Q3 2023 Results

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Opening remarks

Very good results

Good afternoon everyone, it is a pleasure for me to present the results that we have published this morning. Let me go directly to page 4 of the presentation. I think these results that we are publishing today really illustrate another time and once again the strength of the model that has been built by Crédit Agricole Group and Crédit Agricole SA over time. These results show a certain number of characteristics that we find almost every quarter, a high level of results and profitability, that is the first point. The second point is that again we are generating additional capital that is fuelling our growth, both internal and external. We continue to have a very solid asset quality and a very good liquidity profile, despite the strengthening of the monetary policy by the ECB. And last point, we continue to be very involved in helping the energy transition, and I want to mention the fact that we are going to have a dedicated workshop on December 14th this year, on additional topics regarding net zero convergence and all our efforts in this energy transition.

CASA key figures pro forma IFRS 17

If I go to page 5 with the main figures for Crédit Agricole SA, what we can see on this page and some elements I will comment a little bit more in detail later on, but first highlight is a very high dynamic for revenues, which are up 13.4% on the quarter and 13.1% on the nine months.

The second point is that we continue to be very efficient in terms of monitoring our cost basis, thus allowing a very strong jaws effect, almost five to six points on the quarter, and on the nine months.

The third point is that the cost of risk is indeed increasing but very modestly, actually, considering the evolution of the overall activity.

And the last point is that we are having a very high level of results, 1.5 billion underlying, 1.75 billion stated, on the third quarter, and 4.6 billion and 5 billion on the nine months. This is leading to a return on tangible equity for the nine months, which is at 13.5%.

CAG key figures pro forma IFRS 17

On the following page, you have the figures for the group globally where you find more or less the same trends, a little bit amortised as compared to Crédit Agricole SA. Despite this amortisation we still have a sharp increase in the top line plus 7.5% on the quarter, plus 6% on nine months. A positive jaws effect both on the quarter and on nine months. Very moderate increase in the cost of risk and a high level of profit, up both on underlying and stated basis and both on the quarter and on the nine months.

Activity

If I go a little bit further in the document, page 8, some elements on the activity that is leading to these financial results. I think that what we can assess on this page is the fact that, yes, indeed, we have a slowdown in the production of new loans in retail banking activities in France, but this is more than offset by the overall good performance in all our business lines, which is indeed, again, illustrating the strength of the model. We continue to develop the customer basis with a strong increase in the number of new customers, plus 445,000 new customers in all our retail banks in Europe. We continue to increase the equipment of those customers with our different products and services; and in addition to that, we continue to develop the business that is directly targeting large customers, be it for CACIB, for CACEIS and for the institutional investors which are the customers of Amundi.

Self-financed acquisitions

On the following page, you have a wrap-up, I would say, of the different strategic operations that we have conducted in the last three years, which is an interesting summary of what we have been able to seize in terms of opportunities, and to integrate in our different business lines in our different specialised platforms, all these operations being self-financed by our capital generation capacity.

We have provided two interesting figures on the right-hand side of this page, the first one is that all in all, these different acquisitions are going to lead to an additional €1.9 billion of NBI. We have estimated that for 2025. Of course, part of this NBI is already in our accounts, but part is not at all, and part is still to be materialised. The second point which is interesting is that after the materialisation of the cost synergies, the incremental cost income ratio of the additional business generated by those operations is going to be exactly in line with the target that we have set for the medium-term plan which is 58%.

Launch of a new business

On the following page some reminders of the activities of the new business lines, Crédit Agricole Transition Energy that was launched this year. We have had a dedicated presentation earlier in October of these activities, but just for you to keep in mind that Crédit Agricole Transition Energy is going to be a 50/50 JV between CASA and the regional banks and is going to deploy its activity around two business lines. The first one is to be able to produce renewable energies and to distribute it locally. And the second business line is to provide advisory solutions for the different categories of customers that we have across the board.

Revenues up

On page 11, some additional provisions regarding the revenue generation at CASA, in the quarter, and on the nine months. I think what you can see on this page is first element that the revenue increase has been very sharp, both on the quarter and on the nine months, plus 13% on an underlying basis, and even plus 19% and 15.5%, close to 16% on a stated basis.

The second element which is interesting is that all business lines participated in this sharp increase in revenues.

