PRESS RELEASE

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Consumer finance at Credit Agricole: a modern, profitable and high-potential business

“*Between 2014 and 2019 we have built a robust and highly socially cohesive company, with a strong customer base, solid and diversified partnerships and modern tools and processes. Our products meets new consumer behaviours and the expectations of our partners. These assets have enabled CA Consumer Finance to be very resilient during the Covid-19 crisis and to help its customers, partners and employees weather the crisis*”, said Stéphane Priami, Deputy Chief Executive Officer of Crédit Agricole S.A. in charge of Specialised Financial Services and Chief Executive Officer of CA Consumer Finance.

- **Profitable consumer finance leader in Europe, with employees that are committed** to customers, partners and society
  - €90 billion in gross managed loans, with a comprehensive product range that meets the new omnichannel and digital consumer behaviours, and is a growth driver for Crédit Agricole Group
  - €43 billion of automobile loans and a contribution from automotive joint-ventures to the net income group share up 18% per year between 2014 and 2019
  - RONE of 17.7%, 9% of the net income group share of Crédit Agricole Group in 2019
  - Employee engagement and recommendation index at a record 81% in 2020
  - 15 million customers

- Exemplary crisis management demonstrating **strong rebound capacity** and **well-controlled risk management**
  - Over 95% of employees in Europe working from home, including sales functions
  - 380,000 moratoria granted for more than €1.5 billion in deferred maturities, boosting customer satisfaction (CA Consumer Finance ranks in the top 2 in terms of net promoter score)
  - Return to pre-crisis activity level as of June, and limited impact of the second wave
  - Support for care workers, with over €1.5 million in donations

- Solid situation at the end of 2020, stepping-stone for strong 2022 ambitions, supported by digital technology, **with four growth drivers**
  - Strengthening partnerships through digitisation and cross-selling, which will double in France
  - Developing mobility solutions thanks to expertise in car financing: +€4.5 billion of additional loans managed by automotive joint ventures and, excluding joint ventures, +€500 million of additional automotive production per year
  - Implementing, in all countries, the servicing model tried and tested in within Crédit Agricole Group's local banks in France: +1 percentage point of additional market share for the Group's banks in France and 10 new banking partners abroad
  - Being a leader in sustainable financing, with €1 billion production per year

- **Ambitious three-year financial targets**:

- Gross loans managed up €20 billion to €108 billion
- Cost/Income ratio excl. SRF at 46%
- Cost of risk over outstanding low, under 160 basis points
- High profitability, with 15% RoNE

"*By combining digital modernity and human proximity, we are in line with the trends in society. Our strengths have enabled us to withstand the crisis by supporting our customers and partners, strengthening our social cohesion and our digital capabilities. We will continue to make progress by further increasing customer satisfaction, empowering our employees and developing actions in favour of an ever more inclusive bank, driver of energy transition. I am therefore confident in a medium-term project focused on development and innovation, in response to the needs of customers and society. Consumer finance is now one of the bank's most modern business lines, which I am convinced will contribute to the development of the Crédit Agricole Group*", concludes Stéphane Priami.

Specialised Financial Services, a key business in the Universal Customer-focused Banking model

The Specialised Financial Services (SFS) business line has contributed on average 12.8% of Crédit Agricole SA's net income Group share since 2014 and has presented resilient profitability, with an average return on normalised equity of 13.9% since 2016. Moreover, as a reminder, the cumulative growth target for revenue synergies within the Crédit Agricole Group between 2018 and 2022 as set out in Crédit Agricole SA's 2022 medium-term plan is 3.5%, and the Specialised Financial Services business line should contribute by nearly 25% to the additional expected synergies.

