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(Translated by Calyon)

## **Interview with Patrick VALROFF, Calyon Chief Executive Officer "Calyon is not in a race for size"**

**The Crédit Agricole's corporate and investment bank Chief Executive Officer gives a look one year after the launch of Calyon's refocus plan. He announces being "in line" with the objectives.**

### **What do you think of the decisions taken by the G 20?**

The G 20 has taken important decisions, in particular concerning changes to global financial rules. Concerning the specific subject of variable remuneration on which public opinion has focused, we naturally agree with the guidelines adopted. These are close to the French guidelines which are largely implemented within Calyon: forbidding guaranteed bonuses beyond one year, deferring payment, taking account of the bank's results over time. Allow me one remark nevertheless: these changes will be meaningless if they are not strictly applied all over the world.

### **What do you think of decisions concerning capital requirements?**

Strengthening the solidity of financial institutions is of course of the utmost importance as long as it is done to an extent that doesn't penalise the financing of the economy. It would therefore be appropriate to adapt the new requirements to the risk profile of each bank; to separate clearly between traditional intermediation activities and more volatile market activities. The challenge is to keep a level playing field in terms of competition. From this point of view, progress still needs to be made on harmonising accounting rules: it is important not to create a transatlantic imbalance.

### **Are you worried about a new crisis?**

Let's address the present crisis before spreading any doom and gloom. Having said that, I don't see any new catastrophes on the horizon, especially now that the changes that are being brought to global financial bodies will allow a more global approach to problems. Even if the situation improves, and companies were quick to react with the help of the banks, 2010 will I think show mixed results in terms of growth, which might remain sluggish for a while. Let's say that in terms of its shape, I expect a square root rather than a W.

### **Where does Calyon stand one year after announcing its strategic refocusing plan?**

Our efforts are ongoing and we are in line with our main objectives. Our "strategic" business lines are generating good results, and we are managing and phasing out in an orderly and controlled way the activities which are no longer part of our new "business model": we have ceased exotic products that are too risky, structured credit products and some equity derivatives. Most of the discharge from the past will be over by the end of this year; possible residual depreciation will essentially depend on changes over time to real estate prices and the US unemployment rate.

### **Are you in line with your financial targets?**

We have reduced our counterparty and market risks. Two indicators on the latter: our "VAR" is lower than the EUR 35 million limit that we had set; our "stress adverse" was

reduced by more than 50%. Simultaneously we have invested EUR 85 million in our monitoring systems and reinforced, as announced, our control teams. While still financing the French economy, our weighted assets were reduced by EUR 30 billion during the first semester of the current fiscal year and capital allocated to Calyon now represents less than 30% of Credit Agricole S.A's capital. Finally our costs were reduced by EUR 200 million during 2008 and will be further reduced at least by as much this year. Total cost reduction will therefore represent more than the EUR 300 million announced. I think we will be on target to reach a profit of one billion at the end of 2010.

### **Will Calyon reinvest in trading when markets recover?**

To use an agricultural metaphor, let's stop finance which uses feed from other farms! Our model, which is centred on clients and at the service of the real economy, is robust over time though less profitable than it was at the height of the cycle. It is also less risky, very moderately speculative, and therefore less volatile. Whatever happens we will stick to it because it has the full support of our shareholder. Calyon is not in a race for size, but in search of excellence in its key business lines: on the one hand financing, and particularly structured finance, and on the other interest rate, debt, forex and commodity markets, and finally, the brokerage and equity businesses.

### **Precisely, where are you in terms of your brokers' strategy?**

With Cheuvreux, CLSA and Newedge, a Calyon co-entreprise with Société Générale, we have leading positions in these businesses. We have set up appropriate governance systems that allow us, while respecting the management independence of these subsidiaries, to encourage synergies, to steer their strategies and to reinforce our expertise in terms of research and execution: expanding in Europe and the US for Cheuvreux, strengthening our franchise in Asia and the US for CLSA. Concerning Newedge, by the end of the year we will have completed the establishment of this company created in 2008.

### **What is your development strategy now?**

We want to strengthen our strategic business lines and at the same time penetrate new markets; possibly by forging partnerships, as was the case recently with EDF trading on the energy market or in Korea with Pusan Bank. Alliances of this kind allow us to improve our offer and our distribution capabilities while keeping a lid on capital consumption, and therefore accelerate our development, particularly in Asia.

### **Will the Calyon brand be kept?**

We had already studied a brand change in 2007 before the crisis broke out. We have taken up this study and will be ready at the beginning of next year. Our logic is clear: Calyon is the Corporate and Investment Bank of the Credit Agricole Group. The objective is therefore to reinforce this link with our shareholder, in conformity with our strategy and our ambitions, in France and abroad.

*Guénaëlle Le Solleu - Matthieu Pechberty*

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