter.

Insurance

Buoyant activity, UL share in gross inflows at 43.2%

Specifically on the insurance activities, we have had a very buoyant level of activity on the quarter with strong inflows in the savings and retirement business and inflows that are more and more skewed towards unit-linked, but also a very strong level of activity in P&C and protection businesses, a strong increase in the contribution of this business division to the profit of the Group, plus 13% this quarter, with a combination of a softer level of revenues and we can comment a little bit more in depth this issue if you want further on during the Q&A session.

And also a very low level of corporate tax, which is in connection with the realisation of some capital gains, long-term capital gains that bear a low level of corporate tax.

Asset Management

Sharp rise in net income, strong momentum in medium-term inflows

On Amundi and the asset management activities, a very good quarter in terms of commercial activity, with a significant medium and long-term inflows, excluding the joint ventures where we have had a one-off outflow and a very strong level of revenues, be it management fees or performance fees. And again, a very good level of cost-to-income ratio for Amundi as is now a common feature for this entity. So contribution to the net profit of the Group, which is very significantly up, plus 44% on the quarter.

Large Customers

Sharp increase in net income +33.0% Q3/Q3, +24.2% 9M/9M

On the large customers division globally, you can see that the revenues are slightly down as compared to 2020, minus 2.5%, but sharply up as compared to 2019, plus 9%. The costs are well managed and the contribution to the net profit of the Group is significantly up plus 33%.

Corporate and Investment Banking

High revenues level, drop in cost of risk, increase in net income +35.5% Q3/Q3

Specifically, on CACIB on page 22, there is a very balanced combination of a high performance on the financing activities, where revenues are up 13% and a softer performance in capital market activities because as is the case globally for the market, fixed income activities were weaker this quarter globally in the market. But if we compare the revenues in our Capital Market and Investment Banking activities in Q3 as compared to Q3 2019, we continue to be up in terms of revenues.

The cost base is slightly up, but very moderately in this context of good operational performances, and the cost of risk is very massively down, leading to a very significant increase of the net income Group share of CACIB again this quarter, plus 35%.

Specialised Financial Services

Dynamic recovery in activity, strong growth in net income

Specialised Financial Services division on page 23, starting with the consumer credit activities. The production of new loans is back to the level of 2019. The managed loan book has been a little bit penalised by the disruption of the supply chains on the car making business, which is penalising the development of the car financing business in which we are very active. But besides the consolidated loan book is at its highest level since 2014. The P&L excluding some technical restatement for Crédit Agricole Consumer Finance Netherlands is very positively oriented, with revenues up, costs well managed, cost of risk down and all in all a contribution that is improving by a further 7.5% this quarter.

On the leasing and factoring activities, good quarter of activity, revenues are up, cost of risk is down. And this business division is announcing a significant acquisition this quarter. It is the acquisition of Olinn, which is a professional equipment leader that is going to complement the scope offer of CAL&F.

French Retail Banking – LCL

Record level of revenues thanks to strong business momentum

Going now to retail banking activities and starting with LCL. We have a very high level of activity, which is fully confirming the rebound of the economy in France with a record level of production of new loans, especially home loans, customer capture, customer savings increase. And this is leading to a significant increase in the top line, plus 5%. Cost line is slightly up and it is mainly explained by this additional provision that we have booked for future variable collective compensations "Intéressement et participation" as we say in French.

And with the cost of risk which is sharply down, this is again leading to a strong increase in the contribution of LCL to the net profit of the Group plus 30%.

International Retail Banking – Italy

Continued recovery in commercial activity, strong rebound in earnings

International Retail Banking starting with Italy. We first tried to read across these figures in order to assess the performance of the historical Crédit Agricole Italia. And on this perimeter, the activity is up and the revenues are slightly up. The cost base is stable. And the cost of risk is sharply down. So the contribution of Crédit Agricole Italia historical perimeter is significantly up, plus 44% at Q3 on Q3.

In addition to that, this is the first quarter where we have CreVal completely integrated in our perimeter. And CreVal represents this quarter a contribution to the top line of €145 million and a contribution to the net profit of an additional €15 billion. This quarter no one-off related to the acquisition of CreVal. You remember that we have booked the first estimation of the bad will linked to CreVal end of June. And the purchase price accounting will be completely finalised in the fourth quarter. So nothing accounted for on this subject this quarter.

International Retail Banking – Excluding Italy

Pick-up in commercial activity, drop in rates absorb

For the rest of the International Retail Banking activities, excluding Italy, it is the continuation of the normalisation after this low point that we had reached middle of 2020 due to the pandemic and due to the monetary answers to the pandemic in the different countries where we are active. So revenues are picking up.

Again, there is a specific accounting issue this quarter if you look at the gross figures because we have declassified our Serbian activities, which are now accounted for in under IFRS 5. But restated from this against scope effect revenues are up, cost of risk is significantly down and the contribution of this business division to the net profit of CASA is very sharply up, plus 50%.

Corporate Centre

Contribution down due to a lower tax product

Corporate Centre this quarter nothing much to mention besides one point, which is, that as the average level of the corporate tax rate represents a revenue and not a cost for the corporate centre and as the average corporate tax rate that we have this quarter is down and is especially low, the level of tax product this quarter for the Corporate Centre is lower than expected and lower than the average, which explains the slight deterioration of the P&L of the Corporate Centre this quarter but nothing structural here.

Regional Banks

Increase in revenues thanks to strong business momentum

Let me go now to the regional banks of Crédit Agricole in order to complement the overview of all our activities within the Group. You will find more or less the same trends as the one we have seen at LCL with a very dynamic level of activity and also a good level of customer capture, more than 900,000 new customers captured in the first nine months of 2021, and a significant increase in the loan books, and acceleration also of the digitisation of the banking channel that we have with our customers.

