



# **Crédit Agricole Third Quarter 2022 Results**

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## Introduction

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*CEO, Crédit Agricole*

### Welcome

Good afternoon. It is a pleasure for me to be with you this afternoon to present our Q3 and first nine months of the year results. I will go directly to the main figures. I will try to make the presentation as quickly as possible in order to allow for your questions afterwards.

### CASA key figures

So let me start on page four, where you can see CASA's main figures. Maybe just a few highlights on this page. On the quarter, revenues are up close to 1% up as compared to Q3 2021, which was already a record quarter in terms of revenues. So again, this is the highest level ever for a third quarter.

Second point on the quarter, you see the cost of risk increasing moderately as compared to a basis in 2021, which was very low. Third element on this page, the CET1 ratio at 11% is at the target.

And last point, the return on tangible equity is at 12.5%, which is again above the target we had set for 2025.

If I look now at the first three quarters of the year, the nine months, revenues are up more sharply on the first nine months, plus 5%, almost 5%. The cost/income ratio in the first nine months at 58% is below our ceiling, below our commitment and at a very comfortable level. And the bottom line, the net profit for the first nine months, underlying net profit, close to €4 billion, €3.937 billion, is almost flat as compared to the first nine months of 2021, which was a record level.

### Crédit Agricole Group key figures

If I go now on page five, where we have the Group's main figures, you will find more or less the same trend, i.e., revenues for the quarter, which are more or less stable. But for the first nine months, the revenues are significantly up, plus 3%.

Cost of risk is more sharply up for the Group globally, but you will see that at the level of the regional banks, we have been booking again this quarter a significant addition in terms of S1 and S2 provisions, so it does not translate any kind of increase in incurred risks. The net profit continues to be at a high level despite a small decrease as compared to 2021, both for the quarter and for the first nine months.

And lastly, for the Group, the solvency ratio at 17.2% is 8.3 percentage points above the SREP level.

### Revenues up, strong profitability, solid balance sheet and capital

If I go now on page seven with the main messages we wanted to stress this quarter, I think that what is interesting to note is that in the third quarter of this year, we have continued to have an adverse environment in terms of markets. Rates continued to increase significantly and you will see that it is not necessarily only a good news.

Equities markets were significantly down in the third quarter, as was the case for the first two quarters, which has a significant impact on several of our activities. On the forex markets, the euro continued to decline quite significantly, especially compared to the dollar. Inflation kept being at a high level and probably higher than what we initially expected. And lastly, you know that this quarter, beginning of the third quarter, it was the end of the mechanism of bonus that applied to the TLTRO, which represented a significant add-on to our revenues up to the end of Q2 this year.

Despite that, we have managed to keep a high level of revenues, as I said, and a high level of profitability alongside with the solvency that was maintained at the target for CASA, and of course, that was at a very high level for the Group globally. And we have continued to roll out the different priorities of the medium-term plan with, amongst other elements, the signature of the deal between CACEIS and RBC, through which CACEIS is going to become the shareholder and the owner of the European activities of RBC in the course of next year.

### **Activity**

Let me go now on page eight, where you have some elements regarding the underlying activities. I think that what we can see is that we have kept being very present vis-à-vis our customers in terms of lending. So the loan production continued to increase, both in retail banks, regional banks plus LCL, and also in consumer and leasing activities. This, of course, was very positive in terms of attractiveness for the Group. And again, this quarter, it is close to 500,000 new customers we have managed to attract in our different retail banking networks in Europe, France, Italy and Poland.

So all in all, since the beginning of this year, it is 1.5 million new customers that we have attracted in our networks. And of course, this is generating a further increase in our revenues coming from additional activities like insurance, non-life insurance activities, where, again, we have seen an increase of close to 7% of the premium income.

### **Revenues**

On page nine, some additional elements regarding our revenues, our top line. As I said, on nine months, the dynamic is absolutely excellent, plus close to 5% and even close to 3% at constant scope. On the third quarter, of course, the market conditions I was mentioning earlier made it a little bit more difficult for several of our activities, amongst which the asset management businesses and also in the Specialised Financial Services division, where we have had a significant increase in our refinancing costs.

But globally, thanks to the very good performances in the large customers division and also retail banking activities, we have managed to post for the businesses only a top line improving by around 2% on the quarter. And again, this is illustrated on the right-hand side of this page. Again, this quarter, we have managed to post a higher level of revenues than in the same quarter of last year. It has been steadily the case quarter after quarter in the last five years.

### **Expenses**

On page 10, some elements regarding the costs. On nine months, the increase in the cost base is around 3.8% at constant scope, and it is below 3%, excluding the forex effect and on the quarter only the increase for the business line is limited to 2.9% at constant scope, so it is around €90 million increase this quarter, out of which you have close to €20 million in

connection with the salary increase we have decided to grant in the middle of this year. I was already mentioning this point in the previous call. And you have also €30 million of forex effect.

### **Gross operating income**

If I go now on page 11, the evolution of the gross operating income. When we look only at the business lines, what you can see is that in the quarter, the gross operating income is very close to the one we had last year, minus 1%, and it is plus 2% on the first nine months of the year. And so, in average, we post a gross operating income, which is very significantly above the one we had back in 2019, so pre-pandemic.

Last point, the cost/income ratio that we have continues to be steadily below our ceiling of 60%. And also interesting to note that it is constantly in the last five years, 5 percentage points below the average of the biggest European banks. It is the chart that you have on the right-hand side of this page.

### **Risks**

Going now to the cost of risk. What we can say this quarter is that we are back in terms of proven risk to the quarterly average of 2019. And if we look back at the way we were qualifying the cost of risk in 2019, we found it, at that time, very moderate. So clearly, we continue to have a cost of risk, which is very benign despite some increase if we compare the cost of risk with the same quarter last year, where it was abnormally low.

In terms of ratio, at CASA, we have globally a cost of risk, which is around 30 bps regarding the outstandings, be it on the basis of the last four quarters or on the basis of an annualisation of the last quarter, which is below the assumption of the medium-term plan.

And when it comes to the Group globally, we are at 22-23 bps, including a significant add-on again this quarter from the regional banks on the S1 and S2 provisions. It was already the case in Q2. So it means that the regional banks continue to be very prudent in terms of preparing for the future and complementing once again their prudential provisions.

### **Asset quality**

This is illustrated on the following page, page 13, where you can see that at Group level, we have a global level of provisions, which more or less remains, since three years, in the same region, around €20 billion. But interestingly, the proportion in this amount of €20 billion of S1 and S2 provision has significantly increased. It now represents 42% of the total. And at CASA, we have exactly the same trend. And so S1 and S2 provision represent at CASA, 37% of the loan loss reserves that we have globally.

In terms of coverage ratio, we continue to have very high coverage ratios, 73% at CASA and 87% at Group globally.