The third point which is also very important to keep in mind is the fact that even if we respect those figures on the scope effect, you know that we have integrated some activities in the course of the first nine months of the year, with the full integration of Crédit Agricole Auto Bank, with the acquisitions that CACF has made in the leasing business across Europe, and with also the integration of RBC by CACEIS beginning of Q3.

If we restate the revenue growth from the effect of those acquisitions of the period, we continue to post a very sharp increase in the revenues. The organic growth is 7.7% on the quarter, and even +10.2% on the first nine months of the year.

Rising underlying quarterly revenues

And this is taking place after several years earmarked with exactly the same capacity of generating additional revenues. This is illustrated on page 12. You see that quarter after quarter, we have been able to increase the top line at CASA very, very regularly, and overall in the course of the last six years, we have increased more or less the revenue generation capacity at CASA by around one third.

Growth in overall NIM

On page 13, a few additional elements on an issue that has raised a lot of questions lately, especially regarding French banks, which is the evolution of the net interest income. It is absolutely true that for French retail activities, the increase in rates that we have had since the beginning of 2022 is initially putting some pressure on the net interest income, you perfectly know why, because on the asset side of our balance sheet we have a vast majority of fixed rate loans, especially home loans, so the yield of the asset side is adjusting very slowly, whereas at the same time the costs of the liabilities increase quite rapidly because we have a significant proportion of our liabilities that are directly repricing with the increase in market rates, like regulators savings accounts and also the proportion of the balance sheet, which is financed through the market. But we have also hedges, and hedges are efficient. This is leading overall to a situation where the net interest income at LCL, which is the French retail banking operation of CASA, has decreased by only 9% between Q1 2022, which is probably the last quarter of the zero rate era that we have known lately, and Q3 2023, which is the last quarter of the period, so minus 9%. But at the same time, international retail banking activity increased quite significantly their net interest income, in average for CASA by around 48% over the same period. Combined with the other activities of CASA that pose part of their revenues under the form of net interest income, this is all in all leading to a situation here the net interest income at CASA has increased by around 24% between Q1 2022 and Q3 2023.

Expenses

Let me go now on page 14, on the cost side of our activities. The cost base has increased by around 8% on the quarter and 6.6% on the first nine months on an underlying basis, but on the quarter, two thirds of this increase is directly coming from the scope effect, and on the nine months, it is 40% of the increase that is coming from the scope effect. So it means that definitely we continue to manage very efficiently the organic evolution of our cost basis.

Gross operating income

On page 15, some elements regarding the gross operating income. It is growing very rapidly, +20% on the three months on the quarter, and +34% on the first nine months of the year. This increase is spread over all business lines and of course this is this increase that explains the increase in the net income, the other components of the P&L, cost of risk, equity accounted entities are increasing and the corporate tax is also stable or slightly increasing. Clearly this is the gross operating income that is explaining all of the increase in the net profit.

Last point, maybe an additional comment on the cost income that we are posting, so 53.4% on underlying basis on the first nine months of the year, and 54.5% stated if we include the contribution to the single resolution fund in order to compare ourselves with the sample of European banks, and we continue to be massively more efficient than this sample of European banks.

Risks

On page 16, some elements regarding the evolution in the cost of risk. It is indeed increasing a little bit, +19% for Crédit Agricole SA, and +9% for the group, globally. But the levels that we reach continue to be very moderate, and the cost of risk in terms of bps per outstanding continued to be very moderate - 33 bps for CASA, which is definitely significantly below the assumption that we have made for the median term plan, 40 bps, and 24 bps for the group, globally, again it is a very moderate level. If we want to dig a little bit more on the origin of the cost of risk, you can see in addition that it is concentrated on consumer credit, small businesses and professionals, which means that for the two big categories of loans that we have in our loan books, corporates on the one hand and home loans on the other hand, it continues to be very, very low.

Asset quality

On page 17, some additional elements on the provisions that we have in our books, close to 10 billion provisions in CASA's books, and close to 21 billion in Crédit Agricole Group books globally, and we continue to have a low level of non-performing loans, 2.7% for CASA, and 2.2% for the group, globally. This is leading to a very high coverage ratio.

