Crédit Agricole Q2 & H1 2026 Results

Friday, 31st July 2026

Key Messages and Figures

Olivier Gavalda

CEO, Crédit Agricole

Good morning, everyone. It's a pleasure for me to share with you the strong results published this morning by Crédit Agricole S.A. Clotilde will present them extensively in a few minutes.

But before, let me share with you a few key highlights, both on financials and on recent important developments, illustrating the fact that Crédit Agricole Group is on the move.

Strong activity, accelerating the AI transformation

Let me start with the results we released this morning. Crédit Agricole S.A. is posting high results of €2.1 billion this quarter, up plus 1.4% on pro forma basis. It's thanks to two elements. First of all, very strong growth in revenues, plus 7.7% quarter-over-quarter, resulting from the dynamic activity observed in all business lines. Revenues reached their highest level this quarter at €7.4 billion.

Secondly, high profitability, as we are posting for H1 2026 a cost-to-income ratio below 55%, precisely 54.7%, and a return on tangible equity above 14%, at 14.3%. Based on these very solid results in H1 2026, we will pay our first interim dividend amounting to €0.57 per share on 15th October. This corresponds to 50% of our H1 distributable results, consistently with our distribution policy, as you know.

Finally, CASA CET1 ratio is just about stable at 11.3%, so still above the 11% target for Crédit Agricole S.A., even considering the impact on the recently increased position in Banco BPM capital up to 29.3%.

Strategic development in Europe, starting with Italy

Indeed, we continue to develop strategically in Europe, particularly we are developing in Italy. Italy, as you know, is our second domestic market and a strategic priority for the Group. Over the years, we have significantly expanded our presence in Italy, and we remain committed to further investing and growing our franchise.

Notably, since the beginning of the year, we have continued to strengthen our ties with Banco BPM. We increased our stake from 20.1% to 22.9% in quarter one. This allowed us to obtain four seats in the board in April, and we have now, in July, reached 29.3%. This increase in ownership is consistent with Crédit Agricole's strategy as a long-term investor and partner of Banco BPM in its development.

Having that said, as you know, there has been considerable market speculation regarding further consolidation in the Italian banking sector. Our position remains unchanged. Any transaction involving Banco BPM should create long-term value for Crédit Agricole S.A. and the other Banco BPM shareholders. With our 29.3% position, we are now by far the first shareholders in Banco BPM. We will thus have a say on any transaction involving the company, alongside the other Banco BPM shareholders, and we will analyse any solid project with respect to its strategic interest, execution risks and capacity to create value over the long term for all of Banco BPM shareholders.

As always, there are many scenarios on the table, but at the time being, we are not aware of any concrete project regarding MPS, Monte Paschi, and Banco BPM. And we have not been approached by either party regarding any potential involvement in such a project. At this stage, it is very difficult to see how a combination between MPS, Monte Paschi, and Banco BPM can be value-accretive for Banco BPM shareholders.

Strategic plan roll-out

More generally, we are rolling out our strategic plan. We continue to develop in Germany. Last quarter, we announced the launch of our European digital platform, Crédit Agricole Savings. The initial phase is a success as we are onboarding 200 new clients per day already. This should accelerate with the upcoming launch of the app and be complemented soon by the launch of Crédit Agricole Deutschland.

We continue to develop in France, where activity is very strong, and where we have also started integrating the Milleis Group since the end of April with LCL. And we continue to develop all over Europe, in Spain with new partnerships, and in all the other geographies where we are present.

And we are innovating. We have launched a stablecoin in euro, CASA EURXT. We have led new initiatives related to tokenised finance, and we are working on other on-chain settlement solutions for institutional clients and for big corporates.

Accelerating the AI Transformation

We are also accelerating our AI transformation. Indeed, as you know, Crédit Agricole Group will allocate €500 million of its IT investment plan over three years to accelerate the industrial deployment of AI across the Group. We are thus creating a dedicated AI and data company and investing €150 million in capital in it.

This company will operate industrially the AI technology bases for all entities and create a shared data platform at the level of the Group. These LLM-agnostic infrastructures and private cloud solutions are essential for our strategic autonomy, and more importantly, for the long-term management of our costs and the control of our industrial choices.

We will also deploy an industrial agentic platform designed to enhance productivity and enrich customer interactions. Driven by principles of performance, European technological sovereignty, and ethical AI, this initiative aims to make AI a collective lever for transformation and efficiency at the service of the entire Group.

I will stop here now and leave the floor to Clotilde. Thank you very much for your attention and see you soon after the holidays. Bye-bye.

Q2 2026 Financial Summary

Clotilde L'Angevin

CFO, Crédit Agricole

Key Figures

Thank you, Olivier. So, I'm going to pick up on the following slide on the key figures. And I just wanted to take a step back from the listed entity to look at Group Crédit Agricole, which posted a very strong performance this quarter with a strong increase in net income by +7.8% Q2-over-Q2 and +22.4% excluding the Amundi US base effect. You know that we are, of course, looking at figures pro forma of Banco BPM, i.e., considering that Banco BPM was at 20.1% equity accounted in the Q2 of 2025, and this +22.4% excludes the roughly €300 million impact of the Amundi deconsolidation of last year.

Driven by revenues

And so, this strong performance is driven by revenues, which grew +12.9% to reach the record level of €10.9 billion this quarter. And this strong increase in revenues results from both scopes, CASA's activities and revenues, of course, I will come back to that. But what we see this quarter is also the reiterated performance of the regional bank's revenues that increased by +12.9%, thanks again this quarter to a spectacular upturn in net interest income, +38% this quarter.

