Crédit Agricole Q1 2023 Results

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Introduction

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Welcome

Good afternoon, everyone. It is a pleasure for me to host this conference with those good results to present. I will try to make the presentation quite short and swift in order to leave time for you to ask your questions.

Of course, as a reminder, you perfectly know that this quarter is the first quarter of implementation of IFRS 17. So to be very clear, all comparisons that we are going to do quarter Q1 on Q1 are on a like-for-like basis, i.e., all figures for Q1 2022 have been restated under IFRS 17, obviously. And for the rest of the year, we are going progressively to publish the coming quarters of 2022 under IFRS 17.

Very strong results of the universal banking model

If I start directly with page four. Just a few simple messages on this page. The first message is that we are publishing very good, excellent results all in all with a first quarter, which is a record for Crédit Agricole SA. The second element is that we benefit clearly this quarter from the diversification of our revenue sources and our businesses. The third element, which is also important to bear in mind, is that we have continued to keep a very strong discipline on the cost base despite the inflation of our environment.

And the last point, of course, is the fact that besides, I would say, the management of the day-to-day business, we have continued to deal with structural operations in order to further enhance our revenue generation capacity going forward. And we will have the opportunity to discuss a little bit about these operations.

CASA key figures pro forma IFRS 17

On page five, you have the main figures for CASA. And what you can see is that the stated net income is above €1.2 billion. It is doubling actually as compared to Q1 2022, restated again under IFRS 17.

Revenues are sharply up, plus 10.5% quarter Q1 on Q1, despite the fact that last year we had roughly €100 million of TLTRO benefits, which we no longer have this quarter. Cost base is up only 2.5%. This benefits obviously from the reduction in our contribution to the Single Resolution Fund, but also we have a very moderate evolution of the operational cost basis.

The cost of risk is sharply down, minus 31%. Of course, in Q1 2022, we had a significant one-off provision regarding the Russian invasion of Ukraine, but nevertheless the cost of risk continues to be quite benign. And the underlying net income, lastly, is also a little bit above €1.2 billion, and it is up 61%.

On the right-hand side of this page, you can see the cost/income ratio, excluding the contribution to the Single Resolution Fund 54%. Solvency 11.6% for the CET1 ratio at CASA, benefiting from the transition to IFRS 17. And the return on tangible equity is around 14.5%, which is also a very high level.

CAG key figures pro forma IFRS 17

If I go now on page six for the figures regarding Crédit Agricole Group globally. Net profit is also up, plus 23.6% Q1 on Q1 at around €1.7 billion. Revenues are up around 2% on an underlying basis. Cost base is up only 0.9%, benefiting also from a reduction in the contribution to the Single Resolution Fund. So the gross operating income is slightly up, plus 3.6%. Cost of risk down for the same reason, minus 21%. And underlying net profit, plus 12.5%, close to €1.7 billion.

The cost/income ratio for the Group globally is at 59% and the CET1 ratio at 17.6%, stable as compared to end of '22.

Activity

Excellent business momentum

On page eight, some elements regarding the activity and the commercial momentum that we have had this quarter, which was very good.

Just a few highlights. The first element customer capture is dynamic, +555,000 new customers in our different retail banks in France and the rest of Europe. We continue to increase the equipment rate of our customer base with internal products, especially P&C insurance policies.

And in terms of the production of new loans, it has been dynamic for consumer credit, dynamic in the retail banks for professional and SME loans, less dynamic for home loans. But nevertheless, the production of new loans at LCL, the regional banks of Crédit Agricole and Crédit Agricole Italia, remained above the evolution globally on their market.

Activity

2025 ambitions: new structural operations

On page nine, a few elements on the new structural operations that were either concluded or closed this quarter. The first operation, we have been discussing a lot about it since now probably one year, but it is now completed and it is now live in the second quarter. It is the reshuffling of the agreements that we have with Stellantis and the new joint venture that we built between Crédit Agricole Consumer Finance and Stellantis, Leasys, which is going to become one of the leaders in long-term car rental in Europe. And it has been completed by the acquisition of some of the activities coming from ALD and LeasePlan in Portugal and Luxembourg. At the same time, we are taking over 100% of the capital of Crédit Agricole Auto Bank, which used to be called FCA Bank and Drivalia. And this entity is going to be complemented also by 70,000 new cars coming also from acquisitions coming from ALD and LeasePlan in Ireland, Norway and the Czech Republic and Finland.

Second point is in the payments space. We have concluded recently an agreement with Worldline in order to create a major player in the payment services business in France. We are actually combining the forces of the French leader in acquisition, which is Crédit Agricole, and the French leader in acceptance, which is Worldline. And the goal is to grow our business in merchant payment services in France, twice as fast as the market.

Third point, in the real estate business, Crédit Agricole Immobilier has acquired Sudeco, which is a property management player, and this is enhancing the capacities of Crédit Agricole Immobilier in proposing its property management services to different categories of customers.

Revenues

Revenues +10.4%, +12.6% excluding TLTRO

If we zoom on page 10 on the revenue generation that we have had this quarter, what you can see is that whatever the way you see, you look at the revenues, the increase is very sharp.

On a stated basis, it is plus 9.5%. On an underlying basis, it is plus 10.5%. And lastly, if we restate those figures from the fact that we no longer have the TLTRO benefit, the increase is even sharper, plus 12.5%.

Second interesting point is that this revenue generation, strong revenue generation can be acknowledged in three of our four main business divisions. It is true in the asset gathering division, where the slight decrease in revenues at Amundi, because of a less significant level of performance fees, is more than compensated by the good level of revenues in the insurance activities.

It is true also within the large customer business division, where both CACIB and CACEIS performed very well. And it is true also in the Retail Banking business division, where the pressure on net interest income at LCL is more than compensated by the dynamics that we see in Italia, in Poland and in Egypt.

For the Specialised Financial Services division, we have more or less a stable level of revenues, which is the combination of a good development of the business with, again, a significant increase in the production of new loans at CACF, but nevertheless, production margins that continues to be a little bit under pressure even though they've started to improve this quarter as compared to Q4 last year.

So all in all, the increase in the top line is very strong. And this is, I would say, a feature that we continue to post since at least six years in a row.

Expenses

Positive jaws +3.5 pp, +5.7 pp excluding TLTRO effect

If we look now on page 11 at the cost base, what we can see is that we have been able to post a positive jaws effect, whatever, again, the way you look at it, be it on an underlying basis or on a stated basis, because the operational cost base is increasing by 6.2% to 6.9%, depending on which figure we look at.

In addition to that, we can see that in the Asset Gathering Business division, in SFS and in retail banking activities, the cost base is more or less flattish. And it is not only in the Large Customer Business division, where the revenue increase has been the most dynamic that we see a significant increase in the cost base.

And within this increase in the cost base, actually, more than half of it is a provision for future and potential, I would say, variable compensation depending, of course, on the performance of the rest of the year. So nevertheless, a very positive jaws effect globally and positive jaws effect also in most of our business lines.