Crédit Agricole Consumer Finance, a profitable business fostering growth for Crédit Agricole Group

CA Consumer Finance supports retail banks of the Crédit Agricole Group with a production for the Regional Banks and for LCL of €2.4 billion and €1.2 billion, respectively, in the first half of 2020 (€6.6 billion and €3.3 billion in 2019). The market share of the Regional Banks and LCL, in terms of outstandings, reached 14.8% in the first half of 2020 (14.7% in 2019). CA Consumer Finance also contributes to achieving synergies with the Group's other business lines: Crédit Agricole Assurances (€579 million in Crédit Agricole Assurances premiums, distributed by CA Consumer Finance in 2019), Crédit Agricole Payments Services (approximately one million bank cards granted with Crédit Agricole Consumer Finance), Crédit Agricole Corporate & Investment Bank, Amundi, etc. Lastly, CA Consumer Finance puts excellence in terms of customer relations and innovation at the heart of its development model with 100% digital paths (e.g.: DigiConso), innovative ecosystems (in collaboration with Group solutions - e.g.: Linox), strengthening of skills and data tools through the sharing of new data use cases (notably scoring). *Return On Normalised Equity* reached 17.7% in 2019 (13.7% in underlying Q3-2020), CA Consumer Finance contributes 79% to the net income Group share of the Specialised Financial Services business line, 9% to the net income Group share of the Crédit Agricole Group, and approximately 15% to the achievement of the synergies provided for in the Medium-Term Plan 2022 of Crédit Agricole SA.

Crédit Agricole Consumer Finance, European leader

A leader in the key European consumer credit markets

CA Consumer Finance is established in the key consumer credit markets in Europe:

- France: €32.2 billion in outstandings managed by Sofinco as of September 2020 (vs. total outstandings on this market of €186 billion);
- Germany: €4.4 billion in outstandings managed by Crédit Plus as of September 2020 (vs. total outstandings on this market of €199 billion);

- Iberian Peninsula: €2.4 billion in outstandings managed by CrédiBom and SoYou as of September 2020 (vs. total outstandings on this market of €110 billion);
- Italy: €13.9 billion of outstandings managed by Agos as of September 2020 (vs. total outstandings on this market of €109 billion);

Other markets or partners are also growth drivers for CA Consumer Finance with:
- FCA Bank in Europe (€25.3 billion in outstandings as of September 2020);
- GAC Sofinco in China (€5.8 billion in outstandings as of September 2020);
- Wafasalaf in Morocco (€3.4 billion in outstandings as of September 2020);
- Crédit Agricole Bank Polska in Poland (€1.5 billion in outstandings as of September 2020).

Overall, CA Consumer Finance ranks among the top three consumer credit players in Europe with €89.2[1] billion in outstandings under management at end-September 2020 and 15 million customers.

Snapshot of the Crédit Agricole Consumer Finance entities

CA Consumer Finance is characterised by entities with strong market shares in the regions where they are established. Thus, Sofinco is leader in France with an omnichannel model (66% of 2019 production in long channel, 34% in short channel) and a market share of 12.9%[2] as of September 2020 (i.e. +0.7 percentage points compared to December 2019), and number 2 in Net Promoter Score. Agos is leader in Italy[3], with an expertise on long channel and cross-selling (54% of 2019 production in long channel, 46% in short channel) and a market share of 10.5%[4] as of September 2020 (+0.5 percentage points since December 2019), and number two in the Net Promoter Score. CreditPlus is CA Consumer Finance's gateway to developing in Germany, with production split between 53% long channel and 47% short channel and a market share of 2.5%[5] as of September 2020 (+0.6 percentage points since December 2019), and number one in Net Promoter Score. Credibom is the leader in car financing in Portugal, with 2019 production divided between 82% long channel and 18% short channel, a market share of 15.1%[6] (+4.5 percentage points compared with December 2019), and number one in the Net Promoter Score. FCA Bank is a financial joint venture of the Fiat Chrysler automobile group, with a penetration rate of 45.3% in 2019 and outstandings split between 74% in Retail & Rental and 26% in Dealers. GAC-Sofinco is also a financial joint-venture, with the Guangzhou automobile manufacturer, with a penetration rate of 21.3% in 2019 and outstandings split between 82% in Retail and 18% in Dealers. Lastly, Wafasalaf, leader in consumer finance in Morocco, is characterised by a market share of 34.2%[7] in September 2020 (i.e., -1.8 percentage points compared to December 2019) and production divided between 63% long channel and 37% short channel.

A presence in Europe, a lower risk profile market

CA Consumer Finance is positioned on a lower risk profile European market with, in particular, a larger share of automotive in Europe (38%[8]) than in the United Kingdom and the United States (14% and 28%, respectively) and a smaller share of credit cards (8% in Europe vs. 16% in the United Kingdom and 24% in the United States). Moreover, the cost of risk on outstanding loans is lower in Europe (approximately 1% vs. 2% and 3% respectively in the United Kingdom and the United States[9]).