So gross operating income grew by +25.8% Q2-over-Q2, and the cost-to-income ratio is well below 60% at 58.3%. We have very favourable jaws of more than +8 percentage points this quarter. The cost of risk is stable at 30 basis points on outstandings, and of course, we maintain a very strong position in terms of solvency with a CET1 ratio of 17.2% and very strong liquidity.

Now, if I come back to CASA, where we have, thanks to a strong growth in revenues and positive jaws, an increase in gross operating income by +11.4% this quarter. So, this strong performance in revenues was driven by strong activity in all of the business lines.

Activity: Strong activity in all business lines

And on the next slide, you see that activity was dynamic everywhere, because this quarter we have strong customer capture, 580,000 new customers in the Q2 in retail banking. That is close to 1.2 million new customers since the beginning of the year. This customer capture again benefited from increased digital acquisition in France and in Italy.

Retail banking

And if we dig down a little bit by business line, in retail banking in France, loan production is strong. Home loans are growing by +10%, corporate by +8%. In Italy, loan production is dynamic, +8.5%, thanks to the recovery in home loan production this quarter in a very competitive market, and we also have dynamic production in Poland.

The loans outstanding and the on-balance sheet assets continue to grow globally, and the growth in off-balance sheet assets was dynamic in France and in Italy. And this was therefore reflected in the asset gathering division, which also posted a very good quarter.

Insurance

In insurance, we have a record level of premium income at €15 billion. It increased by +18% thanks to all of the activities: savings and retirement, personal insurance, property and casualty. The net inflows reached a record of +€6.8 billion in savings and retirement, in particular thanks to the success of the Oriance offer, the outstandings of which represent close to €5 billion at the end of June, and we reached 18.2 million contracts in P&C this quarter.

Amundi

Amundi, as you know, posted very strong net inflows and record AUMs. The medium to long-term inflows are strong, thanks both to ETFs and to active management, and activity is dynamic in third-party distribution and through the insurers of our partners, Crédit Agricole and Société Générale.

Wealth Management

And finally, in wealth management, AUM are increasing strongly with positive net inflows.

CAPFM

If I turn to CAPFM, the production increased to €12.8 billion, thanks both to mobility and to personal finance. Now, of course, the used cars remarketing activity is impacted by an unfavourable automobile market that weighs on the sale of these used cars, but it's the case for all of the players on the market.

CACIB

But, and this bears witness to the strength of our diversified business model, you can see that in the large customers division, the CIB posted a record Q2, thanks to the excellent performance in Investment Banking, in particular in structured equity and to ECM. We have FICC, which is stable at a high level.

CACEIS

And finally, CACEIS had a high level of settlement and delivery volumes that was boosted also by market volatility in 2026, and we continue to increase our outstandings of AUMs and AUCs.

Revenues: Strong growth driven by all business lines

So, a buoyant activity across the line, which reflects on slide nine in the growth in revenues, which was very high this quarter at +7.7%, driven by all the divisions.

Asset gathering

So, I talked about the strong activity in asset gathering. So, these revenues are growing thanks to higher management and technology fees for Amundi and to strong commissions in wealth management. The insurance revenues grew by +9.1%, supported by the performance of all of the business lines, and of course, by a favourable market effect, particularly in savings and retirement.

Large customers

In the large customers, I talked about the record Q2, in particular with investment banking, which had a growth of above +63%, excluding FX effect, and asset servicing, more than +8% growth.

SFS

In SFS, I was talking about the fact that mobility was impacted by a weaker automobile market. This led in terms of revenues to a quarter of lower results on used cars at Crédit Agricole Auto Bank / Drivalia. But these effects were compensated by the good performance in personal finance revenues that was supported by positive price effect.

Retail banking

And then in retail banking, I talked about strong volume growth, but as you can see, we have, in the same way as we had that with the regional banks, a very strong upturn in net interest income in France, +17% growth for LCL, so volume and price effects. And we also have an increase in Italy of net interest income by +2% thanks to an efficient management of the cost of resources and of macro hedging. And of course, the fees increased in all of the geographies in France and in Italy.

So, you see all of these green bars for the businesses. All of the businesses are contributing to the growth in revenues.

Corporate centre

And finally, in the corporate centre, we integrate the contribution of Banco BPM for €111 million. In fact, at the end of the second quarter in our accounts, we have a 24.9% share of Banco BPM even though, as you'll see just afterwards, the CET1 is impacted in full by our participation that was brought to 29.3% in July. And so, our contribution – the contribution of Banco BPM to the Corporate Centre revenues should increase in the following quarters. And so based upon the current results of Banco BPM, it could be something around €150 million per quarter onward.

Expenses: Positive jaws +3.1PP

Now, if I move now to expenses, we have significantly positive jaws this quarter, +3.1 percentage points. And we have a limited increase in expenses in all of the businesses. So, as you can see on the right, we have some scope effects that are summarised on slide 34, including Milleis, in insurance, Abanca and PiùVera in Italy, and we have integration costs for Indosuez. But besides this, it's mostly the variable compensation increase, which is €75 million, linked to the strong performance of Amundi and CACIB that explains most of the increase in asset gathering and large customers division.

Continued investments

We continue to invest in our development, in particular in SFS and in the retail banking divisions. In SFS, as you know, we're supporting the strategic launching of CA Savings and CA Deutschland, with costs that represent over the first half year, around €10 million. I had talked to you about €50 million expected in 2026.

We're also investing in the transformation of LCL with €33 million in the first half of the year out of the €95 expected over 2026. And even as we invest, we are improving operational efficiency because our cost-to-income ratio is at 54.7%, -1.2 percentage points H1-over-H1, thanks, of course, to our decentralised cost-sharing model, but also to the integration of recent acquisitions. I'm thinking in particular of CACEIS.