Operating efficiency

Low underlying cost/income ratio at 54.1%

Going now on page 12, we can see that we post, as I said, significant decrease in the cost/income ratio, which is now at 54.1%. We had said when we published the medium-term plan back in June last year, that thanks to IFRS 17, we will reduce our cost/income target down to 59%. Actually, the mechanical effect of the transition to IFRS 17 is higher than what we had in mind. And so we restate again our target, and now the medium-term plan target for the cost/income ratio post IFRS 17 is now at 58%. So we can see that we are already far below this target.

Risks

Normalisation of the cost of proven risk, Q1-2022 base effect related to the war in Ukraine

On page 13, some elements on the cost of risk. The cost of risk, as I have said, is significantly down as compared to Q1 2022, minus 31% from the perimeter of CASA and minus 21% for the Group globally.

Second point, which is important to note this quarter is that, of course, within this cost of risk, what comes from the coverage of incurred risks is increasing. But nevertheless, we have continued to book €75 million of S1 and S2 provisions this quarter.

And maybe the last point is the fact that this quarter, the cost of incurred risk at €284 million for CASA and at €464 million for the Group globally is below the average that we had back in 2019, i.e., before the COVID crisis.

And we can see that the cost of risk in terms of bps as compared to outstandings at 28 or 30 bps for CASA and 23 or 19 for the Group, depending if we look at it on the basis of four rolling quarters or on an annualisation of Q1 this year. So these levels are below the assumptions that we have made for the medium-term plan as across the cycle, I would say, assumptions. So cost of risk globally, that continues to be moderate.

Net income Group share

Excellent quarter. Strong increase in gross operating income thanks to dynamic activity, lower cost of risk

In terms of net profit, the result of this sharp increase in the revenues, the good control of the cost base and the decrease in the cost of risk, this is leading to a sharp increase in the net profit, plus 61% on an underlying basis and a multiplication by more than two on a stated basis for CASA. This comes from almost, again, every business line.

Asset gathering, large customers and retail banking all contribute significantly to this increase. And what is also interesting is that this increase is a combination of a significant improvement of the gross operating income. Of course, we have this decrease in the contribution to the Single Resolution Fund. We have also a significant decrease in the cost of risk. Of course, corporate tax is up and the bits and pieces are slightly less profitable, €56 million than in Q1 2022. All in all, an increase in the net profit of €655 million.

Financial strength CAG

Very solid capital position for the Group

Going now on page 15, some elements regarding the strength of the Group globally and the CET1 ratio of the Group, it is stable at 17.6% over the quarter. It is the combination of a positive IFRS 17 effect plus 10 bps, which is more or less offset by the further phasing in of IFRS 9, minus 13 bps.

We have a good level of retained earnings, but on the perimeter of the Group, a significant increase in the RWA consumption of the business lines, especially within the regional banks of Crédit Agricole.

So all in all, we have a distance to SREP, which at 870 bps, continues to be the best-in-class amongst European G-SIBs, which is definitely the sign of a very strong capital position for the Group.

Financial strength CASA

CASA CET1 11.6%, positive impact of the first IFRS17 application

When it comes to CASA, we post this quarter a sharp increase in the CET1 ratio at CASA, 11.6%. It is up 40 bps. IFRS 17 transition is providing a very significant improvement, plus 32 bps. We had guided to a level of improvement of at least 15 bps. And actually, thanks to the fine-tuning we have made, since this guidance three months ago, we have been able to improve further this effect of the first time application of IFRS 17.

For the rest, retained earnings generate net improvement of 15 bps, despite the fact that we have provisioned already €0.18 per share in terms of future dividend, phasing out of IFRS 9 cost 10 bps, and the other elements are almost neutral. We have been very, very moderate in terms of RWA evolution for the business lines this quarter.

Financial strength CAG

Customer deposits stable and diversified, 67% for Individual/SMEs

Going now to liquidity. We start on page 17 with few elements on our deposit basis. You can see that over one year between end March 2022 and end March 2023, the customer deposit basis is stable. This customer deposit is made of two-third of deposits coming from household and SMEs and self-employed professionals.

Actually, amongst our different retail banks in Europe, we have 37 million retail banking customers. So it is a very granular deposit base. We have also a 21% of our deposit base coming from corporate, 10% coming from financial institutions and 2% coming from sovereign and public sector institutions.

Last point maybe on this page. Close to €600 billion of our customer deposits benefit from one of the different guarantee schemes that exist in the countries where we operate.

Solidity of the liquidity position CAG

Comfortable level of reserves and liquidity indicators

On page 18, an update on our liquidity reserve position. There is a slight decrease between end of December last year and end of March this year, absolutely non-significant. It comes mostly from the fact that we have started to amortise some real estate claims that are still eligible to the Central Bank up to the end of June this year, but it is not going to be renewed after June. So we haven't reloaded our reserves in this category of eligible claims.

But nevertheless, the LCR ratios continue to be at a very high level, both for the Group and for CASA and both on the basis of the last 12 months and in terms of figures at end of March this year. So the surplus that we have is far above €100 billion.

And the stable resources position continue to be very significantly positive, €217 billion, and significantly within our monitoring target, €110 million, €130 million restated from the future repayment of TLTRO.

Asset quality

High CAG and CASA loans loss reserves

I will terminate this presentation with some updates on the asset quality of our balance sheet. First, on page 19, what you can see is that the level of non-performing loans continued to be very, very low. It is at 2.7% for CASA, stable versus end of last year, 1.7% for the Regional Banks, slightly up 0.1 percentage point as compared to end of last year, and globally 2.1% for the Group, which is again stable.

We have, for the Group globally, €20 billion of provisions. So this represents 83.4% of coverage ratio, which is a very high level, a little bit up as compared to end of last year.

And what you can see is that those very high coverage ratios compare very well with the rest of our peers. Crédit Agricole Group is definitely one of the leaders in this front amongst the European banks. But also at CASA at 71%, we are in the upper tier of our sample of peers, and this comes definitely along with a very diversified and very secured loan book, both at the Group level and at CASA level.

So I will terminate this presentation now. We have just after that all the traditional pages business line by business line, and we can use them definitely, if needed, in order to answer properly your questions.

Q&A

Tarik El Mejjad (Bank of America): Two questions, please. The first one on the jaws. In your medium term plan, you guided for the 0.5 percentage points of jaws and cost/income of 60%. That has become now 58%. You have been beating the jaws guidance for a few quarters in a row with some volatility, obviously, but the trend is more to improvements. So can you maybe give us indication, where do you see the jaws from here and especially under IFRS 17? And do you confirm the 0.5 point or you see upside to that?

And the second question is on the capital and dividend. I mean, I am happy to see that this is not a topic that is a concern to the market any more. I think you generate more capital than you can distribute. You stick to 50% payout. Do you think we can have a nice surprise at the end of the year, where you deliver at least a flat EPS offsetting compensating for the €0.20 you paid last year for the 2019 scrip dividend?