This translates, and you have it on page 14, in a situation where both CASA and the Group post amongst the best performances in terms of coverage ratio in the space of European banks, which is illustrated on the left-hand side of the page. And as illustrated on the right-hand side of the page, it comes from the fact that we have a very diversified loan book in addition to a very strict credit standards.

**Net income**

Let me go now to the net profit on page 15. As you have seen, we have a slight decrease Q3-on-Q3, minus 10%, which is largely explained by the Corporate Centre, in which the deterioration of the level of profit is significantly related to some temporary and non-cash elements. We can go back on this point later on.

On the first nine months of the year, it is very stable, minus 0.6%, and it is 20.6% above the level we had back in 2019, so before the pandemic.

**Profitability**

In terms of profitability, page 16, you can see that the return on tangible equity, as I said, is at 12.5%. It is again 2.5 percentage points above the average of the biggest European banks.

**Financial strength**

Let me go now to the solvency, starting with CASA. This quarter, you can see on the waterfall on the left-hand side of the page that at CASA, the CET1 ratio decreased this quarter by around 30 bps, which is more than explained by market impacts, both in terms of a further deterioration of the OCI reserves coming from the insurance business, plus also a significant market impact on the RWA of the capital market activities at CACIB.

On the first nine months of the year, this is the right-hand side waterfall on this page, the depletion is of around 90 bps, out of which the day-to-day business generated an improvement of the capital situation by 34 bps (retained results 47 bps, and the different elements coming from the day-to-day management of the Group, i.e. a consumption of 13 bps). And the depletion is completely and more than completely explained by market effect.

The OCI reserves coming from the insurance activities represented on the first nine months of the year, a global impact of 84 bps. RWA and market effects on the capital consumption of CACIB's capital market activities, represent 24 bps. And in addition to that, you remember that in the first quarter of the year, we booked a significant deterioration of our exposures on Russian counterparts. This translated into additional provision, S1 and S2 provision, plus also an increase in the RWA density of those exposures.

What is interesting to note is that a significant part of these effects are going to revert in the future over time. It is especially the case of the OCI reserves of the insurance activities. If I summarise the situation, back end of 2021, we had a CET1 ratio of 11.9%, in which we had 30 bps of unrealised capital gains that we are going to pull to zero over time. We have now a CET1 ratio of 11%, which includes a negative component of 50 bps coming from the OCI reserves. And again, this negative component is going to pull to par over time, when the underlying bonds are going to mature progressively.

So this explains exactly how the situation evolved over the first three quarters of the year.

Globally, for the group, and you have it on page 18. On this quarter, we have more or less the same effect and the same impact as the one we have mentioned about CASA. So the CET1 ratio of the Group went down from 17.5% end of June to 17.2% end of September. But what you can see, and of course, you are perfectly aware of that, is that at 17.2%, the Group is one of the best capitalised GSIBs in Europe. And in terms of distance to SREP, with 830 bps, it is the best capitalised GSIB in Europe.

In addition to that, CASA, which is not a GSIB, continues to have a distance to SREP, which is above 300 bps, which compares very favourably to a sum of the GSIBs of our sample.

### **Results in line with MTP targets**

Last point on this section, if we position the performances of CASA for the first nine months of 2022, on page 19, what you can see is that we are perfectly in line, both with the targets that we had set for 2022 in the previous medium-term plan and also with the new targets that we have updated in June this year for 2025.

It is the case, of course, for the return on equity. It is the case for the cost/income ratio. It is the case for the CET1 ratio. And in terms of profit, of course, we will see what the situation will be at the end of this year. But clearly, we are not in a very uncomfortable situation from this point of view.

Last point on this page, the dividend that is accrued end of September represents €0.58 per share.

### **Asset Gathering and Insurance**

*Robust activity, high 9M results despite market impact*

Let me go now to the different business lines rapidly, starting with the Asset Gathering division on page 21. Clearly, for the Asset Gathering business division, it was a difficult quarter in terms of a very negative market effect, plus also a slowing down of the inflows and even negative flows at Amundi.

Despite that, the business division continues to have a very good level of profitability with a net profit for the quarter, down only 3%, and for the nine months, down only 1.5%.

#### **Insurance**

*Net income up Q3/Q3 and 9M/9M*

For the insurance activities, specifically on page 22. The messages are very simple. In terms of life insurance activities, exactly what we found globally for the business division flows were more or less close to zero this quarter. But nevertheless, in P&C activities and protection businesses, we continue to have premium income up around 7% if you restate the growth figures from the fact that La Médicale de France has been sold beginning of the third quarter. And this disposal of La Médicale de France generated a capital gain of €100 million, which has been included in the stated income. So it is not in the P&L that is on this page.

And so despite this restatement of the capital gain, the insurance business division post an improvement of its profitability of around 4% this quarter and 5% for the first nine months.

#### **Asset Management**

*Resilient activity in an unfavourable environment*

For Amundi, page 23, again, the market conditions were very negative with the decrease in equities market, an increase in the rate and so a decrease in the value of the bonds and a decrease of the euro. The market globally was negative, and the outflows were very significant, especially in Europe.

So in this context, Amundi's activity was quite resilient. Outflows were limited in terms of medium and long-term assets. And the decrease in revenues as compared to Q3 2021, translates into a slight increase as compared to the second quarter of 2022. And of course,

the decrease between Q3 2021 and Q3 2022 is more than explained by the sharp decrease in performance fees.

### **Large Customers**

*Corporate and investment banking: revenues up Q3/Q3 and 9M/9M*

Going now on page 24 to the Large Customers division and starting with CACIB. In the third quarter of this year, the activities were globally good with revenues up close to 5%. But on the quarter, the engine that worked the best was clearly the financing part of CACIB. It was more difficult in the capital market activities. The reason is, of course, very simple, as always, we are here to provide financing to our customers either through our balance sheet or through capital market products.

It happens that this quarter of this year was a weak quarter globally in the market. And so of course, as DCM is a very important driver for our capital market activities, this generated a slight decrease of the revenues of this subdivision this quarter. But globally, revenues were up at CACIB. And if I look back at the first nine months of the year, the increase is even sharper, plus 10%, and all subcompartments of the activities were significantly up.

In terms of cost of risk, it is a significant increase as compared to last year, but last year was almost nil. So you can note that this quarter, the level €32 million is very low. And on the first nine months, take into account the fact that we have booked in the first quarter significant provisions regarding the Russian exposure.

So all in all, the profitability at CACIB is a little bit down, but nevertheless, remains at a good level, above €1 billion for the first nine months of the year.

### **Large Customers**

*Asset servicing: acquisition project to strengthen CACEIS' leadership in Europe*

Large Customers division again, with the asset servicing activities, we wanted to highlight a little bit more what is happening at CACEIS because CACEIS is more and more becoming a very important component of the equilibrium of the Group and the business model of the Group.