Benefiting from synergies

We're fully benefiting from the synergies generated by the integration of RBC Europe, which are going to generate more than €100 million additional net income from 2026, of which three-quarters are linked to cost synergies. And just by the way, the Degroof Petercam integration is progressing also with about 45% of synergies realised. So, we're well on track to reach our additional €150 million to €200 million net income target linked to this operation in 2028.

Risks: Cost of risk under control

Moving to cost of risk. The cost of risk decreased Q2 on Q1 and was roughly stable from Q2 to Q2, and this evolution was mainly driven by an increase in Stage 3 provisions. A share of this increase, €128 million, is a technical transfer from Stage 1 & 2 to Stage 3 of exposures that are currently being disposed of in CACIB.

And excluding this, incurred risk is at €571 million, and we have the increased Q2 over Q1, which is explained about €60 million in CAPFM by the increased risk on personal finance in France, due of course to the economic environment. We're monitoring this closely. As well as some adverse impacts of model revisions, and in CIB, roughly €100 million by additional bucket transfers from the Stage 1 and Stage 2 to the Stage 3 on a few tickets.

Net reversal but prudent provisioning

So, these transfers are not a surprise. These exposures are closely monitored, and they, of course, have an impact on the Stage 1 and Stage 2 cost of risk, which presents a net reversal. But as you see, we have a very prudent provisioning, and that's why you see, by the way, this net reversal in the Q2. And so, in the end, there's no surge in loan loss provisions. The annualised cost of risk on outstandings are decreasing since the Q4 2025.

Good credit quality indicators

The credit quality indicators are very good. The non-performing loans ratio remains very low, and the coverage ratios are very high, and this is going to allow us to absorb any surge in incurred risk. As you can see, our provisioning is, as always, very prudent, and we have among the best coverage ratios in Europe.

Now, with that said, of course, we remain cautious, and we continue to monitor closely the corporate customers in retail banking, real estate, construction, distribution, automobile, generally SMEs. But as you see, by the way, on the slide, moving forward, in French retail banking in particular, the cost of risk remains under control.

Risks: Cost of risk by business line

In this slide, page 12, you see that we have this additional Stage 3 cost of risk of CAPFM, but everything remains very, very controlled. And in the CIB, as you can see, there's these migrations, but we have very low cost of risk with investment-grade customers and a diversified and balanced assets.

And just for Crédit Agricole Italia, the cost of risk is decreasing, and credit quality indicators have been improving since the fourth quarter of 2025.

Results: Strong results driven by a sharp rise in gross operating income (+11.4%)

Now moving on to results, net income. All in all, the net income is high, and it's increasing by +1.4% if we exclude the base effect linked to the capital gain realised last year with the deconsolidation of Amundi US for €304 million in the Q2 of last year.

Equity accounted entities

So, I already mentioned the very strong increase in revenues, the improved operational efficiency, the controlled cost of risk. Let me just talk to you a few minutes about the fact that our net income is impacted by the slight decrease in equity accounted entities. We have various opposite effects. We have a decreased contribution from Leasys, -€33 million Q2-over-Q2 due to lower margin on used cars. I talked about it. This is really a market effect.

A base effect on Banco BPM, which is very limited, and this is partially offset by a positive base effect in CAL&F and by positive effects for Amundi, where we have the contribution of ICG for +€12 million and Victory Capital for - today - €28 million. So, we have pluses and minuses, and so the evolution of equity accounted entities is very limited.

Income tax

And of course, we have a higher income tax. First, due to the strong operational performance that I already described. This is an increase in the tax base. But also, we have a couple of base effects, in particular in insurance, where we had capital gains last year with reduced tax rates, and we also have a higher taxation in Italy, but also, even though it's smaller, Poland and Ukraine.

Net income increasing

But as you can see, despite these elements, net income is increasing thanks to this very strong increase in gross operating income, activity was strong, net interest income high, jaws positive, cost of risk stable. And so, this is really the strength of our diversified, universal banking model.

Strong financial position – Crédit Agricole S.A: Stable solvency ratio, incorporating strong M&A activity

This allows us, following slide, to generate organic capital. And so, as you can see, the capital remains very strong this quarter for CASA, with a CET1 ratio of 11.3%, even as we integrate significant M&A activity.

Organic capital generation

So first, if we look at organic capital generation, that's 31 bps. This includes an active management of the balance sheet with a new SRT, a significant risk transfer this quarter in CIB. And this brings the total of RWA release, thanks to these optimisation measures, to €3.8 billion this first half-year. Of course, we want to intensify securitisations in the medium-term plan, but we're always making sure that the cost of release is accretive.

This allows us to provision the dividend that Olivier was talking about of €0.57 per share, which I recall will be paid on 15th October.

We have an M&A impact, which is quite strong, with 33 bps related to the increase in our stake in Banco BPM to 29.3% and 4 bps for the integration of Milleis.

We have a methodological impact positive for 10 basis points. This includes bits and pieces, but as a reminder, it comes after a couple of negative impacts in the past. So, all in all, we do not have that strong methodological impact over the last three quarters.

And finally, OCI and other impacts, +12 basis points, notably thanks to market recovery this quarter.

RWAs

And on the right, you see the RWAs are moderately increasing, €2.2 billion over the quarter, with organic growth almost entirely offset by positive methodological effects. And you see the fact that we have these quite stable RWAs in CIB.