You know that it had a first acceleration during the pandemic and after the end of the different lockdowns, instead of fading away, it continues to be very dynamic and the customer adaptation of those devices is really improving.

The top line is up 3%. The costs are very well managed and the cost of risk is low. It is increasing sharply as compared to Q3 2020 but Q3 2020 was completely abnormal. We have mentioned that and commented that one year ago. And so in terms of absolute level, the cost of risk in Q3 2021 is very low for the regional banks of Crédit Agricole.

Financial Strength

Modest increase in risk weighted assets driven by the Large customers division

Let me go now to the capital position, starting with the evolution of the risk-weighted assets. I would say that globally this quarter there has not been any significant evolution in the level of risk-weighted assets, neither on the perimeter of CASA, nor on the perimeter of the Group globally. Some slight increases linked to development of the business, both within the large customers division and within the regional banks of Crédit Agricole, and no regulatory effect this quarter either. So it is a very simple and straightforward quarter in terms of evolution of RWA.

Very robust capital position at Group and CASA level

This is leading to a further increase in the levels of solvency for CASA at 12.7% and for the Group at 17.4%. For CASA, of course, this is before the effects of the two operations I have just mentioned earlier, i.e., the second share buyback operation and the switch unwinding.

All in all, these two elements are going to represent a hit on the solvency of CASA of around 70 bps to 75 bps, which will be taken end of this year, so in Q4.

In addition to that, in Q4, we will have the effect of the acquisition of Lyxor around 15 bps; the acquisition of Olinn around 5 bps or 6 bps. On the other hand, we will have the benefit of the completion of the acquisition of CreVal because you know that we have integrated only the RWAs of CreVal end of June, and we will now integrate in our capital position the bad will accounting, so around 10 bps.

And we will have also the benefits of the capital increase that is proposed to the employees and that will represent around 5 bps of additional capital. So all in all, probably globally, between 5 bps and 10 bps of capital depletion linked to all these operation on the course of the fourth quarter.

Comfortable level of reserves and liquidity indicators

Liquidity on page 33, nothing much to mention. It is a very ample liquidity position that we have and so nothing much to comment.

89% of the MLT market funding programme completed by Crédit Agricole S.A. at end-October 2021

Market funding programme, it is completed at around 90% end of October. So it is again nothing much to comment and nothing really significant this quarter.

Conclusion

And maybe just as a conclusion of this presentation, we can again insist on the fact that we are having a high level of results, high as compared to the past, but also high as compared to our peers. This is resulting from a very virtuous combination of an increase in revenues and an increase in gross operating income, and also a decrease in the cost of risk. And this is generating a high capacity, at the same time, financing our development, organic development and also here and there non-organic acquisition, and also a strong level of remuneration for our shareholders.

Thanks a lot. And I think that we can now take your questions.

Q&A

Giulia Miotto (Morgan Stanley): My first question is on your medium-term target. So basically, you are well ahead of schedule and you are hitting most targets. I am thinking annualised revenues around €22 billion and cost-to-income below €60 million, ROTE above 11%. So when can we expect an update of these? So any thoughts on that one.

And then my second question would be on IFRS 17. So we have seen quite different communication from different banks this quarter. Any guidance that you can give us on that one, please?

Jérôme Grivet: Okay. Thanks for your two questions. The first one will be quite simple to answer. It is for sure that we are going to give new targets for the end of 2022. That is for sure. We do not like the idea of updating regularly the target because it seems to shoot on moving targets, which is not really a good way of allowing you to assess our capacity to announce relevant targets and then to try and meet them.

So we have targets for 2022. It is possible that we meet certain of these targets in advance. We will certainly give new targets for probably 2025, which should be a reasonable horizon. And this will be done somewhere in 2022, I do not know exactly when, but you can imagine that we are already working on that.

When it comes to IFRS 17, again, I would say, delay a little bit at the moment where we are going to give you details. But maybe just to summarise a few thoughts on IFRS 17.

First, it is mainly and almost essentially about moving across time over time the results realised by the insurance activities and mainly the life insurance activities. It is not changing economically the performance of our businesses. It is mostly reallocating over time the moment where you recognise the profits. And you know that some trade-offs are to be made when you start to initiate the process of migrating to IFRS 17. And we have not fully completely assessed all these arbitrage that we have to make for the first time application of IFRS 17.

Maybe just one additional comment on that. We try as much as possible to get prepared very well for this transition to IFRS 17. And you may have seen that we have, again, this quarter, complemented further our PPE provision within the accounts of Predica, the life insurance company of the Group. This provision is now reaching €13 billion globally more or less. This level is going to help us accommodate IFRS 17. That is clearly an important point.

And so this is restating that as much as we can, we are preparing everything that is possible to get ready in order to have a transition, which would be as benign as possible. It is not going to be without any effect. But we are trying to do it to make it as benign as possible.

Giulia Miotto: And just to follow up on the first point. So basically, we are looking at new targets in the second half of 2022 I guess?

Jérôme Grivet: Somewhere in 2022.

Delphine Lee (JP Morgan): I have two questions on my side. The first one is to come back on insurance. I know profits have been doing well and they are up meaningfully year-on-year whether you look at Q3 or nine months. Just thinking about the top line to understand a little bit how to forecast the volatility that you can have because of capital gains or other issues? I mean, any comments or colour you can give us to just get maybe a bit of a better understanding of what is going on there.

Then my second question is on capital. Just wanted to double check. Thanks for the update on what is happening in Q4. Just also wanted to have, maybe if possible, any update on Basel IV impact given the tax is out? And also just to confirm that this quarter you did not take any remaining TRIM impact. I recall there is still another €6 billion, €7 billion to go in the next six quarters. So just wondering when we should expect these impacts?

Jérôme Grivet: Okay. Thanks. So on insurance, again, I think it already happened in the past but it is always a little bit perturbating when you want to assess the performances within the banking accounting standard. So let me try again to explain a little bit what happened this quarter specifically.