And then just maybe one additional question on the Single Resolution Fund contribution. I know this is something that will disappear at the end of the year. But how do you explain the decrease in SRF? Is it like what your competitor explained last week in terms of the change in rules or the ratio of how much you can put in on or off balance sheet in terms of the SRF?

Jérôme Grivet: Thank you, Tarik. First element on the jaws, yes, we are ahead of schedule in terms of producing this positive jaws effect. We are not going to restate our target just after one quarter inside the MTP. But you know that we have been very, very keen on trying to beat our targets, be it the cost/income target, be it the jaws target, be it the net profit target for the last two medium term plan. So be confident that we will do whatever we can in order to beat our targets. But please do not ask us every quarter to restate the target because we will never finish to restate the targets then.

Second point, in terms of dividend, what I have said already on this point is that, first, we have an official payout policy, which is 50% of the distributable profit. Second point, yes, we are generating some capital, thanks to the good efficiency of our activity, the good level of return on equity that we generate and so on and so forth.

And we have always been shareholder-friendly. And there is a perfect alignment of interest between our majority shareholder and the market on this front. So, of course, it is far and way too early, end of Q1, to discuss this issue. We have not yet validated at the General Assembly Meeting and distributed the 2022 dividend. So please leave us a little time before talking about the 2023 dividend. But again, we have been historically investor friendly.

And then for the Single Resolution Fund, well, the decrease is the combination of two elements, but the most important one is the first one. The deposit base in Europe has decreased, or the evolution of the deposit base is evolving far less dynamically than what the Single Resolution Board expected back one year ago. So they are now a little bit ahead of the curve in terms of raising the last contribution in order to cover this 1% target. So this is why the overall amount that has to be raised is down.

And then in addition to that, it is true that we have the possibility of increasing a little bit the proportion of this contribution that we can pay under the form of a payment commitment. But the most important factor is the reduction in the overall target for the size of the Fund.

Flora Bocahut (Jefferies): The first question I wanted to ask you is on the insurance business. Because if I look at Q4 performance under IFRS 4 and now at Q1 under IFRS 17, in both cases, the revenue and the net profit run rate is a lot stronger than what we used to see over the past quarters. So the question is really around the sustainability of that performance, in particular, this quarter with the accounting change, was there anything related to the first-time application of IFRS 17 having an impact on the P&L, not the capital here, but really the P&L for insurance specifically? Or should we consider the P&L run rate that you just printed for Q1 as normal and something that can be recurring?

And then the second question I would like to ask you is more broadly around the structure of capital within the Group. The regional banks have announced around a month ago that they are finished buying Crédit Agricole SA shares on the market. I think they own, today, 60% of

Crédit Agricole SA versus 57% before. They could go up to 65%. At the end of the day, the main reason for CASA to be listed is around M&A.

So I think the key question here is what is your view on M&A? Is it still something you intend to do that could happen in the short term? What could be of interest? So anything you can elaborate on the M&A scene would be interesting.

Jérôme Grivet: Okay. Thank you, Flora, for your questions. On insurance, I will try to be clear, despite the fact that IFRS 17 is a quite radical change in the way we acknowledge the revenues and the profit at the insurance business division.

To be clear, the level of revenues in euro in Q1 2023 has nothing to do with one-offs related to the transition to IFRS 17. So the level of revenues is what it has to be considering, first, the production of new policies and the amount that we have raised in terms of new inflows this quarter in life insurance activities, and second, market condition. Because you know that the mechanism of IFRS 17 establishes a relationship between market conditions and the amount of profit that we can acknowledge on a specific quarter.

But this has nothing to do with one-offs related to the transition to IFRS 17. What may have something to do with the transition is the fact that the comparison between the level of revenues in Q1 2023 and Q1 2022, Q1 2022 being restated under IFRS 17 is probably a little bit or partially artificial, simply because actually we have applied IFRS 17 accounting standard to a quarter, Q1 2022, which was managed under IFRS 4, i.e., all the decisions that we have taken end of 2022 in order to desensibilise the portfolio of assets in order to better accommodate IFRS 17, were not applied in Q1 2022 by definition because we have taken them end of 2022.

So the evolution of the revenue base between Q1 2022 and Q1 2023 may be probably partially boosted by the transition. But when it comes to assessing the level of revenues in Q1 2023, nothing to do with the transition specifically.

Going forward, what is going to impact the level of revenues that we will acknowledge and recognise under IFRS 17, especially in the life insurance activities, is going to depend on two factors: the first one is the production of new contracts that are going to be able to generate future profits; and the second is going to be market condition, which is going to impact the effective value of all the portfolios that we have in our balance sheet.

And it happens that both in Q1 2023, the production of new contracts was dynamic, i.e., we have been able to continue to grow the basis of future profits. And second point, market conditions were good, which has also played favourably for the recognition of revenues this quarter. But clearly, under the same conditions of pressure and temperature, we should, going forward, recognise more or less the same level of revenues.

Going now to the structure of capital of the Group, it is true that now the regional banks own 60% of the capital of CASA. And they have stated that they could go up to 65% on, I would say, an opportunistic mode if they think the conditions are met. We are perfectly comfortable with this level of stake of the regional banks, of course. But I have to be frank, we have nothing to say about it. This is a decision from the majority shareholder.

But when you say that the only reason for CASA to be listed is M&A, it is not exactly true because if you assess globally the solvency of the Group, there is a significant part of the solvency of the Group that is provided by the minority shareholders of CASA.

So clearly, there are a lot of benefits for CASA to be listed and not only this hypothetical possibility to do M&A through a listed entity. It is neither a necessity nor a condition.

Pierre Chedeville (CIC): Just to come back on the insurance, maybe I missed it in the number of slides, but I have not seen the amount of the CSM. And could you remind us if there is any evolution regarding the amortisation of this CSM, which could be a follow-up question of Flora.

Regarding consumer credit, you mentioned a good production and if I compare to peers, I was wondering if you will not see, later on in the year, a decrease in the production due to a more conservative approach considering the macro economy?

And last question is about your business in Europe, excluding Italy. We have seen a significant increase in margin. But at the end of the day, when you look at numbers and bottom line numbers, it is a very small contribution, less than €20 million and the profitability below 7% or something like that. So I was wondering what kind of things you can see to improve that and the way you see the evolution of this part of your business?

Jérôme Grivet: Okay. Let me start with insurance. We have not disclosed the level of CSM. But globally, the order of magnitude is probably around €20 billion.

Pierre Chedeville: Why do not you disclose it because it is something which is, in IFRS 17, it is a crucial information, I guess.

Jérôme Grivet: Yes, I agree, and IFRS 17 is something new. We are learning, as everybody, how to handle communication on IFRS 17, which are the important metrics in order to assess the business. And finally, we have not yet audited the end of 2022 figures under IFRS 17. This is going to be done end of June. And so at that time, we will be able to provide further details.