Strong financial position – Crédit Agricole Group: Very high capital

Moving to the Group Crédit Agricole, because as you know, our objective is not to build up capital at CASA level. So, when we assess the capital strength, the relevant figure is Group Crédit Agricole CET1 ratio, which is above 17%, despite, again, strong M&A activity. We have the same factors that apply. But as you know, the M&A is lower for Group Crédit Agricole because we have not gone beyond the threshold for the significant financial stake for Group Crédit Agricole, and we have an additional positive methodological effect in the regional banks. This brings the total to 28 bps.

The TLAC and MREL ratios are very comfortable, in particular because we have front-loaded our medium to long-term refinancing plan, which is today at close to 90% refinancing plan for CASA, so very prudently managed.

Strong financial position – Crédit Agricole Group: Strong liquidity position

As you see on the next slide, we have a very comfortable liquidity position with very high levels of liquidity reserves at €475 billion. The LCR and NSFR ratios are excellent, customer deposits are stable and are diversified, granular, so everything is fine on that front.

Income statement

And so, moving to the next slide, let me just conclude by saying that we are posting strong and growing results thanks to dynamic activity in all business lines, and in particular, thanks to a record performance in the asset gathering division and to dynamic loan production and net interest income in France. This allows us to reach a record level of revenues of €7.4 billion, which bears witness to the strength of our universal model and diversified business mix.

As we grow, operational efficiency is controlled with a steady cost of risk, positive jaws, declining cost-to-income ratio even as we invest. We're investing in AI, as Olivier was saying, with a pooled industrial AI platform, in stablecoin, in the transformation of our businesses in France and in Europe, we integrated Milleis this quarter, we signed a partnership with Cajamar, we're rolling out our savings platform in Germany, and we have an increase in our participation in Banco BPM to 29.3%.

And all in all, profitability is very high with a return on tangible equity of 14.3%. This allows us to maintain strong capital levels and to announce the payment of an interim dividend of €0.57 per share in cash on 15th October.

So, I am going to stop here. Thank you for your attention just before the summer break, and we can now open the floor to questions.

Q&A

Operator: First question is from Giulia Aurora Miotto, Morgan Stanley.

Giulia Aurora Miotto (Morgan Stanley): Thank you for taking my questions. The first one on targets. So, cost/income 54.7%, RoTE already above 14% in the first half. And maybe you can tell me that it was a particularly conducive environment, but we are two years before the end of the plan, and you're already ahead of the targets. And especially in light of an acceleration of AI, your focus on AI, your investment in AI, these two things combined would probably call for an update or upgrade of targets. Wondering if that is on your mind?

Second, thank you for the clarification on Italy. In the past, you have talked about a deal which makes sense for you, which would be the combination of Crédit Agricole Italia and BAMI. Wondering if that is on the table or likely, in your view, anytime soon?

And then, sorry, just a quick numbers thing. Wildfires in France. Is there any quantification you can do in terms of impact for Q3? Thank you.

Clotilde L'Angevin: Great. Thanks, Giulia, for these three questions. Now, first in terms of targets and in particular on cost-to-income ratio. As you know, usually, the cost-to-income ratio in the first quarter is lower than that of the second quarter. So, you can't multiply that of H1 by two to get the impact of the cost-to-income ratio of the end of the year. However, we had told you a couple of quarters ago, and I'm going to reiterate that, that compared to the pro forma cost-to-income ratio we had in 2025, i.e., 57.4%, we will be decreasing – it'll be below the cost-to-income ratio of 2026. And more generally, we can say that the net income is going to continue to increase in 2026 compared to 2025.

So, we're really on track with our medium to long-term targets with this movement, a downward movement of cost-to-income ratio and an upward movement in terms of net income, which is starting, of course, in 2026.

Now, in terms of costs, of course, we're investing in our AI platform, and this industrial AI platform is going to allow us to create AI agents, customer relationship solutions, but also efficiencies. So indeed, we do want to improve efficiency with AI. But this is one out of a whole number of levers that we're going to use to improve efficiency. As you know, we have a decentralised model, and so each of the businesses are really targeting to lower their cost-to-income ratio to really improve their operational efficiency, we have cross-entity initiatives, we're working on synergies in Italy, we have these synergies due to the acquisitions, and of course, AI is going to help us improve our operational efficiency.

Now, Italy, we have not changed our strategy. Our strategy is that Italy is our second domestic market. It's a strong priority for us. As you see, Italy represents 20% of our net income this first half-year, 20.1%, so it's strategic. It's important for us, and we want to continue to develop in Italy organically, but also with the partnerships that we have between the business lines and Crédit Agricole Italia, and the business lines and other retail networks, and in particular, Banco BPM.

So, we are a long-term partner of Banco BPM, and that's also why we strengthened our stake in Banco BPM to 29.3%. We're now by far the first shareholder in Banco BPM, and so we're committed to this investment and to this strategic relationship.

Now, there's of course lots of scenarios on the table. Now, we are not going to be the ones who are going to be taking decisions. But what's certain is that with our 29.3% stake, nothing can be done without us, nothing can be done against us. Now, of course, one of the preferred scenarios for us would be a merger between Banco BPM and Crédit Agricole Italia because it would generate value for us, and it would allow us also to strengthen our setup in Italy.

But really, in Italy, this strategic market for us, it's a long-term position we have. We really want to build up. In the medium-term plan, we said we wanted to go from 6 million customers to 6.5 million customers. So, we're rolling out a lot of initiatives also organically, in particular digitalisation for the professionals, synergies between Crédit Agricole Italia and CACIB, etc.

Regarding your question on the wildfires. So, it's been something that has indeed been very shocking for everyone. So, our first priority is really to support the victims and the communities and our employees, and we're putting in place a certain number of relief measures for our customers. So, we have loan repayment holidays. We have zero interest emergency cash advances. We have support plans for businesses. We've put in place a €2 million solidarity fund. So that's what we're focusing on right now.