Two elements on this page. The first one is that CACEIS has reached a few weeks or months ago an agreement in principle with RBC to buy its European activities in the field of investor services, and this is really going to be a game changer for CACEIS, which will become the number one in Europe in terms of assets under administration. And it would strengthen its position as number two in assets under custody.

So it is a very important operation, which is going to be very relative with a return on investment that is going to be above 10%. And this operation is to be completed and closed middle of next year, probably third quarter of next year.

In the present context, the assets at CACEIS were down this quarter because of, of course, market movements. But nevertheless, revenues were significantly up and CACEIS starts to benefit from the cost-cutting plan that was put in place last year. So all in all, this is generating a very sharp improvement of the profitability of CACEIS, plus 37% on the quarter and plus 23% on the first nine months.

**Specialised Financial Services**

*Dynamic commercial production and excellent operational efficiency*

Specialised Financial Services on page 26. For the consumer credit business, first, messages are very simple. The production has been very dynamic this quarter, the biggest engine being the car financing businesses, both with the joint ventures that we have and also with the car financing loans that we grant in the perimeter of Sofinco or directly at Agos.

The margin continues to be a little bit under pressure, especially in France because the refinancing cost rise more rapidly than our capacity to re-pass this increase to the customers, especially because of the mechanism of the usury rate, but it is going to be progressively accommodated over time.

The costs are under control. So the cost/income ratio is slightly down as compared both to Q3 2021 and Q2 2022. And the cost of risk is up, but up as compared to third quarter in 2021, which was very low especially at Agos, where we had some reversal of provisions for technical reasons back in 2021.

On the leasing and factoring activities, also a very good quarter in terms of activity, a very good level of revenues and the cost of risk, which is down. So all in all, the profitability at CAL&F is improving significantly.

**French Retail Banking – LCL**

*Buoyant commercial activity, gross operating income up 9M/9M*

French Retail and LCL. Commercial activity is very dynamic, and we have had a production of new loans, which was again this quarter up, especially for the self-employed professional and business loans and only very modestly down for home loans. It was minus 2% or minus 3% at LCL in an environment where globally the market was much more sharply down.

Financial results are very solid. The top line is up 0.6% despite the pressure on the net interest margin. You know that in the middle of this summer, we have had a second increase in the cost of regulated savings accounts. And we lost since the beginning of this quarter also the 50 bps premium on the TLTRO drawing (corresponding to the special interest period).

Fees and commissions are very well oriented. Costs continue to be under control, plus 1% on the quarter despite the increase in salaries I was mentioning for all our French staff. And the cost of risk is up but continues to be very low actually in absolute terms, in absolute numbers.

**International Retail Banking – Italy**

*Resilient activity and solid results*

In Italy, the situation is a little bit different. The Italian market has been good for businesses and for consumer credit, but it has been much more muted for home loans. And so we find the same trends at Crédit Agricole Italia. Nevertheless, Crédit Agricole Italia is gaining market shares in home loans. And also Crédit Agricole Italia is progressively benefiting from the integration of Creval. So all in all, revenues are slightly, but positively up.

Operating expenses are almost flat, 0.6%. So the gross operating income is up 1.5%. The cost of risk is down and very low. And the net profit of Crédit Agricole Italia is up 12% on the quarter and 33% on the first nine months.



**International Retail Banking – Excl. Italy**

*Buoyant commercial activity in Poland and Egypt*

For the rest of the international banking activities, international retail banking activities, very good momentum, both in Poland and Egypt. In Poland, we have booked a provision regarding the moratorium that has been imposed by the Polish authorities. It is a €20 million provision that has been booked at Crédit Agricole Bank Polska and restated, so not included in the P&L on this page, as an exceptional item.

The cost of risk in those two countries continue to be very low. In Ukraine, again, as we did in the last two quarters, we have booked provisions that almost completely offset the gross operating income, which was quite strong this quarter in Ukraine, despite the context, €35 million. And of course, I remind you that we have a provision at CASA that is covering the full value of the equity invested in Ukraine.

**Corporate Centre**

*Underlying structural net income down, impacted by the market environment*

Corporate centre is down this quarter. It is down especially for revenue reasons, in particular with the elimination of intra-group securities issued by CASA subscribed by Predica and/or Amundi. And also, as part of the TLTRO was booked at CASA at the Corporate Centre. Of course, the Corporate Centre is losing the 50-bps premium as everywhere else in the Group. And we have also probably a certain prudence in the assessment of the level of taxes that we are going to book end of the year at the Corporate Centre.

**Regional banks**

*Dynamic activity and customer capture, additions to provisions on performing loans*

So here are the main points regarding CASA. On page 32, some highlights regarding the regional banks of Crédit Agricole. You will find more or less the same trends as the ones we see at LCL, i.e., a very good level of loan production, both for business loans, consumer credit loans and home loans.

You can see that globally the regional banks continue to attract new customers. It is again close to 300,000 new customers this quarter and 900,000 over the first nine months. This good level of activity is probably related also to the fact that we continue to be very present in terms of loans, in terms of lending. And this is going to be beneficial more globally as time passes by.

The top line is down at the level of the regional banks in connection, not only with the fact that, as for LCL, there is a certain pressure on the net interest margin. But you also know that the regional banks have significant portfolios of assets. And the fair value of those assets has been negative this quarter considering the context.

The cost of risk is significantly up, but really, you must assess the fact that amongst the €273 million of cost of risk this quarter for the regional banks, you have €160-something million of S1 and S2 provisions, and this is exactly the same for the first nine months, more than half of the level of cost of risk at the regional banks is made of prudential provisions.

## Financial strength

*Comfortable level of reserves and liquidity indicators*

If we go now to page 34, what you can see is that the liquidity situation of the Group continues to be very comfortable. Maybe in addition to that, considering the new rules that apply to the TLTRO cost starting 23<sup>rd</sup> November, we will certainly reduce the outstandings before year-end even though after 23<sup>rd</sup> November, the TLTRO amount are going simply to represent a zero cost liquidity reserve for us.

## Financial strength

*€14.5 billion in MLT market funding issued by Crédit Agricole S.A. at end-September 2022*

And on page 35, just as a reminder, it is been the case steadily since the beginning of this year. We are ahead of the curve in terms of deploying our market funding programme. We have now raised €14.5 billion of medium and long-term market funding at end September. And probably, I think it is €1 billion more at end October. And at Group level globally, it is €35 billion that we have raised since the beginning of this year.

So here are the main figures and the main elements I wanted to stress in this presentation, and I think I will now let you the floor for your questions.

## Q&A

**Jacques-Henri Gaulard (Kepler Cheuvreux):** Just a question about the involvement of the regional banks in the capital of CASA. By enforcing them more closely, do not you run two risks basically? The first one of materially reducing the liquidity of the shares. And at the same time, you are actually keeping the option of taking the company private at a potentially low price, because in any case, La Boétie would have no commitment to maintain any sort of price, if that was the case. Then would not that make the long-term investment case of CASA a little bit pointless, basically?