But what I can tell you is that the order of magnitude of the CSM is around €20 billion. And the second point, which is important, is that the CSM end of Q1 2023 is bigger than the CSM beginning of Q1 2023, i.e., we have produced through the development of the business, more CSM that has to be recognised going further than the one we have effectively recognised this quarter, which is clearly an indicator that the business is growing and is developing.

In the consumer credit business.

Pierre Chedeville: Sorry. And the amortisation duration regarding the CSM?

Jérôme Grivet: Well, the amortisation is around, I would say, 10% every year, and this may vary over time because it depends on market conditions. It depends on many parameters. This is globally the order of magnitude, again, that we have in mind regarding the duration of this CSM.

When it comes to consumer credit, are we going to see a decrease in the production of new loans going forward? We will see. What is true is that with the development of the leasing business, the car leasing business and with all the initiatives that we have taken recently in this consumer credit entity, I think that we have all the capacity to continue to have a dynamic growth of our activities.

Of course, if there is a recession in Europe in the coming quarters, there is going to be a slowdown in this business, but it is not the base case that we have in mind.

And last point regarding, I would say, the retail banks abroad, outside Italy, it is true that the figures are small and much smaller than Italy alone, but I do not see exactly where your return on equity comes from. Because what I have in mind is that the return on equities is far above the cost of equity of this business. And it has a very relutive level of return as compared to the rest of the Group and as compared to the overall target of 12% that we have for CASA.

Pierre Chedeville: And regarding the development of this business, particularly in Poland, do you think you have room to develop it organically?

Jérôme Grivet: Well, actually, we see it not as a global business but as three entities which have their specificities. We have Egypt, where the return on equity is very high. It is sometimes generally above the cost/income ratio, which is an interesting feature. It is a very profitable business.

We have Ukraine, where, of course, for the time being, the situation is not very simple. But nevertheless, it is not a loss-making business nowadays. And we have Poland, where we are trying to develop the same kind of setup as the one we have in Italy, for example. We have all the business lines that are present. We have a very important challenge, which is to develop our customer base.

We are a second tier or third tier player for the time being in Poland, but we have a goal of increasing significantly the number of customers, plus 60% over the medium term plan. And we are on track because I don't have the precise figure in mind, but we have continued to attract a significant number of new customers. I think it is close to 100,000 new customers in Q1 this year, which is definitely illustrating the fact that we are on track.

Delphine Lee (JP Morgan): Can I just come back quickly on insurance and the impact of IFRS 17? I guess it is maybe not easy to understand really the impact. But if you were to quantify a little bit, if we take the impact it has had on the insurance division and Corporate Centre, both for the revenues and for the cost, is that something that we could potentially annualise? Or you do not think that is relevant, and you think we should just take the run rate that we have seen so far in Q1 in terms of revenues and costs? Just to try to understand a bit how to forecast this division.

The second question is on French Retail. Revenues are down 5%. I mean, do you expect further NII pressure in coming quarters? Or would you say this is now the run rate? And I mean even if Livret A is increased in August, that could be managed through other items to offset the negative impact?

And then the last really quick question is just on capital. I mean, I think you were guiding before to 10 basis points of TRIM. Is that still coming or not really?

Jérôme Grivet: Okay, Delphine. Well, as far as insurance activities are concerned, of course, I leave you make your own assumptions regarding what is a relevant run rate for our revenues and our cost base. What I can say is first point, again, the level of revenues that we publish for Crédit Agricole Assurance in Q1 2023 has no one-off related to the transition to IFRS 17.

So it has been definitely a good quarter for Crédit Agricole Assurance, a good quarter from a commercial viewpoint with a significant level of inflows and inflows of good quality because mostly on unit-linked products for the life insurance activities, a good quarter also for the net premium income for P&C and protection businesses and a good quarter also from a technical point of view in P&C activities, where the combined ratio decreased as compared to what it was one year ago.

So all in all, a good quarter for the activity of Crédit Agricole Assurance and also a good quarter in terms of market. And again, this is now an important element for assessing the revenues at Crédit Agricole Assurance. But the level that we post this quarter has nothing to do with one-offs.

When it comes to the cost base, of course, it is much more difficult to assess what it should be, because you know that the cost base has been divided probably by three as compared to what it was last year because of this transition to IFRS 17. So part of the cost base is directly impacting the revenues, and this offsetting of the cost base makes it probably more difficult to assess what is the good run rate for the cost base.

Just maybe an illustration, which is showing that we continue to be very wary about the cost base of the insurance activities is the fact that in terms of budgeting the cost base of the insurance activities, of course, we will continue to look at the global cost base and not only at the cost base that is recognised under the cost line.

LCL, well, you said it yourself. We do not know exactly up to where rates are going to increase. So we do not know exactly, be it the rates for regulated savings accounts or the market rate. And we have to expect the end of the normalisation of the monetary policy to fully assess what is the run rate of the net interest income at LCL under a stabilised rate environment, which is not the case now, but which is going probably to happen in the middle of the year.

When we have talked about globally 2023 for LCL, what we had in mind was that the Livret A effect on LCL revenues could be around €200 million of depletion of the top line between 2022 and 2023, with the assumption that the Livret A was going to bear, in average for 2023, a 3.5% rate, which is compatible, I would say, with a further increase next August.

But again, we have to see exactly where rates stabilise before we are able to say that we have reached a run rate at LCL.

In terms of capital headwinds ahead of us, we have two elements that we can mention besides all the elements that are related to M&A transactions. And you know that we are going to close the acquisition of RBC European activities in the beginning of the third quarter this year.

But in terms of regulatory headwinds, we have two elements: TRIM, which is going to represent the last slice of, I think €4 billion RWAs this year, and then the last steps of IFRS 9 phasing out, which is going to be 5 bps in 2024 and 5 bps again in 2025.

Gulnara Saitkulova (Morgan Stanley): So my first question is on asset quality. So far, we have seen a very benign trend in the cost of risk, and you are currently below pre-COVID levels.

How would you expect the cost of risk to evolve in the coming quarters? Would you expect it to continue to be resilient in the second half of this year? Or should we expect some meaningful deterioration here? And which parts of the books you are monitoring more closely?

And a second question, a follow-up on M&A, because you have disposed some of the assets recently, for example, in Morocco, in Romania, in Serbia. And do you think we could see more to come to simplify your business perimeter?

Jérôme Grivet: Thank you. In asset quality, what we see nowadays to be as precise as possible is that we have some slight signs of deterioration that explains actually most of the increase in the cost of risk this quarter in two areas. The first area is in consumer credit. We have already said it in Q4 last year. We say it again this quarter. And actually, CACF has already taken some steps in order to strengthen the lending criteria in order to moderate the potential further increase in the cost of risk. So this is an area which is perfectly identified, and we know that we have the tools in order to curb the situation, if needed.