Now, in terms of impact, probably the impact is going to be lower than that of the storm's impact in the first quarter. But that's the direct impact. There is going to be an indirect impact, nevertheless, with the impact on the macro economy, which will probably hit more the regional bank in that area, which is Crédit Agricole Aquitaine. But at this stage, we're really focusing on supporting our customers as we always do in the good times and bad times.

Giulia Aurora Miotto: Thank you.

Operator: Next question is from Tarik El Mejjad, Bank of America.

Tarik El Mejjad (Bank of America): Hi. Good morning, Clotilde. Good morning, everyone. Just two questions, please. I'll come back on Italy. I mean, I'm sorry, but you look actually passive but also active at the same time. Let me explain. So first active, because you raised your stake. As Mr Gavalda said, you clearly have your say on any deal. I mean, his comment was clear that it doesn't look like supportive to BAMI – Banco Monte dei Paschi deal, if I understand well. And then passive, because clearly also from your comment just now that you're really keen to do BAMI-Crédit Agricole.

But – I mean, do you think this position of being really caring about what government think – I mean, we've seen in Europe that any deal that can happen has to be going slightly hostile against different stakeholders, including government, to lend something. Is that something you intend to consider at some point? I mean, because if you want that deal to happen, clearly that's what you want. I don't see just being on the sidelines how this could land.

And question number two is on the cost of risk. Clotilde, I think you explained very well that part in your comments, but can you just focusing on the Stage 3 ex-migration from Stage 1 and 2, what are the areas that show that flare-ups in Stage 3? And how do you see basically the outlook from there? Thank you.

Clotilde L'Angevin: Okay. Thank you, Tarik. In Italy, yes, indeed, we do have a say with this 29.3%. We are key, we are a key player. We're not necessarily a decision-maker, but we're a key player, and that's why I was saying that nothing can be done without us.

Now, regarding other scenarios, we have not received any concrete offer regarding the MPS-Banco BPM rumours that we're hearing in the press. So, we're reading the press like you, but we have not received any concrete offer.

Going forward, do we care about the Italian government? Of course, naturally. We are a long-term player in Italy. It is our second domestic market. It is strategic, and so, of course, we care about all of the stakeholders in Italy. It's important for us to continue to support the development of the Italian economy. So naturally, we have to think about all of the stakeholders in this country, which is very important for us.

Now, in terms of cost of risk. So yes, there is this technical migration of a few files. I'm not going to tell you the details of the few files, naturally, but what I can tell you is that we have a prudent stance in terms of cost of risk, and we have always had a prudent stance.

Now, in these specific files, which is a little bit specific compared to what you can see usually, the order of magnitude of the reversal of Stage 1 and 2 provisions that feed into the increase in Stage 3 provisions, the order of magnitude is very similar for these few technical migrations for files that are being currently disposed of. So, we have had a particularly prudent provisioning stance for these specific files, for the €128 million.

Besides that, indeed, we have a few tickets for which we have an increased transfer from Stage 1 and 2 to Stage 3 for CACIB. But in fact, it's limited compared to the view that we can have as to the whole asset, the quality of our asset base. We have a very diversified and balanced business mix. We have investment-grade customers. As you can see in financing activities, the cost of risk is very low in terms of basis points. So, we're always monitoring the evolution of the corporate customers.

But our corporate customers are solid, are diversified, are counting on us, by the way, to help them diversify, to help them hedge, to help them develop internationally. And the NPL ratio for CACIB is very low. It's below 2%.

Now, moreover, this €571 million in Stage 3 cost of risk is also, but to a lesser extent, due to CAPFM, and that's really the macroeconomic environment, which we're very much monitoring closely, and this is something that we're used to dealing with, and that we have been used to dealing with it.

Tarik El Mejjad: Thank you. But can I just follow up on Italy very quickly? Have you ever had any discussions with the government? Because contemplating merger, like others did in other geographies in Europe, is also an argument of serving better the economy and other stakeholders and improving profitability in the system, and so on and so on. Or do you feel discussions cannot even go to that ground? It's more political, and you are, after all, French.

Clotilde L'Angevin: We are discussing all the time with all of the stakeholders. We are a very large bank, and so we're always talking with everyone.

Tarik El Mejjad: Thank you.

Operator: Next question is from Delphine Lee, JP Morgan.

Delphine Lee (JP Morgan): Thank you for taking my question. Hi, Clotilde. So just wanted to come back on Italy, if that's okay, and coming back on what Olivier said a bit earlier. Can you maybe elaborate a little bit on what you mean when you say that you see it as difficult that a potential Monte Paschi-Banco BPM merger can be value-accretive? If you could just explain a bit more.

And then my second question is on NII, more generally speaking. We've seen some very strong performance in France. Is the guidance still a high single-digit for the whole year? And also in Italy, NII has been progressing as well. But is the guidance also still that NII this year is a little bit under pressure, which feels maybe a bit outdated? Thank you very much.

Clotilde L'Angevin: Great. All right. I'm not going to comment more in detail regarding the mergers of, in particular, Banco BPM and MPS, because what's important for us is to consider more generally, not in one scenario specifically. More generally, we have to consider the positive impacts that we will need to get out of any scenario. We have a position where we will make sure that any outcome is value-creating for us.

So, it's not so much a comment on one specific rumour about one specific merger, on which, again, we have not received any concrete proposal. It's just to say that in any case, whatever happens, we will make sure that any outcome is positive for us. We will make sure that any outcome is value-creating for us. So that's really what we have as kind of the way we're thinking about things in Italy.