**Jérôme Grivet:** Well, Jacques-Henri, I think that considering what we are talking about, I think your fears are, to a certain extent, overstated. Materially reducing the liquidity. We are talking about an operation that could represent up to €1 billion up to the middle of next year. So it is not very significant considering the size of the liquidity and the free float of CASA. And so I think that the fear of seeing a reduction in the level of liquidity is not very material.

I just remind you that back in 2021, we, ourselves, developed two share buyback operations, representing all in all, more than €1 billion. So we know what it represents €1 billion for CASA and it is not changing significantly the liquidity.

And the second point regarding the intention that you are referring to of possibly taking the company private, I think the shareholder made it very clear that they do not want to exceed whatsoever the threshold of 65%, which is quite far away from any kind of take private. So definitely, I think it is not the intention of the majority shareholder. This is not going to change anything in the governance. They will not have any additional governance rights or whatever.

So it is really a technical, financial, and even if I may say so, opportunistic operations considering the financial capacities of the regional banks and considering also the market condition.

**Delphine Lee (JP Morgan):** My first question is on net interest income. If you do not mind just sharing with us the benefits that you are going to lose or what you have booked maybe so far in the first half on TLTRO, just so we understand a little bit how much is going to fall away next year, both in French Retail and the Corporate Centre? And related to that, do you think that French Retail NII can grow next year because of those headwinds and also because of Livret A, which is likely to go well above 2%?

And then my second question is on capital. You mentioned that the headwinds would reverse, and I understand what you mean with the OCI and the pull to par effect. But could you maybe share a little bit of timing of that? And also on market the way inflation because of the volatility. Can we see some reversal of that in coming quarters or years? I mean, just trying to understand a little bit the speed at which capital could go back to where it used to be.

**Jérôme Grivet:** Okay. So regarding your first question on NII, benefits of the TLTRO, Livret A and so on and so forth. Let me start with a very important reminder. On the perimeter of CASA, we are talking about half of the NBI at LCL. So globally, we are talking about 10% of the global revenues of CASA. So it is important, but it is not the biggest part of the revenues that we book at CASA.

Of course, it is much more important at Group level because the regional banks all in all, represent roughly 5 times or 6 times LCL. So clearly, what is important is it is very important to understand what is going to happen regarding the NII, but it is going to impact much more the regional banks than CASA.

Second point, TLTRO. It is public that the Group globally has drawn around €160 billion at the TLTRO window. And I have always been very reluctant to give you exactly an amount of the benefit of the TLTRO, because the goal of the TLTRO was to improve the financing conditions in the European economy. So, of course, a significant part of the benefits of this low-cost resource has been passed on to the customers in the pricing of the loans.

Nevertheless, on the contrary, when we are going to lose this cheap resource because it is going to become a resource at the price of the deposit facility, then we know exactly what we are going to lose, because we are going to have to replace this resource either by another category of market resource or simply by reducing by the same amount the deposits that we make at the ECB.

So we are going, of course, to progressively repay this €160 billion of TLTRO. And this is the basis on which we benefited up to the end of Q2 of the 50 bps premium, (linked to the special interest period). And again, as a reminder, because I already explained it, the benefit amount was split more or less evenly between the regional banks on the one hand and CASA and its different activities on the other hand.

So globally, if you assess €160 billion, 50 bps on a yearly basis, this would represent around €800 million at the level of Group Crédit Agricole, so -€400 million H2-2022/H2-2021 and the same in H1-2023/H1-2022. That is very clear.

In terms of Livret A and all the likes of Livret A, like the LDD and so on. At LCL, the global amount after the centralisation at the Caisse des Dépôts et Consignations represents around €10 billion at LCL.

So in 2021, the cost of this resource was 0.5%. In average, in 2022, it was 1.5%, 1% in the first part of the year, 2% in the second part. So it is a difference of €100 million globally concentrated on the second half of the year. And in 2023, our best guess is that, in average, probably Livret A is going to cost us 3.5%. So it is an additional €200 million of cost for LCL.

So, of course, this is going to have a negative pressure on the net interest income in the different retail banks in France globally at LCL with the amount I was mentioning at the regional banks and in all banks that have significant amount of Livret A and products of this kind.

In terms of capital, the timing of the pull to par is difficult to assess because it is going to depend, of course, on market movements. But if we assume that the rates are now stabilised, and rate is not the only question because of course, you have the equities market in a much smaller proportion, but they play a role. And we have also the credit spread because part of the bond book of Predica is not only made of sovereign bonds, but also of corporate bonds. And so the credit spreads play definitely an important role.

But we can assume that the duration of the bonds of Predica is rather long. So it means that the effect is going to be spread over the coming several years, I would say, probably five, six, seven years. So it is not something we expect for tomorrow morning clearly. But up to now, we had an overhang on our solvency in connection with this unrealised capital gain component. We now have an engine that is going to fuel progressively our solvency going forward.

And if I now take a look on the short-term, what I can say is that the end of September, the risk-free rates are more or less at the same level, so no significant change. But corporate credit spreads tightened quite significantly actually since end of September, probably around 20 bps. And equities markets improved by around 10% or 12% since end of September. So I am not pretending this is going to be the situation end of December. But of course, we monitor this on almost a day-to-day basis. And what I can tell you is that it has been clearly rather improving over the first part of the quarter when it has been deteriorating steadily over the course of the first three quarters.

**Delphine Lee:** And on the market risk?

**Jérôme Grivet:** On market risk, there are different components in the assessment and the calculation of the market risk. We have a VaR which is built on a historical methodology. So it means that progressively, over time, we are going to see the market events that triggered this increase fading away. So this is going to take time, probably one or two years, but it is going to progressively fade away at least partially over time.

**Tarik El Mejjad (Bank of America):** Just a couple of questions, please. I will come still on the capital. I mean, I understand the reversal of this negative impact due to the volatility in the markets and rates. I mean, it creates a lot of stress in the market in terms of your capitalisation adequacy and so on. Is it not now clear that, given that we had two rate cycles it is better that you increase your buffers as a target, it is more than 11%? So you just

basically absorb this volatility and people are comfortable that you can stay above 11% at any time. I would like your view on that.

And second question is on the costs in France and maybe in general. If you can update us what is the latest negotiations you had for next year and the year after? I know in France, you have anticipated next year's cost, but you can maybe detail a bit where you see costs evolving and also maybe the windfall taxes in any jurisdictions where you operate?