In the portfolio of assets of Predica, there is a significant asset that was held since a very long time that was completely restructured and that led to a very significant capital gain. This capital gain has been taxed with a low corporate tax rate because it is a long-term capital gain.

So it means that we have been able to generate the level of profit that we deem reasonable for the quarter. Without I would say recognising a high level of financial margin, which is accounted for in the top line in the banking accounting standard. So you have a set of financial revenues. And as you know, within this financial revenues, there is a part that you allocate to the shareholder and the rest is allocated to the policyholders. And within what is recognised and allocated to the policyholders, then there is a second split that you can do, which is made between the provision for the profit sharing rate of the year and the PPE provision, which is allocated to the policyholders, but which is going to be distributed later on.

And so what we did this quarter, thanks to this low corporate tax on the capital gain, we recognised only a very low level of financial margin allocated to the shareholder and so high level of revenues allocated to the policyholders. And within the revenues allocated to the policyholders, we have continued to accrue the level of the profit sharing rate, which has to be paid end of this year on more or less on the basis of what has been paid last year.

And the rest, which is quite significant this quarter, is put aside in order to continue to boost this PPE provision, which is first providing solvency to a Crédit Agricole Assurances. And second, which is going, as I said, to help the transition to IFRS 17. So this is technically what we did this quarter and it already happened sometimes in the past.

So I understand that it is a little bit tricky for you to forecast that is for sure. But really, I think that when it comes to the insurance activities, what is important is not necessarily the top line, but most important is probably the capacity of continuing to generate a level of profitability that is in line with the development of the business. And, of course, that is significantly contributing to the net profit of CASA.

Delphine Lee: Can I just actually follow-up on what you just said. Is it fair to assume that the growth in insurance could be somewhat capped in the next two to three years as you build-up PPE with further in preparation of IFRS 17?

Jérôme Grivet: No. First, we are absolutely not capping the development of the business. That is for sure. And we try as much as we can to continue to accelerate in the P&C activities,, in the protection activities. And then when it comes to the life insurance activities, where it is a more stable business, we continue to try and develop as much as we can the unit-linked product as compared to euro. And you may have seen that this quarter, we now have reached a proportion of UL in the portfolio, which is at the target that we had set for 2022, which is 26%. So clearly, we have absolutely no reservation in the development of the business.

What we do is, of course, as I said, is to prepare as much as we can for this transition to IFRS 17, which is a regulation that we did not ask for. It is something that we have to apply, but clearly it was not a request on our side. You may imagine that. And again, building up further the PPE is part of the preparation to this transition.

So now going to your question on capital, Basel IV, the way we read the draft proposal of the commission is that the most biting part of Basel IV is going to be the output flow, and second point, the output flow is going to apply at the highest level of consolidation, at least inside one country. And so it means that it is going to be Crédit Agricole Group that is going to have to withstand the hardest part of Basel IV.

So I am not able to precise exactly what is going to be the impact on CASA itself, but it is going to be much less important than for the Group globally. And of course, when we will update the medium term plan, we will give a more precise calculation on the impact of Basel IV on the capital consumption at CASA and on the capital trajectory that CASA will have to follow.

When it comes to TRIM, it is absolutely true that we still have around €6 billion to €7 billion of additional RWA to integrate up to the end of 2022. And as seen from now, I would guess that it would take place only in 2022, i.e. I do not expect anything to take place before end of this year.

Jacques-Henri Gaulard (Kepler Cheuvreux): Two questions. The first one on the cost-to-income ratio, you are now firmly managing the Group at 60% cost-to-income ratio or less, actually 58%, 59%. Would it be tempting for you to attempt at managing it at 55% or that is not simply something you believe is wise for many different reason, activities, investment or whatever? That is the first question.

And the second one, it seems that French retail is really changing a lot if you look at the consolidation beats which are happening, FLOA, HSBC, ING, no particular order. The fact that some chairman of retailers complain about the implementation of PSD2, it seems that the overall situation is probably a little bit better than it has been over the last five to six years. So just a view about how you perceive it going forward over the next few years?

Jérôme Grivet: Thanks for your questions. Cost-to-income ratio. First, for the time being, the target is to be below 60%. It is the target that applies up to the end of 2022. And as I said, we are not going to change this target or that specific target before we issue a new medium term plan.

Second point, of course, we believe very much that being as efficient as possible is a key component of the global model of the Group and we have had several opportunities in the past to explain how we do it to improve the cost-to-income ratio, how we decentralise the responsibility of managing the cost base of the Group inside the business lines and so on and so forth. And we are not going to change this very disciplined approach of the management of the cost base.

Nevertheless, I am a little bit doubtful about the idea of permanently pushing forward the target forward, meaning lower and lower and providing a new target of 55%, which is absolutely not on the table for the time being. It does not seem very grounded on my side. What we are going to do when we will prepare the next medium-term plan is that we are going to study carefully all the cost savings that we can do on the running cost base, all the investment that we have to finance in order to continue to adapt our setup.

And then, we will do the math and we will see where we end up and if the level where we end up seems reasonable, this is going to become our new target. But we are not going to start by setting a figure which has the only merit of being rounded for like 55%. Okay?

French Retail now. The question is again a little bit strange to me because it is not for us a business on which we can say we are going to arbitrate and the prospects are better. So we think that we must have a little bit more French Retail than before. And if the prospects were to deteriorate, then we would look how to reduce our exposure to French retailer.

French Retail is really the basis of the Group. It is really the *"socle"* on which we are built. So by definition, it is absolutely important for us to be as efficient as possible, as aggressive as possible, as conqueror as possible on this market and on this type of business.

So of course, we see that after years of really pressure on the margin and pressure on the profitability, we are very happy to see that the prospects seem to be a little bit better globally. But whatsoever, this is the core or the DNA of the Group, and there is no discussion possible about the place that we allocate the French Retail in the Group.