Now, for net interest income, yes, indeed, very strong net interest income, for example, for LCL, +17%. Indeed, I had told you about high single-digit net interest income by the end of the year. We're going to stay on that guidance. Maybe it's a little bit prudent, but for 2026 to 2028, what we have told you in the workshop is that we're planning on having an increase in net interest income by +6% over the medium-term plan.

And what is this going to be driven by? We're making the hypothesis that we have a stable liabilities mix. This is an important hypothesis because you remember when there was that strong hike in interest income a couple of years ago, the negative impact that we have had was this shift in the mix from sight deposits to time deposits.

So, what we're making is the assumption that it's going to be stable, which is a very reasonable assumption if you consider that the variations in rates are going to be progressive, which is what we're seeing today. And this increase in net interest income should be driven essentially by two things – well, three. One, volumes. Two, on the liability side, a lower rate on the term deposits, because as we renew our balance sheet, the rates are low. And three, on the asset side, higher rates on the new loans, because as you can see, there is still a positive difference between the front book and the back book for LCL. We also have, in particular, that for regional banks.

For Italy, yes, indeed, we were talking about a decrease in net interest income. Again, it's probably prudent. It's more or less stable today in the first half-year, so I want to remain on this prudent guidance for the end of the year because we have a very competitive market in Italy. It's stable over the first half-year because we had a decrease in the first quarter and increase in the second quarter. So, I think it's going to remain relatively stable over the year.

Delphine Lee: Thank you very much.

Clotilde L'Angevin: Thanks, Delphine.

Operator: Next question is from Stefan Stalmann, Autonomous Research.

Clotilde L'Angevin: Hi, Stefan.

Stefan Stalmann (Autonomous Research): Good morning, Clotilde. Thanks for taking my questions. I wanted to get back to the moving parts on impaired loans and provisions. I'm not sure I understand it. You have an increase in impaired loans of about €1.4 billion during the quarter. Can you tell us what happened and maybe how much of that is related to this pending sale of non-performing loans? And I am also not quite sure I understand why there would be a technical migration from Stage 2 to Stage 3 potentially related to this pending disposal. And I also don't understand why the Stage 2 provisions of such a portfolio would be similar to the Stage 3 provisions. I mean, usually at Stage 3, you should be much higher. Maybe you could add a little bit more detail on that part?

Clotilde L'Angevin: Yeah.

Stefan Stalmann: And I also wanted to come back to Italy, and I hear you that you don't want to comment on every scenario, but Olivier was actually very specific saying that he cannot see or difficult to see how the combination of Monte Paschi and BPM could create shareholder value. And that's a pretty specific comment, and I was wondering if you had any colour on what the basis is on which he reached that view, and whether that's already baking into the view, some view on what this combination would mean for CASA. Thank you.

Clotilde L'Angevin: All right. Okay. So, for the cost of risk – thank you for your questions. So yes, indeed, impaired loans have increased from €13.4 billion to €14.8 billion between the end of March and the end of June. So that's €1.4 billion increase, 10%.

Now, between €500 million and €600 million of that is linked to this technical migration. I am not going, again, into the different files, but, for these files, when you are relatively certain that the file is going to be disposed of, you know what is the price at which it is going to be disposed of. And so when you have an idea, good idea as to the price of that, that's when you adjust your provisioning and you put it into incurred risk with a rate of provisioning, which is equivalent to the price at which you can dispose of that.

And so, sometimes, if you have been very, very prudent in the provisioning before of the Stage 1 and 2 cost of risk for the specific files, the price can be, in fact, close to that provisioning. And so that's a situation where you can have a same ballpark for +€128 million and the minus on the other side with the reversal of the Stage 1 and 2 provisions.

So, I agree, it's not something that's habitual. We do not do that usually, but in these specific different cases, we are going to have this effect, which again, reflects our very prudent provisioning. Of course, we do that in all of our files, but in certain number of files, we have a little bit more specific prudent provisioning.

Now, if we take this off, in fact, the impaired loans increased by about 6%, which is much more reasonable, and as I was saying, the NPL ratio is very low for CASA, 2.4%, and the NPL ratio for CACIB, as I was saying, is below 2% if you correct from this technical migration impact. So very low NPL ratio for CACIB, below 2% corrected from this. Very high loan loss reserves, very high coverage ratio.

Now, in Italy, what I can tell you is that, again, what is important for us is creating value for our shareholders, and we have a preferred scenario. Yes, a preferred scenario would be to have a merger between Banco BPM and Crédit Agricole Italia.

Now, it's very difficult for us to be more precise than what Olivier was saying because we have not received a concrete proposal regarding any merger between MPS and Banco BPM. So, it's difficult to give you more detail because we do not have any concrete proposal. But what I can tell you is that our preferred scenario, which is something that creates value strongly for us, is the scenario of a merger between Banco BPM and Crédit Agricole Italia.

Stefan Stalmann: Thank you very much, Clotilde. Could I just maybe follow-up on the credit part? Is it the fact that you received an indication of interest in these assets or that you tried to sell them? Is that what triggered the reclassification from Stage 2 to Stage 3?

Clotilde L'Angevin: Yes.

Stefan Stalmann: Or did these loans just go – yeah?

Clotilde L'Angevin: Yes.

Stefan Stalmann: That was the case?

Clotilde L'Angevin: Yes, Stefan. Yes. It's few files that are being disposed of and on which we are discussing a price. So, we have a reasonable idea as to the price. And so that's why you can do this technical migration. You have to do it, in fact.

Stefan Stalmann: First time that I hear that the value indication on a loan drives its Stage 2 or Stage 3 classification.