**Jérôme Grivet:** Why do you want us to be permanently and at any time above 11%? I always stated that 11% was a target, not a floor. So I think that we have said when we presented the medium-term plan that actually where we put the floor is a buffer of 250 bps above SREP. We are now at 310 bps. Of course, we know that the SREP level, which includes the countercyclical buffer is going to modestly increase in the beginning of next year, I think, in the second quarter in April. But it is going to represent only 20 bps, I think, of increase.

So we are at 310 bps of buffer above SREP. We have a floor at 250 bps. We have more than 800 bps of buffer at Group level. So definitely, there is absolutely no need of modifying our guidance, modifying our target, and we are perfectly happy with that.

Regarding costs, the negotiation with the social partners are not completed yet. But we are standing on our position, which is that with this general capital increase that we have granted middle of 2022, we did a significant part of what we intended to do beginning of 2023. So now and I do not want to crystallise the issue and the end of the discussions in advance.

But definitely, we stick to this idea that we did in advance part of what we wanted to do beginning of 2023. So it means that beginning of 2023, it is going to be only a part of what you could expect.

**Tarik El Mejjad:** Can I follow-up just on the capital? I mean I completely understand your explanation. But there are some elements that are out of your control where rates go, where equity market goes and that creates very high volatility in our capital. So I am not saying you are not sufficiently capitalised at around 11%, but it just creates these big swings that for your equity story can be a bit harmful. That was my point.

**Jérôme Grivet:** Yes. But actually, we have not had swings, because the swing goes in both directions. It is been a one-way movement since the beginning of this year, and we have been able to accommodate that. Of course, we all know that rates are not going to increase by around 100 bps every quarter in the coming three, four, five quarters. It is not possible, it is not rational, and it is not in line with what we could expect from an economic viewpoint because if we expect a slowdown of the economy, it is going to somehow slowdown the increase in long-term rates. That is absolutely clear.

And what we are seeing since now six or seven weeks is precisely this a slowdown in the evolution of rates.

**Giulia Aurora Miotto (Morgan Stanley):** Two questions from me as well. The first one, I just want to go back to the 2019 dividend, 20 bps catch-up. I understand all your points that you just made on being well capitalised, well above SREP, but I was wondering if you keep seeing some OCI pressure, would it be possible for you to reconsider that one? Or it is out of question, and you will definitely pay that? So that is my first question.

And then secondly, I was wondering on the investment banking performance. I think your FICC was quite a bit weaker than peers. And I was wondering if there were any marks or any specific negative impacts in the quarter that you would call out?

**Jérôme Grivet:** Thank you, Giulia. Now on the €0.20, I think it is again mentioned in our slide this time and we reiterate that permanently. We have the intention to pay in 2023 this additional €0.20 per share. That is absolutely clear. This is an intention because you perfectly know the difference between an intention and a commitment. As soon as I talk about commitment precisely, I have to reserve the amount in my solvency ratio.

And of course, I do not want to do that too early. I want to do it as close as possible to the moment I will be paying this amount. So I will translate the intention into commitment exactly at the time when it is going to be necessary, but we clearly have this intention and this is a discussion that we will have with the Board when we will close 2022 accounts, so probably in February next year.

In our investment banking performances and FICC, precisely, it is very difficult to compare FICC-to-FICC, if I may say so, because the breakdown of activities that each bank is putting either in capital markets or in FICC or in Corporate Banking or in Global Banking or whatever, is very different. So FICC, we have not had any specific hit of any kind in our activities.

The muted performance of our capital market activities this quarter, which is not the case for the first nine months, is absolutely explained by customer behaviour with a weakness on the DCM market, especially in Europe. And I think you can assess that it is perfectly a market, a trend and not only a trend at CACIB, levels and volumes of activity of issuance of new bonds and especially corporate bonds this quarter were very weak.

On the other hand, the credit demand that was addressed to us was quite significant. This explains the good performance of our financing activities. And really, there was nothing specific and nothing worrying in our performance this quarter.

**Guillaume Tiberghien (Exane BNP Paribas):** On the front of capital, please. So can you just remind us, in Q4, we will have plus 10 bps for Crédit du Maroc, minus 15 or 16 for the dividend catch-up, minus 28 for IFRS 17. Can you confirm whether you have got any other moving parts and beyond the capital build, obviously?

And then the second question is on Stellantis partnership and relationship. My understanding was that towards year-end or maybe I am wrong on timing, but you would consolidate the loans. And so can you just explain to us what would be the impact on revenues and maybe PBT, if any? And on capital impact, I think Stellantis, the idea was to not impact the capital. But is it an impact on RWA offsetting an impact on equity tier 1? Or is it really no impact at all on both sides of the ratio, please?

**Jérôme Grivet:** On capital, in Q4, you got it right with Crédit du Maroc. You got it right with the €0.20 catch-up. You are a little bit in advance for IFRS 17, because IFRS 17 is going to be Q1 2023, not Q4 2022. And we have not finalised completely the amount, but it is going to be much less than the 28 bps you were mentioning.

Regarding Stellantis, again, it is going to be beginning of 2023. And I have in mind, but I have to check exactly mechanically how it is going to work, that it is going to be more or less neutral in terms of solvency. But clearly, I have to call a friend to check if it is natively

neutral because we have effects both on the RWAs and on the capital. So we will check that and we will go back to you very soon.

**Guillaume Tiberghien:** And that is Q1?

**Jérôme Grivet:** That is Q1, even H1. I am not sure if it is going to be Q1 or Q2, H1.

**Guillaume Tiberghien:** Okay. And there will be an impact on P&L as well?

**Jérôme Grivet:** Yes. After that, going forward, it is going to improve the P&L. That is clear.

**Guillaume Tiberghien:** Are you quantifying that?

**Jérôme Grivet:** Not yet. We have some ideas, but we have not disclosed any kind of quantification.

**Guillaume Tiberghien:** Okay. Feel free to disclose it.

**Stefan Stalmann (Autonomous Research):** I wanted to come back to the capital markets point, please, because you are flagging some value adjustment effects on revenue. You also have this market risk-weighted asset impact. And you also had quite a bit of growth in fair value assets through the P&L, almost 10% during the quarter. And I think we have not seen this from any of your peers. So I am wondering if there is anything else that would explain these relatively unusual moves?

And the second question goes to a point that comes out of the proposal of the EU Council on the implementation of Basel IV, where it seems they are proposing that the output floor would in effect apply at solo entities, but there could be a national discretion not to do it. Have you actually ever disclosed what difference it would make to CASA if the output floor were to be applied for you?

**Jérôme Grivet:** Thank you. As far as the assets valued through P&L are concerned, I do not have anything significant or specific in mind. So I can see two points regarding that, either it is a forex effect, because, obviously, considering the fact that the Eurodollar parity has changed quite dramatically this quarter, many, many elements in the balance sheet have moved significantly simply under this effect.

And the second possibility would be also the fact that we have some assets within the balance sheet of the insurance company that could be also valued through P&L. But we have to check exactly. But there is nothing, I would say, noticeable or remarkable or no change in the scope of activities that could be signalled by this evolution of the volumes of assets valued through P&L.