[1] Of which €32.9 billion in consolidated outstandings (€12.4 billion in France) and €1.8 billion in outstandings under management by CACF NL (pending withdrawal)
[2] Source: ASF
[3] Number 1 in consumer finance in Italy with Agos and FCA Bank (Source: Assofin and internal data)
[4] Source: Assofin
[5] Source: Bundesbank
[6] Source: Assfac
[7] Source: APSF
[8] 2017 data
[9] 2019 data

A comprehensive, omnichannel and efficient model, geared towards growth

CA Consumer Finance's distribution model is based upon :

- A comprehensive product range: amortisable loans, revolving loans, debt repurchase, LOA-LTC, insurance, savings;
- Omnichannel distribution: short channel (direct sales, points of sale and online), long channel and partnerships (points of sale and online with cross-selling targets), service providing (Group banks and Institutional Banks). These channels account for respectively 22%, 50% and 28% of outstandings under management.
- A recognised edge in the digital, marketing and data sectors: more than 200 active digital marketing cases thanks to the Data Management Platform (DMP) of Crédit Agricole Consumer Finance, Europe's leading financial player with Google Measurement Protocol certification, with 63% of digital production share (in number of files).

Diversified and profitable activities

Five dynamics, pillars of the profitability and leadership of Crédit Agricole Consumer Finance

1. A solid customer base with high levels of customer acquisition: 15 million customers in 2019, direct acquisition of individual customers (20,000 for Sofinco in 2019 in particular), customer acquisition through long channel (715,000 for Sofinco in 2019) and 270,000 new customers cross-sold from the long channel to the direct channel between 2016 and 2019 in France and Italy.

2. Numerous and diversified partnerships to support growth: direct distribution (notably Sofinco and Agos), Crédit Agricole Group retail banks (in particular the Regional Banks and LCL), joint ventures and automotive partnerships (notably FCA Bank and GAC Sofinco), consumer goods distributors (notably FNAC-Darty and Ikea) and institutional customers (notably Banco BPM and Amundi). Long channel partners (excluding retail banking services and institutional partnerships) represent €44 billion in outstandings.

3. Differentiating digital expertise and innovative approach, with:
    - Digital customer journeys: 100% online and mobile first subscription tools, 90% of electronic signatures implemented through short channel in all entities, 95% of remote work;
    - Skills in cold and hot data: for cold data, analytical and predictive tools integrated into a *datalake* and managed by teams of data scientists; for hot data, *Data Management Platforms* at the heart of anticipating customer needs (targeting and retargeting modules, 50% of production carried out online via Data Management Platforms);
    - Innovative ecosystems: an innovation community and a start-up contest (in particular Le Village By CA, ColLab), collaboration with innovative partners (in particular Google, Linxo) and universities;
    - Leading digital customer journeys in France: Sofinco is first according to a study carried out by independent consultants, with an overall score of 2.7 (a score of 2 corresponding to journeys that meet market standards and a score of 3 corresponding to a position above standards), thanks in particular to ergonomics, fluidity and efficiency that are ahead of standards.

4. A high-performance model for automotive joint ventures based on:
    - A sharp increase in automobile outstandings, including automotive joint ventures, from €26.4 billion in 2014 to €42.7 billion in 2019, i.e. an increase of 62%, including automotive joint ventures outstandings that rose from €18.0 billion in 2014 to €33.2 billion in 2019, an increase of 85% over the period;

- Two automotive joint ventures (FCA Bank and GAC Sofinco) with a model with solid and healthy fundamentals. Over the 2014-2019 period net income group share of these automotive joint ventures grew by 18% per year on average, and revenues in relation to outstandings reached 4.3%, cost/income ratio excluding SRF 30%, cost of risk over outstandings 30 basis points, and pre-tax results on outstandings 2.7%;
- Leasys, a gem within the FCA Bank group, a structure with a wide range of innovative offers in response to the two major trends in mobility (increase in the proportion of electric and hybrid vehicles, and new types of use), has made a significant contribution to FCA Bank's growth in recent years. Thus, outstandings under management by Leasys grew by 22% per year between 2014 and 2019, from €1.3 billion to €3.5 billion, while outstandings under management by FCA Bank excluding Leasys grew by 11% over the same period.