The second area in which we see some slight signs of deterioration in the cost of risk is related to retail activities, so mostly regional banks and only slightly LCL in France. It is related to self-employed professionals or very small SMEs, especially new SMEs that have not had tested their business models under the present economic conditions. So those portfolios do not represent a significant amount of loans at LCL and so at CASA, but we monitor the situation closely.

When it comes to the other categories of loans and especially to the big categories of loans, which are especially the corporate loans at CACIB and the home loans globally within the Group, we see absolutely no sign of deterioration. And we continue to see a very, very good asset quality and a very benign risk context.

When it comes to M&A and potential disposal, we have no specific project. We are not working on any disposal, and we think that the perimeter of activities that we have now, that we see now is perfectly coherent and perfectly satisfying. So no specific project going forward.

Jon Peace (Credit Suisse): Just one question on revenues, please. You obviously talked quite a bit about the beat in insurance, but there was quite a strong beat in international retail, also in large customers. I appreciate FICC can be quite volatile. But is there any sort of unsustainable elements you would call out? Or do you think that 3.5% CAGR that you have under your 2025 plan for revenues is potentially quite conservative?

And then I had a second question, please, just about Russia. I guess the balance came down a little bit. I think it is probably going to accelerate through the course of the year, but it is still a big-ish number. Would you anticipate any further need for provisioning?

Jérôme Grivet: Thank you. Well, definitely, again, when it comes to medium-term targets, we are always conservative. It may be a default but it is definitely part of our DNA. So we are not going to update and increase our revenue target. But when we assess across the board the different revenues that we have been able to post this quarter specifically, of course, there is going to be some volatility at CACIB and especially in the fixed income business but what we think definitely is that CACIB is progressively enhancing its status, I would say, on the market, enhancing its positioning towards its big customers, enhancing the capabilities of its teams. So definitely, the actual level of revenues going forward is going to depend on the appetite of our customers to undertake new operations. But definitely, if they want to develop their business, CACIB is going to be more and more one of the preferred providers for these clients. And so I think that this is globally generating a new normal level of revenues for CACIB.

And in the other businesses, well, we have been developing the balance sheet, we have been developing the portfolio of loans, especially at CACF, and we intend to continue to develop the portfolios. So this should indeed provide support for the development of the revenues going forward. So yes, I am comfortable with the 3.5% CAGR level of revenues going forward. And if we can beat this target, we are happy to do so.

Russia. You have, on the slide, a page that is giving some detail on the Russian exposure. And I am myself going directly to this page 47. We are now at €2.7 billion of exposure end of March. And actually, it is €2.4 billion end of April. So it is continuing to decrease quite smoothly without additional costs. And seen from now, we see absolutely no reason why we should increase the level of provision. And actually, as we do not consume those provisions and as the total amount is reducing progressively, the coverage ratio is increasing permanently.

So no worry on this front. And of course, we continue to monitor the situation closely. We take advantage of every opportunity to accelerate the exit, if possible. But for the time being, no need for additional provision, and nothing is foreseen on this front.

Stefan Stalmann (Autonomous Research): Thanks for the additional disclosure on your deposits. I wanted to ask two questions on that, please. The first one is that the only deposit category that is really down year-on-year meaningfully is with financial institutions, which is down double digits. And I was wondering if there is any particular driver here to highlight that would explain this reduction?

And then on the other side, you have the regulated deposits, which obviously went up quite a bit, plus 17% year-on-year, not a surprise. I was wondering if you had to take a guess how much of this increase is actually coming from clients shifting deposits, other deposits into regulated deposits? And how much is actually coming out of off-balance sheet savings, like maybe insurance contracts?

And also related to this, if rates remain where they are, Livret A rates in particular, if they were to remain where they are, do you think there would be another leg up of growth of regulated deposits? Or has this process basically largely run its course now given where rates are now?

Jérôme Grivet: Good questions, Stefan. It is difficult to be very precise because, of course, we would have to study the behaviour of every of our 37 million customer, which is difficult. But nevertheless, when it comes to deposits coming from financial institutions, and it is also the case for large customer deposits, it is clearly driven by the price from the side of our clients and from our side.

It means that, actually, we have the capacity permanently to send the price signal in order to either attract or moderate the deposits coming from those two categories of clients. And this is part, I would say, of the permanent monitoring of the liquidity position of the Group. And I personally have a bimonthly committee that is precisely addressing those issues in order to fine-tune the monitoring of our liquidity position. And it is perfectly natural, and it is really something that is managed completely differently from the 67% of our deposits that come from individuals and SMEs, where, of course, it is much more granular. Rates matter, but definitely, it is a much more granular deposit base, and it does not behave the same way.

When it comes to inflows into regulated savings accounts, I think that most of what we have seen in terms of inflows came actually from sight deposits. We have not seen movements from off-balance sheet savings to Livret A or Livret de développement durable because off balance sheet, it is mostly life insurance. So effectively for the time being, the profit-sharing rate of euro-denominated contract in life insurance activities are still below the 3% rate that you have on Livret A.

But it is a rather complex operation to withdraw money from a life insurance policy and to put it on Livret A. So most of what we have seen coming into the Livret A and other regulated savings account came from sight deposits, which is absolutely natural.

And going forward, I think that the future evolution of the amount deposited on Livret A is, of course, going to depend partially on the level of credit, but also it is going to be impacted by the ceilings that apply to these regulated savings accounts, because there is a ceiling which is at €20,000 or €22,000 for Livret A. And once you have reached this level, it is not possible to put additional money.

And what we think and what we see is that more and more all the households that have enough liquid savings, have enough cash, have progressively saturated their Livret A and other Livret de développement durable. So an increase in rates is going to represent a cost for us, is going to present a benefit from them, is not necessarily going to represent a massive engine for further swings between sight deposits and regulated savings accounts.

Amit Goel (Barclays): I have got two. One more of a follow-up. I appreciate you do not want to kind of be drawn too much on the targets as such. But just wanted to understand in terms of the revenue progression, clearly, very strong in the quarter. If I took the 3.5% of the original 2021 revenue base, I was getting to something like €26 billion of revenues. We have had IFRS 17, so potentially some rebasing. Are you still thinking about achieving a similar type of number or better?

And then secondly, I appreciate again, cost control has been strong. But if you are able to generate a bit more revenue, would you look to invest a bit more into the business? Or would you continue to run with the same type of cost run rate?

And then just a small additional question. Just on the consumer credit revenues, just wanted to make sure I understood the comments. So there is a contraction in products margins in 2022, so impacting the year-on-year comparison. Has that contraction kind of finished now? Or is that something that is continuing at present?

Jérôme Grivet: Thank you. Let us start with the revenues. The 3.5% year-on-year CAGR over the medium-term plan was taking into account the reduction in revenues coming from what is called the attributable expenses that are now directly impacted on the top line within the insurance activities, but did not take into account the restatement of what is called, the internal margin, which was an issue that was still at stake, still under discussion when we published the medium-term plan. That is representing an additional effect of reduction, at the same time, the cost line and the top line.