Clotilde L'Angevin: Well, it's a technical migration linked to files that are currently being disposed of. So, it's also because we're in the process of disposal currently. Oftentimes, what you see is you have files that are disposed of, but it's not currently being disposed of.

Stefan Stalmann: Okay. Thank you very much for your help. Yeah. Thanks.

Clotilde L'Angevin: Thanks.

Operator: Next question is from Alberto Artoni, Intesa Sanpaolo.

Alberto Artoni (Intesa Sanpaolo): Good morning. Thank you for taking my questions. I have two, please. The first on French retail and the second one on large customers. On French retail, of course, fantastic performance this quarter. Just wanted to understand a bit on the NII developments, if the likely increase of Livret A, we'll see, is going to have an impact or if the other moving parts will massively outweigh what I think it might be a negative impact if the Livret A goes to 1.7% as the Banque de France is suggesting.

And the second question is just a clarification on the investment banking business in capital market. You mentioned structured equity activities as one of the reasons for the good performance in the quarter. I just want to understand those products that you sell on the retail network to households, is it something that you always have been doing? Or you're doing more of those things and, perhaps, it is an opportunity to sell more of those products in the future? Yeah, just a bit more colour on that business. Thank you very much.

Clotilde L'Angevin: All right. Thank you, Alberto. On French retail. So indeed, we are expecting an increase by 20 basis points of the Livret A in the month of August. Now, in fact, before hedging – as you know, we have a macro hedging of our balance sheet, so we hedge according to the way we model our liabilities and our assets according to the way they evolve with short-term rates, long-term rates, inflation. And so, before hedging, you could consider, if you did the calculations – because we have a lot of that – the regulated savings that are centralised at the Caisse des Dépôts – so if you did a before-hedging calculation as to the impact on LCL of this 20 basis points impact of the Livret A, you would come to around €10 million of a negative impact between August and December. It's a little bit more for the regional banks, naturally, because they're more exposed.

But of course, we hedge that. And so, we model the Livret A in the way it evolves based upon interest rates and inflation. So, we don't hedge it 100%, of course, but since we hedge that, the impact on the income of retail banking, be it regional banks or LCL, is very limited.

The drivers going forward are going to be volumes, are going to be the evolution of the price of our balance sheet on the time deposits, and it's going to be the difference in the front book and the back book on the asset side.

So, in investment banking, we have an increase by more than 60% of activity, which is due in particular to the excellent performance of structured equity activities, equity derivatives. So, this does include distribution that we do in the retail network, but not only. Equity derivatives is something that we're developing. We have been developing it. It's very small for us as of today, to tell you the truth, as you know. You know that investment banking and capital markets is about half of our revenues, and the other half is financing, finance market. And within capital markets and investment banking, you have investment banking and FICC.

So, it's very small as of today, but we are developing it. It's in our growth trajectory in the medium-term plan. So, we want to continue to develop indeed for the retail network, but we also want to increase the volume, in particular by opening new markets across Asia. We have sustained activity in US, for example. So, it's not only the retail market, the retail networks in France.

Alberto Artoni: Thank you very much.

Clotilde L'Angevin: Thanks, Alberto.

Operator: Next question is from Matthew Clark, Mediobanca.

Matthew Clark (Mediobanca): Good morning, everyone. So, two questions, again on NPLs and LCL NII, please. So, on the NPLs, and in particular, NPLs in CACIB, what I don't understand is that the coverage ratio has gone down from 90-something to 60%, despite the big increase in gross NPLs by the €1.4 billion. So, we can kind of impute from the component you said that was a technical migration that that part has a fairly low coverage ratio from the sort of €100-plus million of provisions from S2 to S3, covering the €500 million to €600 million you alluded to. But that also implies a very low, if not negligible coverage ratio for the other NPLs that have come through in that division. So, can you just help us understand why there would be such a low or negligible coverage on the other incremental NPLs in CACIB? So that's the rather long-winded question one.

Question two is on LCL NII. It looks like you're already at the 2028 target NII level from annualising the second quarter. So, do you really expect no growth between now, this quarter, and 2028? And if so, why? Thanks.

Clotilde L'Angevin: All right. Thanks, Matt. So, for the coverage ratio, when you have the coverage ratio, it's a ratio between the Stage 1 and 2 and Stage 3 provisions on the numerator. And on the denominator, you're going to have your impaired loans.

Now, when you have migrations between Stage 1 and 2 to Stage 3, you're going to have a slight increase in impaired loans. We talked about that answering Stefan's question.

We do have a decrease here in the coverage ratio of CASA by 5.4 percentage points. This is after the disposal of the files. If we had integrated the files that are to be disposed, the coverage ratio would have been lower between 1 and 2 percentage points. So, we do have, and after the disposal, we have the coverage ratio that goes back up a little bit, but it's true that the coverage ratio decreases a little bit due to the fact that we are doing this migration to Stage 3, and therefore, that there's non-performing loans that is increasing a little bit.

But again, our coverage ratio remains very high in CASA, 67.2%, very high at the level of the Group. And it's quite logical that when you have a very large amount of Stage 1 and 2 provisions, because we have out of the €9.7 billion of loan loss reserves, €3.2 billion in Stage 1 and Stage 2 provisions, it's natural that at one point you use these provisions to have this migration in order to absorb the incurred risk.

So going forward, this is also something that is going to protect us from any surge in incurred risk going forward.

Now, in terms of net interest income, we are going to continue to have a positive impact going forward. It's true that in variation, the increase this quarter has been very strong, due also to a situation in 2022, where we had not started this normalisation yet. Today, we're really in a normalisation. Normalisation of the price of our term deposits, normalisation also because we still have this difference between the front book and the back book. So, this normalisation takes some time, so the rate of growth is going to be slower going forward. But nevertheless, we still have these elements that are positive drivers of net interest income going forward.