5. A high value-creating insurance and services activity:
    - A diversified range of insurance products to meet customers' needs: financing protection (borrower's insurance, which notably provides coverage in the event of death, disability and/or loss of employment), property protection (warrantee extensions, assistance guarantees in the event of vehicle breakdown or insurance included in a "service package") and personal protection (to cover our customers in the event of an accident, or to secure their budget). The weight of these insurance products in CA Consumer Finance catalogue is 53%, 39% and 8%, respectively;
    - A significant increase in premiums distributed by CA Consumer Finance, which reached €1.2 billion in 2019, i.e. an increase of +5% per year over 2014-2019[10]).

    All in all, the CA Consumer Finance insurance and services growth will be based on:
    - Strong momentum in our insurance business around a more balanced product mix;
    - A business model based on a revenue structure that combines fee and commission income and profit sharing;
    - A potential for development through innovation in services.

Lastly, CA Consumer Finance is supported by resolutely mobilised teams, committed to serving customers and society. The result is an ERI (Engagement and Recommendation index) of 81%, 7 points above the 2019 result and 8 points above the norm for financial institutions. The societal project is in line with the policy of Crédit Agricole Group and encourages employee commitment. It is based on three pillars

- Being an inclusive bank by extending access to credit to all customers, supporting the most vulnerable customers and raising awareness of budget education. This has already resulted in a 15% drop in over-indebtedness cases for Crédit Agricole Consumer Finance in France, compared to a 12% drop on the French market in 2019 reported on February 6th by the Banque de France;
- Commitment to society: supporting the actions of our staff, sharing expertise, particularly digital skills, to the benefit of societal projects, and fostering an ESG approach for CA Consumer finance's suppliers and partners. This has already materialised through the use of skills sponsorship for staff in France and donations of more than €1.5 million paid to health services;
- Fostering energy transition by accompanying customers in this process at their level (mobility, housing), by acting for the circular economy, and by reducing the carbon footprint.

These five dynamics have led to an improvement in profitability between 2014 and 2019, driven by:

- Business development, driven by the automotive joint ventures (growth in net income Group share of 18% on average per year between 2014 and 2019) and insurance (the share of insurance in CA Consumer Finance's revenues is 17% in 2019);

[10] *Average annual growth rate*

- A well-managed cost/income ratio excluding SRF in the context of digital transformation, and despite a drop in interest rates. The cost/income ratio excl. SRF was 49.3% in 2019;
- A proactive approach to optimise the risk profile, with a normalisation of Agos' cost of risk (-260 basis points between 2014 and 2019), tightening of scoring systems, investment in anti-fraud tools, optimisation of recovery (support for the most vulnerable customers, setting up collection agencies, receivables assignment policy) and a more balanced product mix profile (86% of amortisable loans and 12% of revolving loans in 2019 vs. 78% and 20% in 2014). Between 2014 and 2019 the cost of risk over outstandings fell by 1.6 percentage points to 128 basis points in 2019[11];
- Lastly, return on *normalised equity* increased by 10.2 percentage points between 2014 and 2019, to reach 17.7%[12] in 2019.

Within the framework of a benchmark carried out with our main peers, the restatement of the contribution from consolidated joint ventures using the equity method shows a positioning of CA Consumer Finance similar to Peer 1 on the following indicators in September 2020: revenues over outstandings (5.6% vs. 6.0% for Peer 1), cost/income ratio (44.5% vs. 50.2% for Pair 1), cost of risk over outstandings (1.6% vs. 2.1% for Peer 1). A difference with Peer 2 on the cost of risk over outstandings (1.6% compared to 1.0% for Peer 2), which can be explained by the automotive predominance within this Group.

Crédit Agricole Consumer Finance, robust during the Covid-19 crisis

CA Consumer Finance was strongly mobilized during the crisis, for the safety of its employees and to serve its customers. More than 95% of employees were working from home from the very first days, including sales functions, 54% of production was carried out online in April compared to 31% in February, and 380,000 moratoria requests have been granted since the start of the health crisis. Proximity is appreciated by customers, with a positive impact noted in the results of strategic Net Promoter Score in CA Consumer Finance's markets (number 1 in France and number 2 in Germany) and a stronger sense of belonging among employees, with an increase in the ERI (Engagement and Recommendation) index to 81% (+7 percentage points compared to 2019).