Guillaume Tiberghien (Exane BNP Paribas): I have got two questions. The first one, going back to the jaws. Let me phrase the question differently. Do you think that excluding the restructuring charge, there is still room to improve the cost-to-income ratio?

And the second question relates to the net interest income in Italy, ex-LTRO and ex changes in the scope of consolidation, so, ex-CreVal. Because you highlight that revenues are up 1%, but within that, fees are up 19%. So I suspect NII is down somewhere around 80% year-on-year. And I wanted to understand, is that a new normal level or is there any incidentals in Q3 that could explain such a fall in NII, excluding TLTRO and CreVal?

Jérôme Grivet: Thank you. When it comes to the jaws effect, we are going to continue to try to improve the cost efficiency of each and every business going forward. I think that at a certain point in time, we must be reasonable and the progression cannot keep permanently the same pace. So, again, I am absolutely certain that year-end there in almost every business, we continue to have rooms for further improvement.

And also there is a second effect that you need to take into account, which is that the proportion of the different businesses that we have in the Group is permanently changing, and so this is leading to possible modification of the weighted average cost-to-income ratio because the higher the proportion of business, like the insurance business or Amundi, the asset management business, which have lower cost-to-income ratios than the average of the Group, the better for the average cost-to-income ratio.

So, again, it is difficult to say it so bluntly, but I would say trust us. We know how to manage the cost base and we have been quite efficient in doing so. So we are not going to do things which would not be reasonable. But we cannot permanently keep the same pace in reducing the cost-to-income ratio.

And maybe one last point on this issue, the management of the cost-to-income ratio is related not only to cost but also to revenues, and it is very important to be able to continue to grow the revenue base. This is also going to help the cost-to-income ratio.

In terms of NII in Italy, it is true that the NII was down quite significantly this quarter. It has been the case for us. It has been the case for most of the market in Italy. We have taken a look at the performances of the competitors. And clearly, margins are still better in Italy than they are in France. But they are under pressure. That is absolutely for sure. And this is why in Italy, as in France, as globally for the Group, we try and develop as much as we can the fee-based part of the revenues.

And then, if at a certain point in time, the yield curve is better, and if this allows us to generate at last, I would say, an improvement of the NII, all the better.

Guillaume Tiberghien: Okay. Can I have a clarification please on the impact of SoYou on the revenues and on the cost, please?

Jérôme Grivet: Certainly. I am just checking the figures. But for the time being, SoYou have not reached the breakeven. It will reach the breakeven I think in 2023 if I am not mistaking. And for the time being, well, you do not have, Clotilde, the amount of cost and revenues.

Clotilde L'Angevin: I will give it to you. Excluding SoYou, the revenues increased by 2.6%, whereas they increased 3% including the consolidation of SoYou full consolidation.

Jérôme Grivet: Clotilde, so it is a difference of 0.4% between the evolution of the top line with and without SoYou. And for timing, again, SoYou has not reached its breakeven.

Jean-François Neuez (Goldman Sachs): I just wanted to ask you first question on cost of risk and one on large customers. So the one on cost of risk was we have seen very low provision across the sector for now a number of quarters, and that is not only for Crédit Agricole, that is for many banks. It is almost like, I wanted to ask you, as opposed to when it will go back up or when it will normalise again or variants of that, is what would it take for it to not stay where it is now in a sense? The question is, it seems to be lasting and what would it take, in your opinion, to make it go back up?

And my second question on large customers is, there is some growth in the risk-weighted assets there and also of the revenues pretty much in line or a bit less in the revenues, but for the nine months. The question I will have thought last year with all the growth that there was in particular with state-guarantee, etc., that we would not have had so much growth right now. And I just wanted to understand what in this business is growing, and if you think these are deals which are happening now, as you can see from Dealogic activity, etc., or do you think that these revenues have some sort of recurring features and they are a good base for going forward?

Jérôme Grivet: Let me start with the second question. Really, in the financing activities, the revenue dynamic is spread across all the sub business lines that we have there. It is the case in this structured finance division, it is the case for the commercial banking activities, syndicated loans, trade finance and so on and so forth.

So really it is a very good dynamic which is completely connected, first, to the macroeconomic outlook, which is positive globally across the world, not only in France. And second, it is connected also to the fact that at no point in time in the last 24 months, had we, I would say, withdrawn from the market. We have been permanently there alongside with our customers ready to finance them. And so it is absolutely certain that we have gained ranking and positioning within the core bankers of our corporate customers.

And it means that every time they have an operation to finance, they are requesting our support. So definitely, I think that we have gained some market share. It is difficult to express it or to quantify it, but we have gained some positioning in the field of financing activities across the pandemic and the crisis.

When it comes to the cost of risk, it is very difficult to tell what would be needed for the situation to not to evolve, if I got your question right. What I can tell you is that we have a very prudent approach in the cost of risk and in the provisioning. And this is why up to this third quarter of 2021, we have continued to complement our Stage 1 and Stage 2 provisions.

Contrary to some of our peers, US peers, of course, but also European peers that started already one or two quarters ago to write back Stage 1 and Stage 2 provisioning, which we could have done actually, because our macroeconomic scenario that is used to calculate the Stage 1 and Stage 2 provision for the time being continues to bet on a GDP growth for 2021 in France below 6%. And we perfectly know that it is going to be significantly above 6%.

And this is one of the elements that we are going to update in the scenario that we are going to use in the fourth quarter. So we have been prudent, which means that if the situation were to deteriorate slightly in the coming quarters, we would certainly have some room of manoeuvre in order to absorb it without a massive deterioration of the P&L through a sharp increase in the provisioning. But of course, we are dependent of the global macroeconomic situation.