Output floor, we have been, since the very beginning, convinced that the only relevant level to apply the output floor was the highest consolidated level. We have been steadily confirmed in this thinking by the French public authorities. What we see in the different documents published by the Commission, by the Parliament and even by the Council, where you know that within the council, we have several countries, because they are host countries, really want to have a direct grip on the solvency of banks' subsidiaries in their jurisdiction.

Even in the document of the Council, there is this possibility of applying the output floor at the highest consolidated level, i.e., at Group level for Crédit Agricole Group. And we know that if this is the rule in principle, we are going to apply it and if this is an option, the French

authorities are very clear - they are going to apply the option and allow us to apply the option.

So no doubt that it is going to apply only at Group level. And so there is no need for us to disclose any impact if it were applied at CASA level.

**Matthew Clark (Mediobanca):** Two more questions on capital, I am afraid. Firstly, coming back to Guillaume's question on IFRS 17, and you kindly said the impact would be less than 28 basis points. Could you clarify whether you are talking about the gross impact of IFRS 17 being less than 28 basis points or whether that is including an expectation of further upstreaming of capital from Crédit Agricole Insurance?

And then second question also on capital, on Basel IV, is that the size of your insurance operations in terms of risk-weighted assets, and I guess, the book value or carrying value of your investment in them has shrunk quite a lot since you gave your negligible Basel IV impact guidance a couple of quarters ago. So do you need to update that Basel IV guidance for the fact that you are not going to have such a strong gross benefit from the Danish Compromise as maybe you might have thought a few quarters ago, given insurance has shrunk in regulatory balance sheet terms since then? And if not, why not?

**Jérôme Grivet:** IFRS 17, we are not thinking neither of the gross amount or of the net amount when we disclose the figure because we have not disclosed any figure. But clearly, when we will be more precise on that, and we will probably be able to do it when we publish Q4 accounts, we will give you the gross and the net figure.

But what I expect is that the net figure is going to be very, very tiny, if any, because we have, again, certain flexibility. And the idea is that we do not want to have any net impact coming from the transition to IFRS 17, as we have said since the beginning.

On Basel IV, I am not sure I fully got your point because what I read is that the 370% is going to become 250% whatsoever, and there is nothing that seems to be changed from this viewpoint. So of course.

**Matthew Clark:** When you gave your original guidance, at that time, your insurance risk-weighted assets were about €50 billion or up in the €40 billion. The impact of going 370% to 250% would be greater in euro million terms than it would be now when your starting point is –

**Jérôme Grivet:** Yes. Okay. I did not get you right. No, when we say that excluding the output floor and after all the TRIM that we went through since now, two or three years, when we said that beginning of 2025, the implementation of Basel IV is going to be net zero globally for CASA, this is taking into account, of course, the update of the carrying value of the interest activity, which we applied at 250% and also the regular updates that we have to make the other aspects of Basel IV. So net zero takes into account the fact that we have less RWAs within the insurance business division.

**Amit Goel (Barclays):** Just some follow-ups. Do you mind just talking a little bit about some of the revenue trends for the main businesses going into 2023 in terms of some of the moving parts that we have not already covered?



And secondly, just maybe holding in a little bit more on the insurance business. I am just curious on the revenue growth and for example, on the unit-linked sales. Whether there is an impact there in terms of savings behaviour going forward?

**Jérôme Grivet:** Well, thank you. You know that in the insurance activities, once translated into a banking accounting system, it is always very difficult to look at the level of revenues, and we perfectly know that on a specific quarter, we can have a significant volatility regarding the revenues stemming from the insurance activities, whilst we continue to have a very steady, regular and positive evolution of the bottom line.

And actually, where we guide the insurance activities is more on the bottom line. And I think that a few quarters ago, we have presented a historical series of data regarding the profitability of the insurance business, showing that more or less the bottom line is growing around 5% a year, which is rather aligned with non-life activities that grow at a higher pace, around 7% a year and life insurance activities that grow at a pace which is regarding the outstanding in the region of 2% or 2.5% or 3% a year.

So maybe if rates stabilised at a higher level than before, the capitalisation effect on life activities is going probably to improve a little bit the pace at which the outstandings are growing in the insurance activities. So this could possibly improve a little bit the evolution of the bottom line.

But keep in mind that what we had in the past in terms of bottom line for the insurance activities has been around 5% a year. And what we foresee going forward is the continuation of this trend. And again, talking about IFRS 17, we are now quite confident that even if it may be a little bit more volatile because of the mechanism of the clients, the contractual service margin and so on and so forth; we are not going to change significantly the profile of the profitability of the insurance activities.

So this is more the type of guidance that we have in mind rather than the guidance that would be focused on the top line.

**Amit Goel:** Got it. And just in terms of any other notable changes we should think about for next year versus this year in terms of top line for the businesses?

**Jérôme Grivet:** Well, it could take a long while if we want to assess business by business, considering that each business has its own drivers, but I would say that, of course, at Amundi, the main driver is the evolution of the valuation of the assets, because the main part of the revenues is made of management fees. And the good news is that management fees are holding well for the time being and even more than well because they have improved between 2021 and 2022. It is the performance fees that declined.

We have talked a lot about the net interest income at the retail banking entities at CACIB at the consumer credit business. When we use the balance sheet, it is more a spread business. So, of course, we can have some temporary difficulties to pass to the customer the increase in refinancing cost. It is the case for the time being at Sofinco in France, but those businesses are spread business. And at the end of the day, when it stabilises, it stabilises at a spread that is covering all the costs, all the cost of risk and so on and so forth.

And so we foresee that improving going forward. Of course, CACF is going to progressively benefit from the acceleration triggered by the inclusion of the leasing activities coming from the deal with Stellantis.

And CACEIS is clearly going to be also a growth engine for the future, already now with the benefits that CACEIS is growing from the better remuneration of its cash activities. And also going forward, with progressively once the acquisition is completed with the integration of RBC Europe.

**Flora Bocahut (Jefferies):** The first question I wanted to ask you is going back to capital again, but this time more from a technical point of view. When I compare the 10.7% fully loaded to the 11% phased in, so there is a 30-basis point difference, which is more than peers and which seems to have actually been increasing year-to-date. So the first question is just to try and understand what is the difference between the phased-in and the fully loaded for CASA? And when this is going to converge, at which speed, basically, given it is quite a notable difference, 30 bps?

The second question is regarding Russian risk. You have had around €200 million of decline in the exposure to Russia in the quarter. Can you just update us there? Is the exposure still performing? You are not seeing an increased risk from that exposure? And maybe can you remind us the provisions that you have set aside on that exposure, please?