A proven capacity to rebound from May and a return to pre-crisis production levels between June and October. The second wave observed is milder in France than the first one, with limited impacts (-65% of monthly production in April 2020 compared to April 2019, versus only -10% in November 2020 compared to November 2019).

A controlled cost of risk impact, X1.5 for the nine months 2020 compared to the same period the previous year, and a cost of risk on outstandings of 188 basis points over the first nine months of 2020 annualised, marked by a peak in the first half of 2020, including increased provisioning of performing loans. The coverage ratio[13] reached 76% in the third quarter of 2020, with the decline compared to last year mainly due to the impact of the new definition of default. Support to Crédit Agricole Consumer Finance customers was massive, with over €1.5 billion in moratorium granted[14] between March and September (€1.2 billion for professionals and €0.3 billion for retail clients). The efficient management of these deferred payments has made it possible to limit recurrence rates to a low level. As a result, 98% of matured moratoria (or €1.15 billion in deferred maturities) were repaid at the end of September.

A high level of self-financing, ensuring autonomy. For several years now, CA Consumer Finance has been diversifying its sources of refinancing. CA Consumer Finance is the leading European player in the consumer credit securitisation market in 2020 (in terms of number of transactions) and has developed dynamic savings inflows thanks to digital tools (+33% growth in the stock of savings between 2013 and 2019), enabling it to reach a self-financing rate of 88% at the end of 2019, up +29 basis points since 2014. The self-financing rate reached 84% in September 2020.

[11] Including losses non provisioned.Cost of risk on outstanding corresponds to the annualized 9 month cost of risk divided by the average of the outstanding recorded beginning of Q1 2020, Q2 2020 and Q3 2020.
[12] Methodology: share capital allocated to CA Consumer Finance corresponding to 9.5% of RWA of CA Consumer Finance
[13] Stage 3 provision rate , provision on performing and non performing loans divided by non performing loans
[14] Amount of deferred maturities

Growth is the priority

Four growth drivers supported by digitisation

The ambitions of Crédit Agricole Consumer Finance for 2022 are based on four growth drivers : partnerships and cross-selling, automotive, third-party servicing and green financing. Digitisation will underpin these four growth levers: the recent investments in digitization and innovation in all the entities of CA Consumer Finance are bearing fruits, in order to serve our customers.

Partnerships will be developed by relying on digital technology and by strengthening the cross-selling rate, which will double in 2022 in France. In the automobile sector, CA Consumer Finance wants to take its stake in the changing world of mobility, thanks to its automotive expertise, which will result in an increase in annual automotive production, excluding joint ventures, of +€500 million in 2022,[15] and an increase in joint venture automotive outstandings of +€4.5 billion in 2022 compared to 2018[16]. CA Consumer Finance will also extend its third-party servicing services to new financial institutions (+10 new banking partners by 2022) and will continue to extend its services to the Crédit Agricole Group retail banks in France (+1 percentage point on the market share of the Group's banks by 2022 compared to 2018). Lastly, CA Consumer Finance aims to become the leading consumer credit player in green financing, by generating an additional €1 billion in annual production by 2022.

Implementing the results of recent investments in digital and innovation for the benefit of customers

More than 70% of the production will be digitised by the end of 2021, compared to 63% in 2019. Best practices in terms of digitised customer processes will be rolled out in all CA Consumer Finance entities by the end of 2021 as well as at CA Consumer Finance's partners (IKEA, Tesla, Pisca Pisca, DigiConso). Thanks to Digiconso, the processes for on-boarding and granting a loan will be reviewed to reduce the *Time to yes* of Regional Banks clients on the long channel (in France, Italy and Germany) to less than 15 minutes and to less than 48 hours on the short channel and automotive by the end of 2021 (in France, Italy and Germany). The gain in *Time to yes* on the cars-motorbike leinsure short channel (from ten days to 48 hours) is a 10% increase in the volume of processed files and a reduction in the need for 10 FTEs (Full Time Equivalents), which can be redirected towards sales. Lastly, digitisation should make it possible to improve customer satisfaction. 10 key performance indicators on customer satisfaction are therefore monitored monthly by the Executive Committee of CA Consumer Finance, and CA Consumer Finance wants to become number one in Net promoter Score in all its markets, against being number two in 2020.