On page 18, the traditional comparison of the group and CASA, with other European banks in terms of coverage and NPL ratios, and we continue to be, I would say, on the safe side, and even very safe side of the sample, as usual. And on the right-hand side of the page, again, this illustration that the biggest part of our loan books, home loans and corporate loans represent the vast majority of our loan books, with a very low cost of risk.

Net income group share

All in all, this is leading on page 19 to the evolution of the net profit, again a sharp increase in the net profit +23% on the quarter and +29% on the first nine months of the year, and again this increase is very well spread over all business lines, all contributing to the increase in the bottom line of our P&L.

Financial strength CASA

In terms of solvency and financial strengths, on page 20, you can see that this quarter, the CET1 ratio of CASA increased by around 20 bps, it is the combination of different elements. The first element of course is the fact that with this good level of results and despite a further increase in the dividend provision which had reached 76 cents per share by the end of September, we have retained 20 bps of capital in terms of retained results. The organic growth of the business lines is consuming only 15 bps of capital. This quarter we have a one off, which is a permanent one off, which is a change in the way we account for the good wills of the insurance business, in accordance with an answer of the EBA to a question that was asked a long time ago actually, and the restatement of the treatment of the good will in the insurance business is leading to an increase of our CET1 ratio by 15 bps.

The M&A operation this quarter represent only 4 bps, actually the combination of 13 bps of cost for the acquisitions of RBC and ALD/LeasePlan operations, and the benefit of synthetic securitisation that was concluded in connection with Crédit Agricole Auto Bank loans that was concluded a little bit earlier this year. So all in all, CET1 ratio for CASA at 11.8% far above the target of 11% that we have set in the medium term plan.

For the group, globally, it is a slight decrease actually from 17.6% to 17.5%, but this is clearly the combination of two different elements, the first one is that all the elements that played positively for CASA are playing in the same direction for the group. This is leading to an increase of the CET1 of the group. However, you may remember that in the course of the third quarter, actually in the beginning of the third quarter, SAS La Boetie, which is our main shareholder representing the shareholding of all regional banks, have announced that it had decided to launched a new acquisition for €1 billion of CASA shares, and the impact of this acquisition is, of course, taken in the CET1 ratio of the group, as soon as this quarter, even if the operation is not concluded yet. So this is leading to a 17 bps hit and so this explains why this quarter, specifically the evolution of the CET1 ratio at the group level is slightly negative. Nevertheless, we continue to have at the level of the group the highest distance to SREP amongst all European GSIBs, 820 bps, and you can see also that Crédit Agricole SA, which is not a GSIB and which is part of the group, globally, is posting a distance to SREP of 360 bps, which compares very favourably to some European standalone GSIBs.

Financial strength CAG

On page 22, some elements with which you are now very familiar regarding the customer deposits in our books. The first element is that you can see that in the course of the third quarter, the overall level of customer deposits increased by around €18 billion, plus 1.7%, and the second point is that this customer basis continues to have the same features which is to be very diversified and which is to benefit from different categories of guarantees for around and even above half of the total amount.

Liquidity reserves

In terms of liquidity reserves and liquidity management globally, on page 23, we have increased over the quarter the level of liquidity reserves which are now reaching close to €420 billion with different categories, central banks deposits, HQLA securities and other categories of assets eligible to the refinancing of the central banks, some categories of claims.

The second point is that we continue to have LCR ratios at levels which are very high compared to our target, the target is still 110%, and the figure is around 150% for the group on the last 12 months on average, and above 140% for the end of the period, despite the fact that we have again repaid some TLTRO announced in the course of the third quarter. And maybe the last element on this page is that we have announced three months ago that we have increased the market funding programme of CASA by around one quarter in the middle of this year, because we wanted to take opportunity of good market windows to increase our medium to long-term funding. And this new market funding has already been completed by the end of the third quarter, so it is now completed 100% with the new level of around €25 billion.

So I am going to stop here for the presentation, just for me to conclude that again this is an excellent quarter for CASA and for the group, and again this is illustrating the strength of our model that is really adapting very well in the different context, and the context in which we are now characterised by the sharp increasing rates and by a significant slowdown in the economy is not slowing down our capacity to grow and to generate profitability. Thank you very much, and now we can go directly to your questions.