**Jérôme Grivet:** The difference between the phased-in and the fully loaded CET1 ratio is actually 25 bps, not 30 bps. It is the rounded numbers that we provide that make you think that 30 bps. It is 25 bps. It is going to be divided by two between now and end of 2023. So it is going to be all things being equal, around 12 bps end of 2023. And again, divided by two in 2024, so probably a negligible 6 bps end of 2024. And then it is going to disappear completely in 2025.

**Flora Bocahut:** And just to be clear on this one, it converges towards the fully loaded, right?

**Jérôme Grivet:** Yes, all things being equal, again, it is converged towards the fully loaded. Yes. So it is a negative impact that we have to progressively absorb.

On Russia, I think that the bulk now of the exposures that we have kept are medium to long-term exposure. So we do not expect a rapid further reduction or significant reduction going forward of these exposures. We booked a provision S1 and S2 provision of around 300 M, if I remember correctly in the first quarter of this year. And what we have said at that time is that we were done with this political provision. So now we are back on the normal life of each of these exposures on an individual basis. So it may happen that on a specific quarter, one of this exposure has to be declassified from S1 to S2 from S2 to S3.

And of course, at that time, there is a modification in the level of provision. And as we never comment individual exposures, we are not going to provide additional details on the evolution of the portfolio. It is now part of the normal cost of risk, if anything happens on this portfolio on a specific quarter.

So the initial provision going back to your question was to book. I do not remember the exact number, was it €300 million or €400 million? I will give you the figure right away.

**Flora Bocahut:** But there has been no change in Q2, Q3, basically?

**Jérôme Grivet:** Pierre? I take the advantage of Pierre being silent to say that effectively, the provision we booked in the first quarter was close to €400 million, €389 million to be precise.

**Anke Reingen (Royal Bank of Canada):** The first is on cost control. And obviously, your cost/income ratio is well within the target at the jaws negative year-to-date. I am just wondering going into 2023, should we expect the markets play a key role given your business mix? But I was wondering, do you think you can keep your cost/income ratio in line with your targets? Is it cost/income ratio? Or you are focused on the jaws?

And then secondly, on your consumer finance book, I was just wondering if you can talk a bit about asset quality going into a potential in recession and cost of living crisis? What are you watching? Are you a bit more restrictive in your lending? And how concerned are you about what level of interest rates do you think is a bit more alarming?

**Jérôme Grivet:** On the cost part, clearly, the commitment that we have is to maintain the cost/income ratio below 60%. So the commitment is in terms of cost/income ratio. But the forecast that we have made in the medium-term plan is that we could be, all things being equal, and of course, it can vary on a yearly basis or on a quarterly basis. But all things being equal, we could target to further improve the cost/income ratio by posting in average, a positive jaws of 0.5% a year.

It is an average over the duration of the medium-term plan. It is not a commitment to sustain this positive jaws each quarter after the previous one. And when it comes to 2023, we are presently in the budget process and you can be confident that we are having, and we are going to have very precise discussions with the head of every business in order to really assess their capacities to reach their individual cost/income ratio target in a context where there is going to be a certain volatility in their capacities of reaching their revenue target.

Of course, we must admit that there is some inflation and actually inflation even in France, where it is lower than elsewhere. It is in the region of 6%, 6-6.5%. In this context, managing the evolution of the cost base at around 3% is not bad. But we also want to preserve our capacity to respect our commitment regarding the cost/income ratio. So this is part of the present budget discussions we are having with the heads of the businesses.

At CACF and the asset quality in the consumer business, it is clear that it is a business in which we are very reactive, and we have tools that provide us the capacity of adjusting through the pricing, adjusting the credit standards very rapidly if we see some deterioration that would be excessive of the cost of risk. We perfectly know that the cost of risk we had in this business last year was below the average, below the level that we target across the cycle.

We have now a cost of risk which is around 130 bps. But actually, it is better than that if you reallocate all the components of the P&L of the automobile JVs, which are equity accounted. If you really take into account their cost of risk and their assets, you would be closer to 100 bps globally. So definitely is not an alarming level, but we monitor very carefully the cost of risk in this business, and we will not hesitate to adjust the pricing and the credit standards if we think at a certain point in time that the situation is too hot and leading to a potential deterioration of the situation.

**Pierre Chédeville (CM-CIC):** I am going to ask another question regarding OCI, which is the subject of the day and IFRS 17. Because this week, we had a presentation from AXA regarding IFRS 17 transition. And they clearly, like you did, explain that there will be no major impact regarding P&L. But they said something really interesting. They said that mechanically IFRS 17 tends to make OCI to zero because if you replace mathematical reserves by best estimate, best estimate liabilities is evolving in the same way, more or less, of the asset side in IFRS 9. And then OCI is neutralised.

So my question is, at the end of the day, if you implement IFRS 17, the day of your implementation, clearly, you have an impact because your OCI is going to be reduced by the increase of liabilities. But at the end of the day, you will not have any more volatility as far as I understand if you apply IFRS in the same way as it will be applied in a pure insurance company. Am I wrong, or is there something I missed there? At the end of the day, it is a very good news for you, the implementation of IFRS 17, because it will make disappear the volatility of OCI.

**Jérôme Grivet:** Yes, it is true that the volatility of OCI is going to be reduced, but it is a little bit more complex than that because there is some exception on IAS 39 or the implementation of IFRS 9 for the time being. So it is not 100% what you say, but globally, it is true that we are going into more stable environment with the implementation of IFRS 17.

What is going to be interesting is that you will have – I do not like IFRS 17, so it is a little bit perturbing for me to have to find the good aspects of this regulation, but with the CSM, an indication of the amount of future profits that are here, that are available for the future. So it is going also to be a reassuring element.

**Pierre Chédeville:** I am okay about CSM. But for me, the most important fact, at least for AXA, but I can translate for another company is that the volatility of OCI disappear more or less.

And my second question was, can you disclose the combined ratio? And lastly, you mentioned the negative impact of TLTRO. But at the end of the day, you said that part of this TLTRO was used to grant loans to SMEs, but the repricing of SMEs is much more easier than the repricing for mortgages. So, at the end of the day, you mentioned a negative impact of €400 million in 2023 (at the level of Group Crédit Agricole). But at the end of the day, part of this negative impact should be balanced by the quicker repricing on SMEs. Am I wrong here again?

**Jérôme Grivet:** Let me start with the combined ratio. It is deteriorated a little bit at Pacifica, the P&C activities. It is now at 98.7%. The year has been a little bit difficult from a risk point of view, especially with some climate events. Of course, all French population has heard about the different events that took place this year and especially this summer.

So, nevertheless, it continues to be significantly below 100%. And of course, in the context where we are, the pricing policy of 2023 is going to be, of course, a very important element.

When it comes to TLTRO, well, when we have set the rate for a loan for any customer, be it an SME or be it a self-employed professional or be it a household for home loan, it is set, and we are not going to modify ex post the rate because the cost of the resource has increased.