And as you have seen, the first effect, the effect that is within Crédit Agricole Assurance, represented 1 percentage point of cost/income ratio. The second effect, the restatement of internal margin, is another 1 percentage point of cost/income ratio. So it means that probably in terms of revenue evolution, IFRS 17 has an effect that has doubled as compared to what we had in mind when we published the medium-term plan. So definitely reaching this 3.5% in this context is already a challenge, I would say. But again, if we are able to beat that, we are happy to do so.

In terms of cost base, of course, we have a certain margin because we are now at 54% cost/income ratio when we try to be below 58%. So definitely, we have a margin. And this is providing us comfort not to spend and forget this cost discipline that is really part of our DNA, but possibly to invest. And you know that we want to invest in the development of those new businesses related to energy transition and to the access of all our customers to help services on the territory.

So we are going to see whether we are able to accelerate the development of those businesses going forward, but of course, without jeopardising our capacity to preserve this less than 58% cost/income ratio target, whatever the circumstances.

Last point, on consumer credit margins, maybe I have not been clear enough. Margin on new loans have significantly shrunk over 2022, and they have started to improve again a little bit in beginning of 2023, so Q1 2023. So we are heading to a further improvement on margin on new loans on CACF. That is now very clear.

And again, this is due to the fact that progressively, the usury rate has increased and is now increasing on a monthly basis in France. So definitely, this helps a lot to improve the customer rate and to improve the margin for the new loans.

Chris Hallam (Goldman Sachs): Just two quick questions from me. I know you do not have guidance for 2023. But if you did have guidance, do you think you would need to raise that today? So sort of which businesses are performing most ahead of your own expectations?

And then secondly, on slide 27, you talk about the higher financing rates impacting revenue growth in leasing and factoring. Could you talk a little bit about how you expect higher rates to impact those businesses going forward? And how that higher rates backdrop feeds into your thinking around the broader medium-term mobility ambitions?

Jérôme Grivet: Of course, internally, we try to reassess regularly the landing point at end of 2023. What is for sure and what is now an improvement, all things being equal as compared to what we had in mind three months ago, is the reduction in the contribution to the Single Resolution Fund. That is clearly something that is an improvement as compared to what we had in mind globally for 2023.

For the rest, of course, we expect a significant part of the improvements that we have seen in the first quarter to be sustainable. But you know that on CIB activities, there is always a certain volatility, not due to our capacity to generate revenues, but mostly due to the behaviour of customers.

And for retail activities, as I have said, we continue to depend on the future evolution of rates, and it is difficult for us to assess the run rate before we see rates stabilising probably in the middle of this year. So it is not a habit for us to provide guidance, but it is probably also too early definitely to be sure of what is going to take place in the second part of the year.

In leasing and factoring activities, well, the higher financing rate is clearly putting pressure on the margins, but the outstandings continue to increase quite significantly in the leasing business. And in the factoring business, the good news is that in the present inflation context, all the contracts that we have signed in the past are actually increasing because of the inflation in the billing of our customers to their own customers.

So it is globally a context in which volumes are going to be up, and we hope that we are going to progressively be able to repass the customers the increase in financing rates.

Anke Reingen (Royal Bank of Canada): I just had a question regarding the financing activities within the large customer segment, and it sort of like keeps on to positively surprise me. And I just wonder that given the environment is not quite as supportive for large corporates, where the growth is sort of like coming from, I guess, it is different products, but also are you gaining market share? And what is your view on the outlook for your large corporate financing activity?

And then maybe just about the margins on the financing part because I guess TLTRO would have played a role here as well. I just wondered how successful you are in passing this cheaper funding cost over to your customers?

Jérôme Grivet: Thank you. Well, in the financing activities of the CIB of CACIB, just bear in mind that CACIB and we are perfectly comfortable with this idea. CACIB is here mostly to finance corporate customers. We can do it through our balance sheet or we can do it through the markets, debt capital market or securitisation. But definitely, the biggest part of the business of CACIB is to be present vis-à-vis large corporate customers globally and to provide to them the different financing solutions that they need with a permanent assessment of the relative pricing of the different solutions that we are able to propose.

So clearly, we think that this, I would say, raison d être of CACIB is relevant, I would say, mostly permanently. And what we see around us is that many, many large corporates continue to have significant projects, significant investment they want to make, especially in the field of energy transition. And so the potential of development of this business continues to be very, very good.

In terms of being able to repass the financing cost, it is a business where it is mostly a margin spread business. So it is not very difficult to be able to repass to the customers the increase in market rates. And the TLTRO drawing that we have taken. We know that for the group, this represented €200 million globally on a quarterly basis of additional revenues, we no longer have them. It is not really an issue per se. It is a revenue that is disappearing. And starting end of 2023, we will no longer have the basis effect, and it is not impacting our relationship with our customers.

So I think it is the bulk of what I could say on that.

Kiri Vijayarajah (HSBC): Couple of questions from my side. So firstly, on slide nine, coming back to the mobility topic and the acquisitions you have done there. I am just curious, why did some of the portfolios you bought from ALD LeasePlan fall into the joint venture? And then in some of the other geographies, you book the acquisitions into your wholly-owned subsidiary, the new CA Auto Bank. So what is driving the differentiation? And also, what is your priority in terms of growth? Is it the long-term contract fleet in the JV? Or is it the CA Auto Bank fleet that you prioritise for growth if you have the choice between those two portfolios?

And then second question, when I look at Crédit Agricole Group, you are showing revenue growth of 1.8%. And of course, CASA, much stronger, you posted growth of over 10% this quarter. Just trying to reconcile slides 5 and slide 6. That kind of implies revenue contraction of the regional banks, excluding CASA, if I am right. So just really what is driving those kind of revenue headwinds at the regional banks ex CASA? From what you were saying earlier, I do not think there was any distortion there in terms of IFRS 17. So just trying to get to the bottom of that revenue headwinds for the regional banks ex CASA, please?

Jérôme Grivet: Okay. Thank you, Kiri. First, why did we split the acquisition coming from ALD and LeasePlan between the JV and CA Auto Bank? It is very simple. Some countries were covered by the JV agreement with Stellantis. It is the case for Portugal and Luxembourg, and we have an exclusivity in these countries. So definitely, it was absolutely the name of the game to bring those activities to the JV.

And in Ireland, Norway, Czech Republic and Finland, those countries are not covered by the JV. So definitely, as they are covered by Crédit Agricole Auto Bank, we have included those acquisitions, and we are going to include those acquisitions in our own 100% setup. It is simply a matter of which countries are covered by the JV and which countries are covered by ourselves only.

Second question, which are our priorities? Our priorities is to develop at the same time the JV and Crédit Agricole Auto Bank. They are not covering exactly the same scope of clients and the same scope of businesses. The JV is covering all Stellantis branches in a certain number of European countries for the fleet business. So it is a long-term car rental fleet business in a certain number of countries, and the carmaker is Stellantis.