Q&A

Operator: Thank you, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. To remove yourself from the question queue, please press star and two. Please pick up the receiver when asking questions. The first question comes from Tarik El Mejjad, of Bank of America.

Tarik El Mejjad (Bank of America): Hi, good morning, just two quick questions please. The first one is on the macro hedges in the French retail. Could you tell us how sustainable are these? And what has been the contribution in third quarter in the last year or so?

And secondly, your strategy to grow your product factories has proved very, very strong and good, and you can see the momentum in growth of revenues in these highly profitable divisions, well done, but my question is on the funding to grow these further, you mentioned in the previous quarter that half of it was funded through disposals. I wanted to understand what are the levers you still have to fund this continued growth through bolt-on. What are the areas you would think are non-core, obviously not specifying any specific entity but divisions and also how much more you can do in terms of synthetic securitisation and optimisation of RWAs? Thank you.

Jérôme Grivet: Thank you, Tarik. First on the macro hedge. Everybody seems to discover the existence of macro hedging in the management of a retail bank in France, especially, but it is something with which we are used since many, many years. I remember back 25 years ago when I started in banking, this was almost the first thing I had to study and to work on, because this is absolutely key, especially again in the context of French retail banking activity. So when rates are more or less stabilised, hedging is a cost and we integrate this cost in the management of our P&L. When rates vary significantly, macro hedging is generating a significant contribution to the NII and this is exactly the role it has to play, so we are not going to disclose precisely amongst the NII what is the part coming from the remuneration of the assets? What is the part coming from the cost that we have to bear on the liabilities? And what is the effect of the macro hedging because it would be too complicated, it would need actually a lot of explanation regarding the strategy of hedging that we have, and so on and so forth. And I think it is not very relevant, because it is a matter of conventions most of the time. But it is very important for you to understand that we have a steady approach of macro hedging permanently. We do not change because rates are changing, and we try to be as steady and as constant as possible with the goal, not of preserving us from any effect from the evolution of rates, as it is not possible, but with the goal of smoothing as much as possible, the effect of rate evolution on our P&L. And I think we have managed it quite nicely because again this illustration is provided by the evolution of the NII at LCL, minus 9% on a quarterly basis between Q1 2022 and Q3 2023.

And maybe the last point I can stress is the fact that between Q2 2023 and Q3 2023, it seems that both at LCL and at the level of the regional banks of Crédit Agricole, we are now having a certain stabilisation of the NII, which means that we are probably, with a certain number of assumptions of course, regarding the future evolution of rates regarding the competition between banks to attract deposits, and so on and so forth. However, with a certain number of assumptions we can be quite confident that we are not very far from the trough in terms of net interest income.

Maybe just one additional thing on this which you must keep in mind which is a hits that we are going to start to feel in Q4. You have perfectly seen that the ECB has decided to stop remunerating the mandatory reserves. This has started to bite on September the 20th, and so it means that for the group, globally this is going to represent a hit of around €100 million per quarter. So all things being equal, our NII is going to be impacted by around €100 million spread quite evenly between the regional banks and CASA and the different activities in CASA, but you must keep that in mind.

Regarding the capacity of continuing to make bolt-on acquisitions and the way we can finance those acquisitions. We have taken a look back on, I think it was the last four years, so since 2019. In terms of net results, we have generated around 650 bps of capital. We have distributed 350 bps, both for the dividends and for the AT1 coupons. So, this left us around 300 bps of capital that we could use, both for the organic growth of the different business lines and for the bolt-on acquisitions that we have mentioned. So of course, in this period, we have been able to seize opportunities to dispose of businesses that were non-core, but it is not a need to make disposals just to finance those acquisitions because again with a very high profitability, as we have, we can perfectly manage at the same time paying the dividend in cash, fuelling the organic growth of the business line, and keeping a certain amount for bolt-on acquisitions, especially if we are now done, and we hope this is the case, with all the regulatory strengthening. Thank you.

Operator: The next question is from Flora Bocahut of Jefferies.