Partnerships & Cross selling: developing partnerships relying on digital technology and strengthening cross-selling ratio

In the wake of the development of partnerships and cross-selling, CA Consumer Finance wants to foster the acquisition of new partners and to make better use of the customers acquired through these partnerships. The expansion into new partnerships will be achieved through the reinforcement of the pan-European approach, by continuing to support existing partners abroad, and by gaining new pan-European partners, but also through futher digitisation of the services offered, acceleration of the development of payment products (in particular fractionated payment for partners), and acceleration on new household equipment trends (i.e. rental, subscription) In addition, CA Consumer Finance intends to make better use of customers that have been acquired through partnerships by modernising marketing, meta-scoring and use of data. More precisely, this entails the setting up of a DataLab, data governance and a more fine-tuned cross-selling management thanks to a dedicated tool.

[15] In 2019, automotive production excluding *joint-ventures* was €3.6 billion

[16] *In 2018, joint venture outstandings totalled €32.5 billion*

Taking our stake in the changing world of mobility, leveraging on our automotive expertise

CA Consumer Finance intends to leverage on its expertise to extend it beyond the scope of joint ventures and position itself at the heart of the changing world of mobility. This will entail the expansion of the mobility trends product range (creation of CA Rent to cover the Long-Term Lease (LTL) product range), the amplification of financing and services for electric and hybrid vehicles, and the acceleration on the second-hand market (through the on-line business) CA Consumer Finance also intends to amplify the development of the “captive” model, through the support of manufacturer partner by capitalising on the digital customer journey and developing a pan-European tool for financing distribution networks, and via the support of distribution partners.

Rolling out the servicing expertise in all countries CA Consumer Finance operates in

The development of servicing is a source of income diversification for CA Consumer Finance without consuming scarce resources. CA Consumer Finance has been sharing its consumer credit know-how with the Group's European Retail Banks for more than 15 years. Outstandings managed by CA Consumer Finance on behalf of Crédit Agricole Group banks totalled €21.2 billion in 2019, 63% of which were managed for the Regional Banks, 31% for LCL, 5% for CA Italia and 1% for Crédit du Maroc. CA Consumer Finance aims to continue to improve the servicing of the Group's retail banks in France, notably by enabling them to gain one point of market share by 2022 compared with 2018. At the same time, CA Consumer Finance wants to take advantage of this “servicing” activity with external players by acquiring new targets. To expand servicing, CA Consumer Finance also wants to innovate on new offerings, notably on credit and insurance products, and to optimise customer equipement for our banking partners

Becoming the consumer finance leader in green financing

CA Consumer Finance wishes to consolidate its strong performance in the sustainable financing market, a market that is structurally growing (the volume of green loans and bonds worldwide was up 26% per year between 2017 and 2019). CA Consumer Finance is already well positioned in the key sectors of the green economy, i.e. mobility, through the financing of electric vehicles, and home isolation / green power, and is already engaged in partnerships with players producing electric or low-carbon dioxide consumption vehicles. At the end of September 2020, production generated over the year 2020 by green financing amounts to €0.5 billion, and CA Consumer Finance's objective is to increase annual production to €1 billion in 2022, thanks in particular to an attractive financing offer for energy renovation, and to the financing of electric or low CO2 consumption vehicles by our partners and pure-players.

A 2022 ambition borne by all CA Consumer Finance entities

The CA Consumer Finance strategy is global, yet it is also applied at the local level, with some specific adaptations:

- In France: organic growth via the amplification of synergies within the Crédit Agricole Group (generalisation of DigiConso, support for insurance), improvement of processes, and optimisation of expenses to lower the cost/income ratio, prioritisation of the partner channel (in particular automotive), which must become a breeding ground for the direct channel by optimising the cross-selling rate, and the expansion of offers and services
- In Italy, organic growth in short and long channel business and the expansion of insurance and services
- In Germany, the development of servicing, broadening of the range with notably the launch of a revolving credit products
- On the Iberian Peninsula, maintaining leadership of the automotive market in Portugal, diversification of the activity through partnerships, notably in the banking sector

- For the joint-venture with FCA Bank on the European continent, the enhancement of the valuae of the strategic partnership in the current context of consolidation, and the development of Leasys on new forms of mobility
- For the joint-venture with GAC-Sofinco, the development of new offerings such as leasing.