So definitely, all things being equal, the increase in the cost of this resource that is represented by the TLTRO is going to impact us directly.

But of course, going forward, and this is why we think that we must look at this situation with a dynamic view going forward, there is a progressively repricing of the loans that we grant to our customers, and you see that we have not talked about this precise point in the call.

But since the beginning of this year, the pricing of home loans in France and at our different networks has increased quite significantly. What I have in mind, for example, is that at LCL, the pricing of the loan approvals that we have given in October was in the region of 2.2-2.3%, which is not the case for the loans that are implemented presently, because there is always a time lag between the approval and the implementation. But it shows that there is a repricing of the loans. But this repricing will have taken place even without this hit on the cost of the TLTRO.

And the other way around it is to say that the cost of the TLTRO is a hit. The increase in the cost of the TLTRO is a hit in itself.

**Pierre Chédeville:** Yes, but mitigated by the repricing we should not put minus €400 million value –

**Jérôme Grivet:** Yes, Pierre, the repricing would have taken place even if the ECB had unchanged the pricing of the TLTRO. That is the point.

**Kiri Vijayarajah (HSBC):** I have got a couple of just coming back on the share purchasing with the regional banks. So in the press release they say their ownership would not go above 65%. But given they are at whatever, 56% at the moment, could we see more purchases by the regional banks in the future? Because as you said, today's transaction is only 3% of the share count. So at least actually, if the self-imposed cap is 65%, could we see more transactions like today's announcement?

And then secondly, should we think about this transaction as really potentially just a timing thing that the regional banks are temporarily warehousing those shares for a time when it is better or more convenient to say, Crédit Agricole SA to actually do a proper buyback, say, for instance, when your CET1 ratio is back above 11%, and then you can then buy those shares directly from the regional banks at a time that more suits you? So is this a stepping stone towards a proper buyback? Or am I kind of reading too much into the situation there?

**Jérôme Grivet:** First point, I think that, of course, at the present market price of the share, €1 billion does not lead the regional banks to 65%. That is very clear. But I think that the idea for them was to say, we set a target or a ceiling which is here to stay, and we do not want to reassess potentially this level if there is another operation. And also 65% has a virtue of a round number because depending on the share price, €1 billion above 57.1% could have led them to 60-point something. So it was difficult for them to say we do not want to go above 60% because they could be a little bit stretched with this €1 billion.

So I think 65% is a round number. It is easy to articulate. It is a reassuring number because it is whatsoever, below two-third of the capital. So it has many virtues. It does not have any specific meaning of signification. It has simply the virtue of being simple, a clear cut, round and so on and so forth. So I think you should not read too much behind this number.

And are the warehousing stocks before CASA itself buys back the shares on the market? I think this is going very fast in terms of subtlety. Now, if we were to undertake a buyback, which we are going to do, by the way, regularly because as we have said every time we are having a capital increase for the employees, we are going to buy back the shares on the market in order to eliminate this newly created shares.

No, there is no link between any buyback that would be undertaken by Crédit Agricole S.A., and this will of the regional banks to make a good use of some extra capital that they have.

**Benoit Valleaux (ODDO):** Just on my side on insurance. Maybe firstly, on life insurance. Just like to understand how you booked your nine-month figures and regarding investment margin on euro-dominated product. I mean did you assume a stable investment margin compared to last year or not? And similarly, I mean, do you fear a significant increase in lapse rate beginning of next year? And how do you protect yourselves in terms of ALM policy?

And secondly, in P&C, so you mentioned 98.7% common ratio, which was, in fact, stable in Q3 versus H1. And as you said, there have been a lot of nat cat losses in Q3 in France. Can you quantify, I mean, the amount of nat cat losses you booked and taken into account price increase and claims inflation? Can you confirm that you plan to improve your common ratio to 95%, maybe 96% in the course of next year?

**Jérôme Grivet:** The line was not so good. So I tried to guess complete your question. The first one is about investment margin. You mean the investments of the life insurance activities, is that right?

**Benoit Valleaux:** Yes, exactly. I mean the margin on your product. I mean if you assume stable investment margin compared to last year?

**Jérôme Grivet:** No. Actually, we invest regularly depending, of course, of the net inflows, plus also the redemption of present assets that we have in our books. So we regularly invest, and we invest at market prices. So we try to be agile and to reduce a little bit our investments when we feel that yields are not as good as they could be and try to accelerate investments in better period.

But there is no specific forecast regarding the yield of the investments that we intend to make in 2023. What we can say is that over 2022 already, we have progressively improved the reinvestment rate of our assets as compared to what was the case in 2021. And of course, we expect this to continue.

**Benoit Valleaux:** Okay. Maybe I am not that clear. I mean, I am just mentioning the gap between investment return and crediting rate based on –

**Jérôme Grivet:** Okay. In full year of 2021, the average yield of the investment of Predica was around 2.5% in 2021. And what we paid to our policyholders was, I think 1.3%. So we had a spread of more than 100 bps between the yield of the assets and the profit sharing rate. So I do not know exactly what is going to be the yield of the assets for the full year 2022, but we expect this to be more or less at the same level as the one we had last year.

The profit-sharing rate, I do not know what it is going to be. We cannot rule out the possibility of increasing it, but you know that we have the PPE in which we can take what we need to complement, if needed, the yield of the assets. And the PPE represents, I think,

6.5% of outstanding. So it is really a very important reserve that we have and that will help us accommodate, if needed, any gap or any shrinking between the yield of the assets and the profit sharing rate.

The second question was about ALM policy, but I am not sure I fully got your question.

**Benoit Valleaux:** No. What do you see, I mean, due to increase in interest rates, that there could be some lapse rates beginning of next years, I mean some lapsation or surrender if you prefer. In that case, how do you protect this ?

**Jérôme Grivet:** Also in the insurance activities?

**Benoit Valleaux:** Yes, in life insurance.

**Jérôme Grivet:** Okay. Yes, of course, we make regular internal stress testing in order to assess our capacity to resist to some redemption, high redemptions. And so we have a liquidity ratio that we keep permanently at a very high level. And so we feel that we have the capacity to resist any kind of stress on redemption, if any. But for the time being, we do not feel any redemption movement. And again, this PPE is here to show our policyholders that we are ready to complement, if needed, the yield of the assets in order to precisely avoid any move of redemption.

And the solvency ratio continues to be very high. It is was above 220% end of June. We have not published the third quarter ratio. We publish it on the basis of only twice a year, but it is very high, and it is much higher than our risk appetite framework. The risk appetite framework that we have is much lower than that, actually. So we have the capacity to be flexible, if needed.

Okay. Thank you. I think it was the last question. So thanks a lot, everyone, and have a good day and a good weekend for those that do not work on 11<sup>th</sup> November. Bye-bye.

[END OF TRANSCRIPT]