Flora Bocahut (Jefferies): Yes, thank you and good afternoon, Jerome. I just wanted to talk about the 2025 targets. I know you do not want to change them intra year. Just to name the nine months' performance, compared to what you are guiding to 2025, you are roughly annualising alternate income of 6 billion right now. You target just over that level in 2025. The ROTE you have after nine months is north of 13% and that is on a Common Equity Tier 1 that is above the 11% target you have in the plan. So clearly, you over-earn, at the moment, versus the 2025 target. So the questions I have are very simply, would you describe the 2025 targets as conservative? If they are not conservative in your view, where is it that you think that the P&L is going to deteriorate versus the current run rate into 2025? And can we expect that you will update the 2025 targets with the full year 2023?

Jérôme Grivet: Flora, you know that we are structurally conservative. This is part of our DNA. When we published those targets for 2025, it was back a little bit more than one year ago, close to one-and-a-half year ago. And so, I think this was the best targets that we could provide, considering all the elements that we had in our possession at that time.

Of course, we are absolutely conscious of the fact that we are probably a little bit ahead of the curve in terms of the trajectory from here to 2025. Nevertheless, it is as of today way too early to start discussing about that. We are presently working on the 2024 budget. These budgets are going to integrate, of course, some ideas regarding 2025 and even 2026. This is the way we do things internally. So when we are going to assess all these elements, of course, we will have a better view of our capacity to reach and why not to beat, to a certain extent, those performances that we have posted for 2025. But we are not in, I would say, rolling forecast mood. And so, we are not going to update permanently quarter-after-quarter our medium-term targets, because otherwise we could probably, at a certain moment, be obliged to downgrade our targets.

So let us, for the time being, do with the targets as they are and trust us to deliver as much as we can even if it is above the targets. **Giulia Aurora Miotto (Morgan Stanley):** My first question is with respect to capital distribution. So 11.7% is comfortably above the 11%, and that leaves you room to potentially pursue more bolt-ons. But what about the 50% distribution policy? Could you consider perhaps a special or increasing this to 60% perhaps, so that you can keep the dividend flat year-on-year? That is my first question.

The second question. And listen, I know Corporate Centre is not the best or most strategic division but costs there are quite volatile. And at the moment, they are basically zero, I mean, minus €2 million. Is that due to stay or like Q4 at end of last year, they should go up?

Jérôme Grivet: Thank you, Giulia. In terms of capital distribution, we have a policy, and then we have a yearly decision on the precise level of dividend that we propose to the General Assembly Meeting at the end of the year. So we are only at the end of the third quarter. And this is definitely a question that is not on the table right now.

But just keep in mind a certain number of elements. First point, we have announced, and this is a yearly commitment now, that in the course of the fourth quarter, we were going to conduct a share buyback in order to offset the effect of the capital increase reserved to the employees that took place in the summer. So this is going to represent a hit of 8 to 9 bps on our CET1 ratio, depending on the price at which we buy those shares.

Second point, we have, in the course of the first half of 2024, to finance the acquisition that has been announced of the group Degroof Petercam. This could be between 25 and 30 bps of capital.

The third point, we still have a last layer of TRIM impact that is going to take place probably in 2024 that will represent €4 billion of additional RWAs. Then we have the very last steps on the phasing in of IFRS 9, which is another 5 bps in 2024 and 5 bps in 2025. So all these elements are taken into account in the capital trajectory. And what is important for us is not the point that we reached at the end of a specific quarter, but to be able to continue to monitor our trajectory that is consistent over time.

So the reflection that we permanently have about this trajectory and the reflection that we have on a yearly basis about the level of dividend are going to, of course, take place with the results end of 2023, as every year.

When it comes to the Corporate Centre, it is true that it is a little bit difficult to read across. It is true also that this year especially, there is a new feature that is impacting both the NBI and the cost base of the Corporate Centre, which is the fact that we have decided to put there the effect of a certain provision of IFRS 17, which is the one regarding the internal margin.

So this represents, on a quarterly basis, about €200 million of negative NBI and €200 million of negative costs. It is a little bit tricky. It is a little bit difficult to understand. It is purely accounting. Net impact is zero, of course. But this is impacting the Corporate Centre, and this is not helping. I concur with you. This is not helping very much the capacity to read fully the evolution of the Corporate Centre.

Just keep in mind for this Corporate Centre that we want to continue to monitor the overall cost of this Corporate Centre at a level which is at or below 750-800 million of net cost on a yearly basis *[in terms of net income group share]*.