Crédit Agricole Auto Bank and Drivalia, they are dedicated to different businesses. Crédit Agricole Auto Bank is car financing, so car loans, not car leasing. Drivalia is car renting, car sharing and different mobility services. And they are addressing all small carmakers that are not big enough to have their own car loan captive and also some independent car dealers that are not linked to specific car makers.

And so we are going to develop the JV as fast as we can with Stellantis. And at the same time, we are going to develop Crédit Agricole Auto Bank on those specific businesses as fast as we can at the same time.

When it comes to the difference between the revenue growth for the Group, 1.8%, and for CASA, 10% plus, well, the difference is clearly, as you said, the fact that we have had a revenue deflation at the level of the regional banks under IFRS 17, but there is no impact of IFRS 17 within the regional banks, of course. And this revenue deflation is explained by the fact that the regional banks have no longer the TLTRO drawing, that they have a significant amount of Livret A and other regulated savings account.

And that they continue to have a significant amount of state-guaranteed loans with a fixed and very low rate, around €12 billion at 0.5% in average, that are going to progressively amortise but that are costly to refinance. So all these elements, of course, are weighing on the net interest income at the regional banks. And despite the increase in fee and commission income, plus 1.6%, all in all, the revenue base is down 9.3% for the regional banks.

Mate Nemes (UBS): I had two questions, please. The first one is on Italy. Clearly, you had a very strong revenue turnout this quarter. The loan book is flat. So clearly, you are seeing quite some margin expansion there. I am just wondering if you could give us a sense about margin dynamics in the next few quarters. Are we to see a margin peak perhaps in the next one or two quarters? Or do you expect this to be more of a longer duration story?

The second question is on the joint venture with Worldline and payments. I was just wondering about the revenue potential of this JV. What should we expect here? And to what extent this JV is factored into your €300 million revenue aspirations in payments that you presented last year?

Jérôme Grivet: Let us start with Italy. In Italy, we are in a different model for the net interest income than in France, obviously. And clearly, there is a very fast resetting of the asset yield because half of the loan book is either floating rate or adjustable rates. So definitely, the customer rate in average on the asset book is increasing quite rapidly. And between beginning of 2022 and beginning of 2023, it has more or less doubled.

At the same time, there has been a significant increase in the cost of the customer liabilities, but much, much slower. And so this is triggering this very sharp increase in the net interest income. Definitely, going forward, there is not going to be another doubling of the customer rates on the asset side, on the loans, because, again, we do not know exactly where rates are going to end and at what time, but I do not expect another doubling of the level of rates going forward.

So I think that yearly, we have had in the last few quarters, the biggest part of the increase in net interest income, and we are going to progressively see things stabilise. But again, it depends exactly when the movement in rates is going itself to stabilise.

For the JV with Worldline, so we have signed the agreement. We are now working hard in order to launch the JV to create the JV itself probably end of this year. The JV is going to invest, is going to progressively attract the contracts that we are going to provide to them to bring to it. So this is going to be a slow process. And so the revenues that we are going to be able to extract from the JV are probably going to be beyond the medium-term plan date, i.e. 2025.

But until then, the revenues linked to payments that are booked in the regional banks, in LCL are going to increase sharper and more happily than the market in average. This is what we target. And this is going to fuel the growth of our retail banking activities in France during the medium-term plan.

Matt Clark (Mediobanca): Coming back to IFRS 17, I am afraid. I am just trying to understand originally, as in a year or two ago, I think your guidance was that there would be a trade-off between the P&L impact on a go-forward basis of IFRS 17 and the upfront capital impacts. And originally, you were guiding or saying that you would manage the capital impact so that there was a negligible P&L impact to the go-forward earnings contribution.

So I guess, firstly, did I have that original approach correct? And then in the outturn, the capital impact was clearly much better than you were originally expecting. So I am wondering, how has the run rate P&L impact of IFRS 17 also cadenced versus your original negligible impact expectation? And if so, how has that now changed? Because there are obviously some very material swings happening across the P&L and insurance and Corporate Centre. Just trying to look at the big picture, I think it is better than you were originally expecting. And should we be reflecting that in our expectations going forward?

Jérôme Grivet: Yes. It is true that one or 1.5 year ago, we were guiding towards this trade-off between P&L and upfront capital impact. That is absolutely true. What has happened in the meanwhile is two things. The first thing is that actually the unrealised capital gains that we had at that time, i.e., 1.5 years ago, has transformed into a significant unrealised capital loss. And definitely, as what we had in mind was that this unrealised part of our balance sheet was partially to be transferred into our own funds, this has radically changed the situation. And I would say that the transition to IFRS 17 has led to upfronting most of the pull to par that we expected going forward, linked to the OCI reserves.

When the OCI reserves were positive, the pull to par was going to be negative and upfronting one-off the pull to par was representing a negative impact. When the OCI reserves became negative, the upfronting of the pull to par provided an improvement of the capital position one-off.

In addition to that, of course, IFRS 17 is a very technical regulation. And what the team did at Crédit Agricole Assurances was to try and optimize as much as possible the breakdown of the asset books in order to moderate as much as possible the potential negative impact on the P&L, and if possible, to improve the positive impact from the P&L. And so there has been some significant changes in the organisation of the asset books at Crédit Agricole Assurances since the start of the workload on IFRS 17 in order to accommodate as well as possible this new regulation, and it proves to be efficient.

Matt Clark: Are you saying, therefore, that you now expect there to be a positive impact on the P&L over the next few years from the transition to IFRS 17 compared to if you remained on an IFRS 4 basis?

Jérôme Grivet: Well, we are not going to be able to compare the IFRS 17 P&L that we are going to recognise going forward with what it would have been under IFRS 4, it is not going to be possible. But what I have said regarding the potential run rate of our revenues under IFRS 17 is that what you have seen in the first quarter of 2023, depending, of course, on market conditions and depending on our level of commercial activity, is not something specific to this first quarter and is something that is much more possible to replicate, I would say.

Matt Clark: Okay. And sorry, just one final follow-up. In terms of market conditions, that would mean you might not be able to generate that result going forward, can you give an example of the quarter that would have had a material adverse impact?

Jérôme Grivet: Well, you know that under IFRS 4, there is much closer relationship between the evolution of assets and liabilities when it comes to market conditions. So normally, the volatility linked to market condition is partially offset by the fact that liabilities should move in the same direction as assets, but nevertheless, assets under IFRS 9.

But of course, there can be some discrepancies. And so I do not know exactly what example I could name, but definitely, we can have circumstances in which certain market movements are reducing the value under IFRS 9 of the asset book, whereas, at the same time, we are not able to recognise a reduction in the value of our liabilities under IFRS 17.