So if the macroeconomic situation were to significantly massively deteriorate going forward, I do not see how we could avoid it. We are better prepared than most of our peers, but we could not avoid that. We are so big, especially in Europe. I think we represent around 5% of the globally the bank balance sheet in Europe. So if anything severe takes place, it will impact us.

Jean-François Neuez: Okay. Let me rephrase this. Would you be surprised if the cost of risk next year was the same as this year?

Jérôme Grivet: Not necessarily. It is not a forecast. It is not an assumption. It is not a guidance, but it is perfectly possible, because again, I think that the difference between the present crisis and the previous one is the efficiency and the solidity of the public answers. And for the time being, the public answers continue to be accurate.

Jean-François Neuez: ok, very clear, thanks a lot

Lorraine Quoirez (UBS): So I have perhaps two questions, a bit more like strategic questions. The first one is when you disclosed your 2022 plan, you talked a lot about building partnerships to distribute your products on a European basis. And obviously since then, there has been quite a lot of consolidation and management changes as well. And you might have found that this strategy has proved risky on some occasions. So I was wondering how you see the development of your project factories in the future and whether we should be thinking about perhaps more concrete international opportunities, perhaps more acquisitions than partnerships in the future? So that is the first question.

The second question is regarding your payment strategy. Maybe I missed something, but I think we have not had much update since the partnership with Wirecard ended. And I was just wanted to know whether you actually upgraded your customer offering to, you know, improve it in particular with regards to e-commerce? And what is the plan going forward for payment?

Jérôme Grivet: Well, two questions which are very connected to each other because it is all about partnership at the end of the day. In terms of partnerships in order to develop the main product factories that we have, if you take a look back on what we did since 2019, there is a very important series of operations that we undertake. I am not mentioning acquisitions, you know, acquisition of CreVal or Kas Bank, but there is the partnership with Sabadell in the asset management, which is in the middle between an acquisition and a partnership. There is the partnership with Banco Santander in the custody business. There is the creation of Amundi technology and the development of the customer base of Amundi technology. There is the Bank of China joint-venture. There is Abanca. There is the expansion of Azqore which is the back office and IT platform of the private banking activities in Switzerland with this new very important customer, Société Générale.

So many, many developments and we think this is going to continue to be a key driver for the development of our businesses. Of course, it is much easier when it is fully inside the Group, where you can equip your own customers with your own project factories but it is not always possible and we think that the strategy of trying to take advantage, I would say, of the critical size that we have in most of these business factories in order to be able to provide our products and services to the customers of other banks in a win-win approach is and will continue to be a very important path for the development of our product factory.

But, again, this is a strategic issues as you have mentioned and we will certainly highlight the trajectory in the next medium-term plan.

In terms of payment services, well, most of what we have been doing in the last months or quarters was inside internal development. So it is not very visible. It does not take the form of public announcements. But we are developing some important features like the acquisition and integration of Lyxor, so which is an account aggregator in the different banking offers that we have inside the Group, like the development of biometric card, like also the participation that we take in the EPI initiative.

And so we are working quite hard. For the time being, I am not pretending it is going to happen anytime soon, but this might happen because it is an area as the other areas of the dedicated product lines where we can perfectly find relevant to engage into new partnerships. But for the time being, we have been doing lots of things internally in a discreet manner, but it is working and we continue to develop the activity. And again, this is going to be a highlight of the next medium term plan, by definition.

Lorraine Quoirez: Okay, I will be waiting then.

Stefan Stalmann (Autonomous Research): I wanted to come back to the cost-to-income questions please, and look at it from a slightly different perspective. So you are basically running 3 percentage points better than your target for 2022 that you set up. And I was curious whether you could point to what is different compared to how you would have thought you would be performing at this stage of the plan? And what the underlying different drivers are of the differences that have driven the cost-to-income ratio below where you thought it would be, whether it is mix or volume or competition or productivity? Anything along these lines would be very helpful.

And the second question relates to leverage and you have given this, I think, new disclosure point on your daily leverage ratio. And I guess, part one of my question is, is this 3.9% daily leverage ratio on the same basis as the quarter end ratio of 4.6%, so excluding ECB deposits. And assuming that the answer is yes, it is on the same basis, then it seems that you have very, very significant intra-quarter changes to your balance sheet. It seems that during the quarter, your balance sheet is almost 20% larger than at period-end, and you say it is coming from security financing, reverse repos. So you can basically back solve and say that you are running maybe with €300 billion of repos during the quarter on a daily basis as opposed to €120 billion. I would be a bit surprised about these kind of orders of magnitude. Maybe you can talk a little bit about what is happening there, please?

Jérôme Grivet: Okay. Let me start with the cost-to-income ratio. As you said, we are steering the Group for the time being with a level of cost-to-income ratio which is 3 percentage points below the targets that we had initially set. Many different elements explaining this difference.

The first one is that, of course, when we disclose the target, we try to be a little bit conservative, and when everything goes into the right direction, we may beat the target. This is regularly the case.

Then, of course, as I have said, the cost-to-income ratio is a ratio between the revenues and the cost. And what we acknowledge now is that not only have we been able to manage the cost base on a very efficient manner, but also we have been able to generate revenues probably above what we had in mind when we had set this 60% cost-to-income ratio target.

As far as the management of the cost base is concerned, we have been efficient, because again we have this method of decentralising the responsibility of managing the cost base, the different cost bases of the different businesses to the heads of the businesses. And it is a very efficient way of making sure that in every business we try to gain the last mile of cost cutting in order to be as efficient as possible. And it is far better than applying across the board cost-cutting exercises.

But also I must admit that the pandemic itself generated some sources of cost-cutting, some of them being temporary. But some of them tended to become a little bit more permanent because it is highly probable that going forward we are going to travel structurally less than what we did in the past, and many other elements like that. So probably we are locking some additional cost savings as compared to what we had in mind when we published this target of 60%. But clearly, bear in mind that in terms of revenue, we are also probably quite significantly above what we had in mind when we published our target.