Stefan Stalmann (Autonomous Research): I wanted to ask, please, on slide nine, which I thought was very helpful, where you provide some financial metrics on the past M&A deals. Could you maybe tell us what kind of return on investment you would generate based on this NBI and on this cost-to-income guidance, if that materialises in 2025? And also of the €1.9 billion NBI, could you roughly tell us how much of that is already in the nine months 2023 numbers?

And the second question relates to chart 13, also very helpful, some of the NII trajectory in your different businesses. If you look longer term, once some of the structural differences and product mix and timing differences that result from that have worked themselves out, is there any reason to believe that LCL's net interest income or net interest margin should not catch up with what we are already seeing in the international businesses?

Jérôme Grivet: Two very interesting and difficult questions, Stefan. Now, the first one is actually quite easy. We have a very strict financial discipline in terms of validating bolt-on acquisitions. And definitely, we do not accept any transaction that would not lead to a 10% minimum return on investment after three years.

And what we can tell is definitely that all these acquisitions summarised on page nine have generated already, or are going to generate when they are going to be fully ramped up, this minimum level of return on investment. And sometimes, it is quite significantly above this level. Every time we announce a specific transaction, we give an idea of the type of return that we are targeting. And definitely, it is, in general, quite significantly above 10%. But 10% is the minimum, and it is verified very, very carefully.

In terms of which proportion of the €1.9 billion of NBI is already in our books, it is a difficult question because this €1.9 billion is a combination of the initial NBI of the acquisitions that we are making, plus the organic evolution of these acquisitions, plus also the effect of the revenue synergies that we are targeting. So it is difficult. For the last acquisitions, we have provided quite a precise information on what is accounted for in Q2 and Q3 numbers.

As an example, for RBC in Q3 numbers, we have €100 million of NBI, and actually, for the time being, €100 million of costs. So zero profitability for this quarter alone, of course. And for Crédit Agricole Auto Bank, we have provided with the figures of the last quarter. We have provided some details of the generation of NBI linked to this acquisition. And excuse me to answer like this, but you can probably do some math in computing the different elements that we have provided. But we are not able and not really willing to say we are at 53% *[we don’t communicate any specific amount]* on the way to the €1.9 billion. It would be probably too precise and not very helpful in itself.

In terms of NII, of course, what we expect going forward, if we are really at the top of the rate evolution on the market and from the ECB, what we could expect is, as I said, a certain stabilisation in the NII and then a progressive pickup for French Retail Banking activities. And at the same time, it is absolutely natural. A certain peak reached for the NII in non-French retail activities and probably a stabilisation or even a slight slowdown because the same causes are producing the same effect.

But to what extent there is going to be a convergence between the two curves, the curves regarding French Retail and the curve regarding International Retail, there is absolutely no reason why it should strictly converge. You have many, many different elements that play a role in those two evolutions. And so there is no reason why it should completely converge. In addition to that, and we have insisted quite a number of times on this aspect, I think that one of the key features of the French Retail model with the fixed rate for home loans and for different categories of loans is the fact that over time, it generates a much lower level of cost of risk than other models across Europe. So if we wanted to fully assess, I would say, the convergence, we should take into account also the line of the cost of risk.

Amit Goel (Barclays): So two questions. I guess one, just following up. So I appreciate you have given the guidance on the NIM for domestic retail and international retail. Just curious, if I put the two together in terms of total retail NII, what trajectory should I be modelling going forwards?

And then secondly, on the Capital Markets and IB performance, just curious to what extent I should be extrapolating that the nine-months performance going forward?

Jérôme Grivet: Okay. First answer, it is again difficult to tell, because again, many, many assumptions are going to play a role in the future evolution of the net interest income in the different perimeters, in the different geographies, what is going to be the actual evolution of rates. We make the assumptions that we are picking, but it is going to be the case? What is going to be also the reaction of the competition? You know that in France, for example, there is a certain competition to attract customer deposits. So is it going to lead to further increase in the cost of liabilities or not? What is going to be the behaviour of customers in terms of credit demand? For the time being, we have seen, for example, in home loan in France, a significant decrease, less significant for us than the market, but nevertheless significant because simply number of customers are giving up because of the level of rates.

Is it going to remain at this level, or are we going to see some customers finally deciding that they have seen their income increase with inflation? And they are going to get to a conviction that probably at a certain point in time, the price of homes is not going to decrease further. So this might generate a higher credit demand.