So we are going forward to learn quarter after quarter how it behaves. I think we did whatever we could in order to moderate as much as possible the volatility. But now IFRS 9 plus IFRS 17, is the fact that we are on a mark-to-market basis, both on the asset side and the liability side.

Benoit Valleaux (ODDO-BHF): Two short follow-up question on my side on insurance. The first one is on capital. We have seen an increase of around 50% in the SCR over Q1. I just wonder if you can give us some granularity behind this increase. For example, did you suffer from a change in the EIOPA reference portfolio in Q1, and what would have been the impact from the financial market? And linked to this, can you please let us know what has been the evolution of the sales to margin of your insurance activity and maybe more specifically, for Predica?

And the second question is linked to IFRS 17, you mentioned assets. I have just one question related to your real estate portfolio. Just would like to know, if the totality of your real estate portfolio is booked at cost? Or if part of it is booked at fair value through P&L, just to understand if potentially credit valuation might impact or not the contribution from insurance?

Jérôme Grivet: Many technical questions. The first one was related to the SCR. I do not have in mind precisely the elements to answer to your question. I don't know, Clotilde, if you have any precision you can give to Benoit?

Clotilde L'Angevin: I'll give them to you Benoit going forward, but I think that what we can say in this quarter is that, in particular, besides the revenues that were strong in terms of savings in retirements and P&C, we have had a favourable claims trend that has decreased our combined ratios. So that is something that can change. But all of this is activity or environment-related and not a change in EIOPA reference portfolio.

Benoit Valleaux: Okay. And regarding solvency II or Predica, do you have any views or plans?

Clotilde L'Angevin: We do not disclose anything regarding change in solvency, as you know, in the first quarter because we stick to the solvency figures that we had at the end of 2022, which were very strong. As you know, our solvency figure includes the reserve that we call the PPE, which decreased a little bit at the end of 2022, but that remains quite strong. And the increase in rates also has some positive effect going forward in this regard. So we are very comfortable with our solvency ratio as of today, even in the Q1, and we will give you corresponding figures in the Q2.

Jérôme Grivet: Yeah. But definitely, bear in mind that end of last year, solvency II figure was far above 200%. So definitely, we continue to be, I would say, even above our steering target.

Benoit Valleaux: Okay. And regarding sensitivity to real estate valuation?

Jérôme Grivet: Well, we have real estate assets in the book of Crédit Agricole Assurances and Predica, but it does not represent a very massive amount. It is less than 10% of the assets of Predica. So it is not significant, but it is not absolutely massive. And in addition to that, in the present environment, there is a pressure on certain real estate assets because of the way they have been financed, i.e., some investors have financed their real estate assets through debt. So of course, they are facing a significant potential increase in the cost of their funding. And so this is putting some pressure on them.

But an insurer, by definition, it is mostly financed with the deposits of the policyholders. So there is no issue regarding any kind of leverage. And rents are benefiting from the inflation nowadays. So the revenues that are generated by real estate assets are increasing nowadays.

Jacques-Henri Gaulard (Kepler Chevreaux): First of all, Clotilde, thank you very much for everything. I was about to ask you to answer directly that follow-up question, but you already talked. So fair enough. If you want to answer it, answer it. It is a follow-up on the outlook. And it is true that when you read the Q4 2022 press release, it is pretty dry. I remember it says, in 2023, continued adaptation to the new rates context. So I understand the answer you gave to my colleague about the SRF variation, which was a big impact, which is true. But even if I was to actually increase that SRF contribution of 2022 by €100 million, you would have still beaten consensus by 20%. So I wanted to know if you found that the activity accelerated towards the second half of the quarter? Or what basically drove you to be that conservative? That is the first question.

And then the second one, good old AT1 coupon are a little bit higher on the back of your outstanding of about €8 billion, that suggests a yield of 7.8%. Is it a good yield to take for the rest of the year or too high, too low? Just a bit of guidance.

Jérôme Grivet: Of course, I will leave the last one to Clotilde, but maybe just a few words on what we have said end of 2022 and why we look a little bit conservative. Remember that back three months ago, there was a lot of uncertainty regarding the reason, the pace at which the central banks were going to hike. And we know that we were going to lose, at Group level, several hundred of million euros of revenues coming from the TLTRO. And we were a little bit, I would say, doubtful on the potential evolution of the economic outlook, because actually, there was at that time, a significant possibility of seeing a recession in France and Europe.

I think the landscape has significantly improved since that. And clearly, what we have seen in the first quarter of this year was a level of activity across the board, which was significantly above what we had in mind in a more gloomy landscape, the one that we had back in end of 2022.

So Clotilde, maybe you can also answer on the AT1? Yes, there was a question on the AT1 from Jacques-Henri.

Clotilde L'Angevin: No, there was a question outlook on the consensus, right?

Jérôme Grivet: On the AT1.

Jacques-Henri Gaulard: There was also a question on the AT1.

Clotilde L'Angevin: I missed the question on AT1. But as you know, we do not disclose any of plans on AT1 because it is outside of our funding plans.

Jérôme Grivet: No, it is a matter of remuneration.

Clotilde L'Angevin: It is the matter of the coupon. Yes, they were very high. Yes, well, all of this depends on market conditions, as you know. And we will see what happens in terms of the calls, depending on the market conditions and these conditions have changed. So we always have to be flexible in terms of the AT1.

Jérôme Grivet: But I think that globally, the coupons are not split equally in the fourth quarter of the year. So probably, if you assess the average cost of our AT1 simply on the basis of Q1, I think that you would not necessarily end with the relevant average cost of AT1 bonds. I guess this is the answer.

And we have a last question, Jacques-Henri. I am sorry, you were supposed to be the last one, but there is a last after the last. So Clotilde is going to take this last question.

Sharath Kumar (Deutsche Bank): So I just had one question pending on your LCR ratio. So in the press release, you do mention that your medium-term target is 110%. So is this a floor? Or do you realistically envisage lowering your LCR over the medium term? So although I appreciate you are maintaining a higher level of liquidity in the current circumstances, but just wanted to have possibly medium-term colour on what the targets could mean?

Clotilde L'Angevin: So maybe I will answer, in fact, because I got this question, I am sorry, I did not get the colleague's question, but I got this one and I heard this one. So yes, indeed, this target is 110%. And today, we are quite above this target. But as you know, we are also above this target because of the TLTRO and the surplus that we have today is, of course, stronger than the TLTRO. And we designed our MTP targets in terms of liquidity coverage ratio, but also in terms of stable resources position supposing that we would have to reimburse TLTRO, which we will do. And so we are quite comfortable with these targets going forward. So these include the repayment of the TLTRO.

Jérôme Grivet: Okay. Well, I think this was the very last question, definitely. Thanks all of you for attending this meeting. Thanks also to Clotilde. I have not counted the number but probably 15 or 16 meetings. And welcome to Cécile, who was very steadily listening to this call, and she is going to be ready as an interlocutor for you starting tomorrow. Bye-bye to everyone.

[END OF TRANSCRIPT]