When it comes to the leverage ratio, the calculation of the leverage ratio on a daily basis is similar to the basis of the calculation on the end of quarter [the methodology for the calculation of daily leverage ratio of 3,9% is similar to that of the end of quarter leverage ratio's methodology before neutralisation of Central bank exposures].

And it is also absolutely true that we have been quite agile in monitoring the size of the balance sheet inside a quarterly period as compared to the end of the period due to the fact that until recently the biting constraint was to only the ratio at the end of the period.

But I must say that globally the market is like that because globally when we were requesting our counterparts to reduce the exposures and the volume of activity starting a few days before the end of the quarter and starting to grow again just after the end of the quarter, it was a common market practice, and not only a common market practice, but it was also completely transparent to the supervisor. So nothing really, I would say, real from this point.

Then as far as the precise calculation are made, I am not in a position to really confirm precisely the figures that you have mentioned, but what I confirm is that really we have been monitoring a level of size of balance sheet, which is quite variable between inside a quarter and end of the period.

Matt Clark (Mediobanca): Couple of questions from me, please. So firstly on the PPE reserve in insurance. I just wanted to get your thoughts about when this will be enough? I mean, you have been adding something like a €1 billion or €1.5 billion per annum for the last few years. I mean, once you have adopted IFRS 17, is that now enough for that pace? Can you ease off and we can see some of that reserve build start to go to shareholders instead of policyholders? Or is this really something that, in practical terms, you need to keep building into perpetuity and we should not really think of it so much as a cushion as being an essential part of your provisioning, so provisioning against likely future outlays rather than potential future outlays?

And then next question is on the Italian Retail Banking division. So I guess, firstly, would you say the third quarter revenue base is a reasonable run rate? There were not any particular positive or negative lumpy items in there. And then, secondly, in Italy, could you give some guidance on the outlook for restructuring charges from CreVal? And also are you able now to talk about synergy potential now that you signed the agreement with the unions?

Jérôme Grivet: Okay. The PPE is, as you said, a reserve. But I want to insist on the point, it is allocated at least at the end of the year on a quarterly basis to an interim quarters. It is provisionary and it can be changed by year-end. But on a yearly basis, once it is booked on yearly account, it is fully allocated to the policyholders and it cannot be transferred back to the shareholders.

So the question is when is it going to be used to complement the yearly profit-sharing rate, which is effectively paid to the policyholders. But it cannot be transferred back to the shareholder. It can help the shareholder to get its share of the financial revenues because if it is used to complement the revenues generated on a running basis by the portfolio of assets, then it can let a higher share of these financial revenues of the year to be allocated to the shareholder. But directly it cannot be transferred back to the shareholder.

Then the usage of this PPE is threefold. The first one, first benefit that we already get from the existence of the PPE is the fact that it is providing some benefit to the life insurance company. So definitely at the end of the day, it is either helping Crédit Agricole SA to upstream higher level of dividend or it is enabling Predica to modify a little bit the breakdown of its assets in order to generate more revenues in the future despite its more costly in terms of solvency or whatever. But it is first a component of the solvency of the life insurance company and in itself beneficial to the shareholder.

The second point is that, and it is very specific to the present period of time, is that it is going to help accommodate the transition to IFRS 17. The metrics are not very straightforward, very clear to explain. But definitely having a higher PPE is going to help in this arbitration that we will have to do between the building of the consumer service margin, the initial service margin that we will have to book and the recognition of results going forward.

And then the third point, and this is why we have not been using significantly the PPE up to now is that it is going to be very useful when the rates are going to increase back because clearly the moment where we will be in a situation where we could lack financial revenues as compared to the expectations of the customers is the moment when long-term rates on the market will be significantly higher than what they are now and the portfolio of assets is not going to generate enough revenues in order to fulfil the expectations of the policyholders and the PPEs will be then used in order to complement the yearly revenues and in order to keep as stable as possible the portfolio of policies.

So this is precisely the moment where we can see that having a high PPE is going to be useful. Sure. Go ahead.

Matt Clark: When you get to that point, would you anticipate that you no longer make the same gross contributions into the PPE reserve?

Jérôme Grivet: That is for sure. The moment where we will acknowledge that the yearly revenues of the portfolio of assets is not going to be enough to cover at the same time the remuneration of the shareholder and the expected profit sharing rate of the policyholders. It is going to be very important to be able to complement these revenues by some slice of the PPE.

And for the time being we have a PPE that represents around 6% of the total euro outstanding, which is very, very important and that gives us a significant room of manoeuvre if and when such a period of time is going to take place.

Italy, there is no specific or very specific elements in the revenues of this quarter. So I do not know if we can qualify that as a run rate. But what I can tell you is that definitely there is no specificities that could lead me to be either prudent or a more aggressive on the capacities of replicating the same level of revenues in the future.

When it comes to restructuration costs, the idea is that when we will do the finalisation of the PPA end of this year in the fourth quarter, we will, of course, cover the necessary restructuring provisions with the usage and through this PPA. And so the idea is that going forward, we will no longer have to bear additional restructuring charges in the running P&L of Crédit Agricole Italia.

And when it comes to the synergies, both revenues and cost synergies, so we have provided some elements on the targets that we have in mind. I think that we would be able to update these targets when we will do the legal merger end of this year. But clearly, we are on track to reaching this above and significantly above 10% of return on investment that we had in mind when we did the acquisition of CreVal.

Flora Bocahut (Jefferies): I would like to start with two questions on retail banking. The first is regarding the loan growth in France. Just to ask you, given the good rebound we saw this quarter, what we should expect from here? Whether we should expect, for example, a slowdown in mortgage growth, given the rules have been recently tightened? Also, if you expect that we are going to continue to see the loan growth in consumer credit and corporates in France pick-up from here or if it remains still very difficult given the huge amount of savings for households and liquidity for corporates?