So all these elements are going to play, and it is difficult to model that mathematically in a trajectory for the coming quarters. But I think that you have enhanced the most important, I would say, factors that are going to play a role in the future evolution.

In terms of CIB Capital Market activities and especially fixed income, it is true that we have posted a very high level of revenues. And this is not the first quarter that we have been able to beat a little bit the market in terms of fixed income revenues evolution. I think this has to do with the fact that we are mostly and almost exclusively driven by the customer demand and their will to engage into transactions, be it bond issuances, hedging, securitisation or operations of this kind. So first driver is the customer demand. Second driver is the fact that vis-à-vis those customers, we are growing regularly our positioning, our ranking. And as an example of that, CACIB in the third quarter has been number two worldwide for the bond issuance in euros.

So, of course, if there continues to be a significant volume of activity on debt capital market, CACIB is very well-placed to take advantage of that. If there is a slowdown in the volume of debt capital market activities, CACIB is going to go alongside this evolution. But definitely, the improvement in the positioning of CACIB is explaining probably partially, but significantly this over-performance. And this is here to stay.

Delphine Lee (JPMorgan): My first question is going back to net interest income. Thank you for that slide 13. So just trying to understand on LCL net interest income, the minus 9%, which is clearly an outperformer versus other players in the market. Would you explain that because of hedging, or is there something else that you could point to in your commercial dynamics in terms of volumes, you seem to have more resilient lending or deposits, anything that can just help us understand a bit more the relative performance?

The second question is on the leasing activities within SFS. So other players are highlighting new normalisation of used car prices, which is coming. Do you see that as an issue for yourself or less so, and if you could just elaborate a little bit on that topic?

Jérôme Grivet: Okay. In terms of evolution of the NII, it is difficult to compare different French banks to one another because not all banks have exactly the same breakdown of their liabilities between regulated and non-regulated saving products. Not all banks behave the same since the middle of 2022 in granting new loans and, for example, the regional banks of Crédit Agricole and LCL were significantly more active than the average of French banks on the market in terms of granting new loans. So all these elements play a role.

Of course, the precise technique of hedging plays a role. I do not know exactly in which proportion because I do not know exactly how the hedging plays a role for our competitors, but it is clearly important for us, the revenue generation coming from hedging is clearly important for us. Again, this is exactly the purpose of hedging. It costs when rates are not moving and it generates additional revenue contribution when rates are moving. This is exactly the goal.

Going now to leasing activities and this issue of the valuation of used car. It is true that it is a very important risk component of the business. And when you model the level of the monthly rent of a car that you are leasing, it is very important to make relevant and prudent assumptions on the valuation of the used cars at the end of the process. It is true at the same time that in the last period of this time, for different reasons, the value of used cars quite significantly increased, thus generating a booster to the profitability of leasing businesses.

When it comes to our business, the biggest part of the business that we are looking is a new business. For the time being, we do not depend very much on the valuation of used cars and what is called in the business the remarketing of used cars, because simply, the ramp-up of our business is quite recent. So we make sure that we are prudent in the assessment that we are making in the valuation of used cars at the end of the contract. But for the time being, we mostly have a rather recent contract in our portfolio.

Pierre Chedeville (CIC): My question is about slide 26 on insurance because I want to –

Jérôme Grivet: You like insurance cycle?

Pierre Chedeville: Yes, because I want to improve my IFRS 17 understanding. You mentioned 95.2% combined ratio, including discounting and unwinding of reserves. And you mentioned the evolution minus 5 points on a year linked to climate impact, but you do not mention any evolution related to discounting and unwinding. And I was quite surprised because since one year, rates have evolved. And so, when we read your slide, we have only the impression that its climate impact that is playing there. I was a little bit surprised by that, because for me, the minus 5 points is also related to discounting and unwinding of reserves. If you could clarify that for me, it would be interesting.

Also, maybe it is a little bit early to say if there is an impact. But maybe you could tell us if you are exposed more or less severely to the Ciaran tempest for Q4.

And my other question on slide 26 is, you mentioned an impressive increase, plus 22% regarding protection, which is quite a significant figure. And I wanted to know what is behind this figure of growth. Is there any consolidation somewhere? But I do not see where. And it cannot be only volumes or price effect. So if you could explain this increase?