Three-year financial targets

Full capacity for resilience and rebound of CA Consumer Finance, allowing for ambitious financial three-year targets

Despite the health crisis, CA Consumer Finance has shown its full capacity for resilience and rebound. Indeed, gross loans managed stand at €89 billion in September 2020, down only -3.3% compared to 2019, despite the structurally short duration of the consumer loan portfolio. The cost/income ratio excluding SRF stands at 49.3% for the first nine months of 2020, stable compared to 2014, thanks to a good operating efficiency at CA Consumer Finance. The cost of risk on outstandings, at 188[17] basis points over nine months on an annualised basis, is up compared with 2019 (+60[18] basis points) in relation with the provisioning of performing loans, notably in the first half of 2020. Profitability, as measured by the RONE[19], remains strong at 13.7%, although penalised by the rise in the cost of risk, and is thus down 4 percentage points compared to end 2019. The three-year objectives for gross managed loans[20] stands at €108 billion, the three-year objective of cost/income ratio excluding SRF stands at 46% and the one of RONE is at 15%, assuming a cost of risk on outstanding of less than 160 basis points.

Optimised and robust credit quality in the context of decreasing rates and the Covid-19 crisis

A strong indicator of CA Consumer Finance's profitability, the ratio (revenues net of the cost of risk, in relation to outstandings) has been relatively stable since 2014. It has improved between 2014 and 2017 (+2.2 percentage points on the consolidated scope and +1.6 percentage points with the integration of equity-accounted entities) thanks to a structural improvement in the risk profile, and more particularly on Agos. The ratio decreased between 2017 and 2020, but this trend can be explained by the drop-in rates during this period. Nonetheless, the decline in the ratio remains moderate (-1.5 percentage points in consolidated scope, -1.1 percentage points including equity accounted entities), which demonstrates CA Consumer Finance's resilience capacity.

Operating expenses: a cross-functional expense optimisation programme to improve the cost/income ratio

Although CA Consumer Finance is already characterised by a structural operational efficiency, CA Consumer Finance has identified new transversal axes of optimisation in the framework of the BEST programme to further improve its cost/income ratio. The following are planned accordingly:

- Renegotiation of procurement contracts and rationalisation of suppliers,
- Centralisation of certain processes
- Transversal data management and the pooling of tools, in particular to automate marketing campaigns, reduce the Time to yes through targeted actions and optimise controls at the loan granting stage.

This approach will be complemented by a proactive approach to reduce costs on a country-by-country basis, particularly for Sofinco, which aims to reduce its cost/income ratio excluding SRF from 54% at the end of 2019 to less than 50% within three years. The cost/income ratio for automotive joint ventures will remain low, below 30%. On a consolidated basis, the cost/income ratio excluding SRF reached 49.3% at the end of September 2020, while on a restated basis, i.e., including equity- accounted entities reached 44.5%. The three-year target

[17] 173 basis points over four rolling quarters at September 2020
[18] +45 basis points over four rolling quarters
[19] Capital allocation: 9.5% of weighted assets
[20] €20 billion (target and trajectory restated from CA Consumer Finance NL)

is therefore to achieve a 46% cost/income ratio excluding SRF on a consolidated basis, and 42% if the joint ventures are reintegrated line by line.

Cost of risk | Improvement of processes and tools to guarantee good customer selectivity, maintain cost of risk on outstandings low and reduce the cost of fraud

Lastly, CA Consumer Finance has identified new actions to keep the cost of risk on outstandings low in the current economic context, and to reduce the cost of fraud. These actions are in addition to the structural improvement that has been undertaken since 2014 and consist of:

- an improvement in customer knowledge that will save €6 million of cost of risk in France between 2019 and 2022,
- modernisation of scoring tools at the granting stage through *Open Banking* and the redesign of tools using machine learning,
- optimisation of commercial collection processes through better customer segmentation, which will generate savings in France of €7 to 20 million between 2019 and 2022

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