And then the second question is regarding the fee performance, actually specifically in French Retail and then also in Italy where it has been very strong. Just if you could explain a bit what the drivers have been for this growth, and if you expect that they can continue from here?

Jérôme Grivet: In terms of loan growth, it is true that the rules for home loans have been strengthened quite significantly by the Haut Comité à la Secteur Financier recently. But for the time being, we have not seen any slowdown in the credit demand coming from our customers. So, of course, we are now committed to abiding to these rules and so we must make sure that we respect the rule of the duration, 25 years maximum. The rule of the effort rate 35% maximum and rule about the proportion of exceptions that we can accommodate 20% maximum.

And so every time we study credit demand coming for a home loan, we have to make sure that we are sticking to these rules. But in terms of the latest generation of production of new home loans this summer, we were respecting the rules. And nevertheless, we have been able to produce the highest levels of loan productions ever. So for the time being, the market has the capacity to accommodate at the same time, a strict respect of the rules and a high level of production of new loans. And going forward, it is possible that at a certain point in time, the movement is going to slow down. But for the time being, we have not seen any slowdown in the credit demand.

When it comes to the other categories of credit demand, so businesses and consumer credit. For consumer credit, I am very positive because the household consumption has been a key driver of the rebound of the economy in the last month, and the appetite of the French customers to consume continues to be very solid. And in addition to that, we can expect that at a certain point in time, the bottleneck that are penalising a little the development of certain subcategories of the consumer credit demand, i.e. car but also some other equipment goods, are going to be settled and we are going to see a rebound in the purchase of new cars or new house equipment goods. So really when it comes to consumer credit, I guess that the prospects are very positive.

Then as far as businesses are concerned, every poll that we make, every survey that we make amongst our customers or that we see on the market shows that the investment intentions of the corporate and businesses are at their highest. Businesses want to invest so they are going to engage into financing operations.

Of course, it is going to be very, very connected to their reading of the economic outlook, the economy prospects. But for the time being, they continue to be good. So clearly, I think that also in business loans, there is no slowdown to expect soon.

If I take a longer horizon, of course, the uncertainty is very high because we are in such an unknown territory in terms of combination of public tools and strength of the rebound and so on and so forth that it is very uncertain. But when it comes to the coming quarters, I am very positive.

Fees in the retail banking activities, the composition, the breakdown of the fee revenues in Italy and France is not exactly the same. In Italy, it is completely driven by off-balance sheet management products. And so as long as the flows of new savings of our customers continue to be significant, we will have a good level of fees. And what we try to do in Italy is as much as possible to modify a little bit the breakdown of the fees and to be less dependent on one-off fees that are correlated to the flow and more driven by management fees that are driven by the outstandings. But for the time being, I must admit that what is the key driver is the flows.

In France, the breakdown of the fees and commissions within the retail bank is much more spread across many different areas. So, fees in connection with securities and off-balance sheet savings, but also fees linked to insurance policies, be it life insurance or non-life insurance, and it is growing quite rapidly, and also fees driven by different services linked to the payment account, to the payments or to the sight deposit account, sight account, current account. So it is much more spread across different categories and probably it is more steady and more stable in France than in Italy.

Last point, maybe in Italy, of course, progressively, we are going to equip CreVal's customers with our own product factories with probably better efficiency. And as soon as this quarter, Amundi is now plugged on the customer base of CreVal in order to start to distribute its products, which is going to generate fees.

Kiri Vijayarajah (HSBC): Firstly, coming back to, I guess, indirectly insurance. Just wanted to get your thoughts on the Banque Postale-CNP deal. Do you see them becoming a stronger, more integrated bancassurance player in the French markets going forward? But obviously not on day one, but perhaps over time.

And then secondly, on the capital. Should we expect any impact on your Pillar II requirements once the switch is completely disappear? So could we see some benefit as and when you receive your next SREP letter on the Pillar II side of things?

Jérôme Grivet: Your second question is really music to my ears, Kiri. Maybe you should address this question to the ECB. I have no clue on this matter. But definitely, it would be relevant to have that kind of reasoning.

On La Banque Postale and CNP, for me, what is happening is clearly a kind of normalisation. La Banque Postale was initially the only retail bank in France not to have its home life insurance company. Then they became the mother company of CNP but with CNP that was still listed. Now they are going to be in a position which is the one that we have in all other banking groups in France, which is the in-house life insurance company working with the network.

So, of course, it is going to be probably marginally more efficient. But do not forget two things. The first one is that CNP is already, I would say, at par with the top player in the life insurance field in France. So it is not going to be a game changer for them. They are already top of the crowd here, as we are.

And second point which is important, do not forget the sociology of the population of the customers of La Banque Postale. It is not the wealthiest customer base that we can have in France.

Pierre Chédeville (CIC): One question regarding CA Mobility project. And it is also a question related to partnership. Do you want to develop this business entirely on your own or do you intend to get some partner and notably regarding platforms for maintenance or tier replacement these kinds of things which are very important for this business? And could you give us some or maybe it's premature, I do not know, some of your ambitions regarding this project in terms of breakeven or in terms of number of contract?

And my second question is related to the proposal of Crédit Mutuel to suppress the health questionnaire regarding loans and…

Jérôme Grivet: Creditor insurance.

Pierre Chédeville: Mortgages, yes. I wanted to know what is your view on this proposal? And what could be the impact on LCL or on the Group Crédit Agricole if you adopt such a measure?

Jérôme Grivet: Thank you. Two good questions. On CA Mobility, to be very precise, CA Mobility is going to be a platform dedicated to individuals and professionals. So it is not exactly the same as big platforms that already exist in Europe and sometimes in France. That deal will the management of fleets for big clients. So the idea here with CA Mobility is to be able to propose to our individual and professional client within our own networks, the service of providing the car-as-a-service, I would say.

