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PRESS RELEASE

CRÉDIT AGRICOLE ITALIA BANKING GROUP: RESULTS AS AT 31 DECEMBER 2016
INCREASE IN INTERMEDIATION VOLUMES *(Loans +5%; Total funding +6%)*
2016 NET INCOME EURO 208 MILLION
(EURO 256 MILLION, UP BY +9% YOY, NET OF NON-RECURRING EFFECTS)
SOUND CAPITAL POSITION AND ADEQUATE LIQUIDITY LEVELS
CONTINUOUS INVESTMENTS SUPPORTING DIGITALIZATION AND BUSINESS

- ***A significant increase in volumes, with intermediated assets coming to Euro 143 billion (up by +5% YOY),*** *thanks to increases in all components (loans coming to €38 billion, up by +5% YOY; total funding €105 billion, up by +6% YOY).*

- ***Over 115,000 new Customers acquired****, thanks to a strategy focusing mainly on three scopes:*

  - ✓ ***Continuous support to households*** *with a significant increase in mortgage loans (new production up by +12% YOY) and in consumer credit intermediation volumes (up by +56% YOY);*
  - ✓ ***Support to businesses*** *with loans increasing by +6% YOY, with enhanced focus on segments that are key for the Group, such as the Agri-Agro one;*
  - ✓ ***Development in asset management*** *(up by +11% YOY), thanks also to constant development of the synergies with the product companies of the Crédit Agricole Group in Italy.*

- ***The ability of the Crédit Agricole Italia Banking Group to generate profitability was confirmed: net income came to Euro 208 million,*** *including the expenses for the cost of new Solidarity Fund (€51 million) and the extraordinary contribution to the Single Resolution Fund (€24 million).* ***Net of such non-recurring items, net income came to Euro 256 million (up by +9% YOY).*** *Operating income (down by -3% YOY) impacted by the reduction in interest income; fee and commission income was stable. Operating expenses under control and an excellent efficiency level confirmed;* ***cost/income ratio 56%*****.*

- ***The actions continued for progressive reduction in the cost of credit, which came to Euro 306 million in 2016, decreasing by -24% YOY****. The weight of adjustments of loans came to 80 bps (vs. 110 bps in 2015). The coverage ratios of non-performing loans increased coming to 42% (the coverage ratio of bad debts came to 58%).* ***The asset quality confirmed good;*** *the new entries in non-performing status decreased (down by -38% YOY)****,*** *as did the weight of net bad debts and of non-performing loans on total loans to Customers (coming to 3.2% and 7.6% respectively), again among the best ones in the Italian Banking System.*

- ***Adequate capital soundness confirmed*** *with the Common Equity Tier 1 coming to 11.4% and the Total Capital Ratio to 13.3%, and* ***more than satisfactory liquidity,*** *with the LCR coming well over 100%.* ***Moody's rating A3****, at the highest level in the Italian Banking System.*

- ***In line with the medium-term Business Plan 2016-19, actions supporting the Group transformation and evolution continued****,* ***with over 125 million worth of investments*** *made as early as in the first year of the Plan:*
  - ✓ ***Adoption of the Crédit Agricole brand,*** *with Italy being the second domestic market of the French Parent Company;*
  - ✓ ***Digital evolution****,* ***multichannel operations*** *and constant focus on the* ***relationship with Customers;***
  - ✓ ***Automation of the physical network*** *by extending the use of "Agenzia Per Te" advanced branches (35% of the physical network at the end of 2016);*
  - ✓ *Important* ***real estate projects*** *are underway aimed at rationalizing the Group's premises and designed to meet new work requirements and habits;*
  - ✓ ***Activation of a new Solidarity Fund****, providing for the exit of approximately 300 resources in 2017, with the concomitant entry of 100 young people to foster the generational turnover.*

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- ***Increasing focus on staff development:*** *over 190 new entries in 2016 and implementation of a substantial training plan (more than 41,000 man-days involving 98% of staff). Initiatives in favour of employees continued in terms of worklife balance and smart working.*

Parma, Italy, 15 February 2017

On 7 February 2017, the Board of Directors of the Crédit Agricole Italia Banking Group, chaired by Ariberto Fassati and led by Giampiero Maioli, the Group CEO and Senior Country Officer of Crédit Agricole in Italy, shared the results for the year 2016.