Matthew Clark: But you gave this target of €2.3 billion in 2028, eight weeks ago. So, you're saying it's already stale? The target you gave at the end of May, so with one month left to go from May. I don't quite understand.

Clotilde L'Angevin: Yeah. You have to consider the target in terms of the rate of growth. The rate of growth is 6%, and so we have strong, still, drivers of growth, but very much more progressive going forward.

Matthew Clark: Thank you.

Clotilde L'Angevin: Thanks, Matt.

Operator: Next question is from Anke Reingen, RBC.

Anke Reingen (RBC): Yeah, thank you for taking my questions. Just two quick ones, please. Sorry to come back to Italy. Just one thing still not clear to me. So, you basically say your preferred option is a combination of your Italian operation with BPM, but what are you proactively doing to develop your preferred option, apart from obviously increasing your stake to 29%? And would you be happy to just stay at the 29%, or is that never going to be an end state? Thank you very much.

Clotilde L'Angevin: I think that the increase of 29.3% is pretty proactive, in fact. You're asking me what we can do to do proactively. I think this is a pretty proactive move. This allows us to really be key in the setup. This allows us to make sure that nothing takes place without us or against us. So, there's so many different scenarios on the table, it's difficult to give you any more elements about that, but I would not say that the increase to 29.3% was passive. It's really something where we have proactively shown how Italy was important for us, and how our partnership with Banco BPM was important for us in the long term.

Anke Reingen: Yeah. No, sure. I meant in terms of in addition to that, would you be happy to stay at 29%?

Clotilde L'Angevin: There's lots of scenarios on the table. As of today, what's going to be important for us is to create value for us and for our stakeholders.

Anke Reingen: All right. Thank you very much.

Clotilde L'Angevin: Thank you.

Operator: Next question is from Sharath Kumar, Deutsche Bank.

Sharath Kumar (Deutsche Bank): Good morning, Clotilde. Thank you for taking my questions.

Sharath Kumar: First one is on specialised financial services. Can you quantify the weakness associated with used car sales? And do you think you have reached an inflection point or that there is more pain to come? And previously you had said like a double-digit contribution for 2026 for Leasys. So, do you have any updated guidance in light of the second-quarter loss?

Second is on tax rate. You did speak about the reasons for the higher income tax rate in second quarter. Tax rate was nearly 28%. So, do you provide any guidance for the expected tax rate going forward? Consensus currently is factoring only a 24% income tax rate.

And lastly, a quick one on capital. Last quarter, we had a -17 basis points from model and OCI adjustments. This quarter, it was +22. So how should we think about this impact on an annual basis? At least on the model adjustments, do you give any guidance on an annual basis? Thank you.

Clotilde L'Angevin: All right. Thanks, Sharath. So first of all, on CAPFM, in fact, the impact of the used cars market is really what explains the deterioration in the performance of Leasys and Crédit Agricole Auto Bank. This is what explains the deterioration of the performance.

Now, why is this taking place? We have a situation where sales of new vehicles have been decreasing by 20% compared to their pre-COVID levels. We have the used cars market, for which the prices have normalised and have decreased by about 12% since their highest level of '22 and '23. We also have a situation that has been worsened for us, because we have a partner, which is Stellantis, by the underperformance of Stellantis in Europe. And we also have structural drivers in the market with the development of the electric cars, with the entry in Europe of China, etc., the impact on consumption of the crisis, etc.

So, we are in a situation where the market is weighing on our performance. So, the year will not be a good year for the automobile activities of CAPFM. All the more so as we have been one of the last players to enter the market at a time where the prices for the used cars were high. So we will not have a good year in 2026. We're going to have to wait, I think, for within 2027 to start seeing things that can pick up a little bit more, but we don't have visibility after that before 2027.

So naturally, we're launching structural measures to restore productivity, value-driven pricing. We're diversifying our different distribution channels. We're improving the remarketing processes, etc. We have strong foundations with 900,000 vehicles in our fleet. We have a very resilient model, but we are impacted by the automobile market, and so this is something that is going to take place that is going to weigh on our activity for the year at least.

In terms of tax rates, in fact, last year was a year where things were maybe less normal, because last year we had the effect of the deconsolidation of Amundi US, and we had base effects that were favourable, in particular for insurance. I was talking about capital gains that benefited from a low tax rate. So, it's always very difficult to talk about what we can do in terms of guidance going forward, but I would not consider 2025 to be more a normal year than 2026.

And for methodology. So indeed, there has been pluses and minuses. So, there was a lot of pluses this quarter. There were minuses last quarter and minuses in the Q4. I think what we can expect going down the line over the next year is there's still going to be probably pluses and minuses, but more or less, it should be relatively neutral till the end of the year on our capital.

Sharath Kumar: Thank you.

Clotilde L'Angevin: Thanks, Sharath.

Operator: We have no more questions registered at this time.

Clotilde L'Angevin: Thank you. Well, thank you very much, everyone. So, it really was – thank you for the very stimulating questions. Thank you. Of course, we're going to see you again after – when we come back in September, and we have a workshop that is planned in insurance in the month of November, on the 25th. So, we're going to be very happy, hopefully, to see you all in person for this workshop. And of course, we're going to talk through the Q3 results naturally and during the road shows, of course. So, everyone, I hope you're having a holiday break. And so, enjoy, everyone. Thank you.

Operator: Ladies and gentlemen, thank you for joining. The conference is now over. You may disconnect your telephones.

[END OF TRANSCRIPT]