Of course, it is important to get as soon as possible a critical size in order to be able to have an efficient cost management for all the services that we want to provide to the customers, as you have said. So the targets that we have set initially is to manage this as quickly as possible, maybe in the next five years at least 100,000 cars. So it is not massive, if you have in mind that the big players in this business are managing 1.5 million cars across the globe or at least across Europe.

But, again, keep in mind that it is not exactly the same business because our own business is going to focus on individuals and professionals, so small clients.

Pierre Chédeville: But, Jérôme, if I may, a follow-up question. If I have a contract, I am a client of LCL for instance and I want a long-term vehicle leasing, will you propose me to take care of the maintenance of my car within this contract from term leasing and to take care of my tyre when they are used?

Jérôme Grivet: Absolutely.

Pierre Chédeville: So my question is how will you do that with your own platforms or are you going to have partnership?

Jérôme Grivet: Yeah. Exactly. So the idea is clearly that we will need to have agreements with professionals providing concretely the service because we are not going to hire tens or hundreds of mechanics in order to do the service for our clients. So of course, we will need to have partners with which we will have agreement that will provide the service. That is for sure.

Pierre Chédeville: So you are going to build the platform with specialist who will contact garages, for instance, to take care of the maintenance?

Jérôme Grivet: No. But we will have agreements with professionals that already exist, branches of certain carmakers and so on and so forth that will be able to provide the service for our own client. And the role that we want to have is the role of gathering all the services, providing the financing, providing the insurance, and then providing to the customer, for a simple monthly amount, the usage of the cars. That is the case.

When it comes to the creditor insurance and the announcement of Crédit Mutuel, well, we are still studying a little bit the proposition, which is not a proposition, which is a decision that has been announced in order to fully assess the impact. This business of the creditor insurance is a business in which there are two extremes.

Either you want to mutualise as much as possible in order to be able to offer the service to all or most of the population, including the part of the population that is in a bad condition and that is supporting a higher risk of triggering the guarantee and that there is perfectly respectable. And we understand that the proposal of Crédit Mutuel is going into this direction.

But then the consequence should be to give more stickiness to the portfolio of policies that you have. And up to now, every evolution of the regulation was going into exactly the opposite direction, i.e., giving more and more liberty to the policyholders in order to pick and choose their insurer and to leave their insurer in order to take a new one. So this is guiding towards exactly the opposite direction in which the individual policyholder is able to get the best adapted offer for its own risk, i.e. then a situation where the pricing can be very, very different between a very good risk and a very bad risk.

So, of course, by our DNA, we are close to the preoccupation of the Crédit Mutuel and we would welcome any evolution of the regulation that would narrow a little bit the spread between the best and the worst prices. And that will, of course, at the same time impose to an insurer active on this business to take good risks as well as bad risks.

But you cannot have, at the same time, the full liberty for the policyholders, for the borrowers. And then no differentiation between the good risks and the bad risks. So it is a catch-22. And we have not, of course, at this stage made any assumption or any hypotheses on the effect of this decision on our own portfolios. But this is a very important issue on which we are working.

Omar Fall (Barclays): I will be quick. Firstly, on costs in CIB, which are 5% in the quarter and in the first nine months actually. Reading some of the texts, it seems as if this is more around investments and headcount builds instead of just the kind of bonus variable compensation trends we have seen elsewhere. Can you get some colour there? Because I guess this may be a bit surprised if you are building out here at this point in the cycle when talent is maybe quite expensive and your model is not as aggressive as some others in the industry].

And then the second question is just on SFS and the kind of medium to long-term revenue trends in consumer finance, because I guess there is quite a few headwinds now. There is the supply chain shortages and who knows how long those last, structural things around buy now, pay later. And finally, we have got all these retail savings sitting in LIVREA and current accounts, which do not really help consumer releveraging. So just some thoughts on that would be helpful.

Jérôme Grivet: On the cost base of the CIB, if you assess the evolution of the cost base on the first nine months and not only on the quarter, the proportion of the increase that is correlated to the increase in the provision for the payment of future bonuses represents a significant part of the increase. I do not have the precise proportion in mind, but it is quite significant. Let me do a rough calculation, but it should be around one-fourth of the increase. So it is quite significant. And again, it is not a commitment to pay those amounts by the end of the year. It will depend on the full results of the year.

But nevertheless, at the same time, I already insisted on the fact that we have been building up a little bit our franchise on a certain CIB activities, be it in the financing activities or also in the fixed income markets. And so, of course, we have been a little bit complementing our teams, be it with staff or whether IT tools in order to be as efficient as possible and as relevant as possible.

So it is a mix, and it is not only, but it is partly due to the will of strengthening our position, not across the board. The idea is not to say we have seen a very buoyant quarter in equity derivatives and we want to rebuild immediately a franchise that it will generate revenues next quarter. The idea is to continue to build on our strength steadily, regularly, slowly but actively in order to be able to continue to generate additional revenues.

And then, of course, there is this question of provisioning bonuses, which for the time being have not been granted to the beneficiaries and we are going to wait until January or February to be more precise in that.

Then your question was about consumption. If I got it clearly, and the prospects of further consumption on the French market because of all the savings that has been accumulated and all the tools that are inducing the consumer to act with this pay later buy now devices and so on and so forth.

Well, I think that clearly there is an appetite of consumption in the French population. And clearly part of this appetite of consumption is for the time being a little bit refuted by these bottlenecks and disruptions in the supply chain. If you want to buy a new car in France now, it is very, very probable that the dates of delivery is going to be somewhere middle of 2022.

So really, this is penalising a little bit the development of the conception itself but the will of consuming is really here. And so the order books are really very, very active.

Okay. Thanks a lot to every one of you. Thanks for listening to this conference. And I am looking forward to our next meeting, which is not going to be in three months but I think somewhere in December. Okay. Have a good day and bye-bye. See you soon.

[END OF TRANSCRIPT]