Jérôme Grivet: Thank you. Always very technical and precise questions. I do not have the precise answers to your first question, but what I guess is that by definition, the new combined ratio that we are posting is taking into account all the elements that it should take into account, i.e., of course, the decrease in the level of sinistrality, but also all the financial elements has to be taken into account in the new IFRS 17 accounting standard. I do not doubt that this evolution is taking into account discounting factors in connection with the evolution of rates. However, I do not have the breakdown of the two elements. Probably the biggest part is coming from the improvement of the sinistrality. And the smallest part is coming from the discount effect, but I do not have the precise figure to provide to you. Maybe my colleagues and the IR team will give you some more details.

Second element, of course, we are exposed to the new weather events that took place in the last few days. It is absolutely certain. And we are following, I would say, on a daily basis, the number of claims that are reaching back offices.

The number of claims is already quite significant. I think the opportunity of that to mention that 20% of those claims are settled directly through the first phone call in terms of commercial advertisement for the efficiency of our P&C insurance activities. But of course, Q4 figures are going to be impacted by the effect of these events. That is very, very certain.

And then the last point for protection, I do not see any other element than the commercial dynamism to explain this increase by 22% of the revenues in death and disability policies. So no specific events, no acquisition, no integration or whatever. It is simply the development of the business.

Pierre Chedeville: Do you have any idea, for instance, if you won market share there or something?

Jérôme Grivet: I think it is too early to tell about market shares because first, we have them on a yearly basis, and second, we have them several months after the end of the year. It is way too early to have indications, but it is clear that we have been active on this front in the last month.

Matt Clark (Mediobanca): A couple of questions. Firstly, I am afraid on net interest income again. I am just reading back your comments last quarter where you were saying that you did not expect to see a significant improvement in French Retail net interest income before the second part of 2024. Then obviously, we have seen a 7% sequential increase this quarter. So I was just wondering if you could explain what it was that happened that you were not expecting when you spoke to us last? Whether that is in terms of market rate moves or client behaviour, why did we get that improvement already this quarter that previously you did not expect to start coming through for another year or so?

And then second question is on the digital euro. Perhaps you could comment on how, if at all, you are preparing for this and any impact you expect on Crédit Agricole's business in the coming years?

Jérôme Grivet: Thank you. Well, on NII, I absolutely confirm what I have said three months ago. The first element, we are not talking about a massive improvement Q3 on Q2. Actually, we should more talk about the stabilisation. So for the time being, it is not an improvement between Q2 and Q3.

Second point, what we are seeing is probably a better level at LCL of production of new loans that what we could expect three months ago, because actually, the production of new loans between Q2 and Q3, bearing in mind that Q3 is the month of the summer vacation. There is a decrease by only 3% in the production of new loans at LCL between Q2 and Q3. And probably, this is playing a role in the stabilisation of the NII between those two quarters.

And then, of course, there are many, many other moving pieces regarding the cost of the different liabilities, and they have played also a role in this stabilisation. But if we want to talk about real improvement, I confirm that it is going to take place in 2024 and not really before.

When it comes to the digital euro, you know that we are a little bit, I would say, doubtful about the appetite of customers for the digital euro, and we are not, for the time being quite certain of the goals that are pursued by the implementation of the digital euro. So, of course, we have teams that are working on that. We are trying to guess what could be the use cases for our customers, what could be taken in the digital euro in order to improve their capacity to handle cash, to use cash, to make small payments and so on and so forth.

There is also a part of the digital euro that is dealing with large payments on which we are working at the same moment. And for large payments and large amounts, we see much more clearly the advantages in terms of cost efficiency of those payments. But anyway, this is something that is supposed to take place at the soonest in 2027. So we still have a little time to get prepared. Again, we need to have a better view on what are the goals of the digital euros and which is going to be the form of the digital euro for the individual customers with amongst the many, many questions that we are asking, one, which is very important, is it going to be a token or is it going to be a little bit like a bank account that would be held at the level of the Central Bank? All these questions are very important, but we are working on that.

Thank you. Well, I understand this was the last question. So again, thanks a lot all of you for your questions and see you soon. Bye-bye.

[END OF TRANSCRIPT]