The Group perimeter consists of Crédit Agricole Cariparma S.p.A.(Parent Company), Banca Popolare FriulAdria S.p.A., Cassa di Risparmio della Spezia S.p.A., Crédit Agricole Group Solutions S.C.p.A. and Crédit Agricole Leasing Italia S.r.l., which are consolidated on a line-item basis.

GROUP FINANCIAL HIGHLIGHTS

Income statement highlights

- Net income - Group share coming to Euro **208 million.** Excluding the solidarity fund and the extraordinary contributions to the SRF, net income would be Euro **256 million (up by +9% YOY)**
- Net operating revenues came to Euro **1,712 million** *(down by -3% YOY)*
- Operating expenses to Euro **965* million** *(stable*)*
- Operating income to Euro **748* million** *(down by -7% YOY*)*
- Cost of credit to Euro **306 million** *(down by -24% YOY)*

Balance Sheet highlights

- Equity **-** Group share came to Euro **5.1 billion** *(up by +3% YOY)*
- Loans to Customers came to Euro **38 billion** *(up by +5% YOY)*
- Total funding to Euro **105 billion** *(up by +6% YOY)*
- Direct funding to Euro **40 billion** *(up by +2% YOY)*
- Indirect funding to Euro **65 billion** *(up by +8% YOY)*
- Assets under management came to Euro **28 billion** *(up by +11% YOY)*

Group ratios

- Cost/Income ratio at **56%***
- *ROE at **4%***
- ROTE at **7%**
- Common Equity Tier 1 at **11.4%**
- Tier Total at **13.3%**

** excluding the Solidarity Fund, the contributions to DGS (Deposit Guarantee Schemes) and ordinary and extraordinary contributions to the Single Resolution Fund.*

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INCOME STATEMENT: 2016 KEY PERFORMANCES

Net operating revenues came to Euro 1.7 billion, slightly decreasing (down by -3%) vs. 2015 affected by the performance of net interest income.

Net interest income decreased by 7.8% vs. the previous year, coming to Euro 932 million, due to still modest economic growth and still negative interest rates. This performance was mainly impacted by lower interest rates on loans to Customers (higher volumes of renegotiated loans, loans repaid and loans transferred to other lenders, with lower pricing of new loans), offset only in part by controlling the cost of funding and by the increase in intermediated assets. Net interest income on interbank business, which came essentially in line with the end of 2015, also reports the positive contribution resulting from the Group participation in TLTRO 2. Interest income from financial assets available for sale decreased (down by -15% YOY) due to the reduction in yields and in the owned portfolio of government securities.

Net fee and commission income came to 709 million, in line with the previous year thanks to the increase in management, intermediation and advisory fees and commissions (up by +5% YOY), which offset the decrease in fees and commissions from the traditional banking business (down by -7% YOY), which was mainly due to the decrease in fees and commissions from loan application processing and to account management fees. Intermediation fee and commission income benefited from the placing of both insurance and consumer credit products, thanks especially to the synergies with the specialized companies of the Crédit Agricole Group in Italy.

The contribution to the income statement of the **profit from financial activities** (Euro 61.6 million as at December 2016) increased vs. the previous year (up by +17.1 million), thanks to both higher income from sale and purchase activities on the security portfolio, driven by market performance, and to the effect of hedging activities.

Operating expenses came to 965 million and, net of contributions to the banking system (34 M€ worth of contributions to the SRF and 11 M€ worth of contributions to the DGS) and net of the Solidarity Fund (51 M€), were stable year-on-year. The higher investments for the actions provided for in the Medium-Term Plan (MTP) were offset by effective management of operating costs.

Recurring operating income (net of the contributions to the banking system and to the Solidarity Fund) came to Euro 748 million (down by -7% YOY), with satisfactory efficiency (Cost/Income ratio at 56%*).

The continuous decrease in the **cost of credit** was one of the key factors for the Group's performance in 2016: indeed, net value adjustments of loans came to 306 million, down by -24% vs. the same figure for the previous year

The profit for the year (coming to Euro 208 million) decreased vs. the previous year (down by -€12.5 million, i.e. -6%) due to non-recurring expenses for the Solidarity Fund and to the extraordinary contribution to the Italian Single Resolution Fund (SRF): net of such non-recurring components, the net profit for 2016 would be of Euro 256 million, increasing by 9% vs. 2015.

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BALANCE SHEET: 2016 KEY PERFORMANCES

In a market featuring still weak development in terms of funding, the Crédit Agricole Italia Banking Group achieved a **significant increase in total funding** (of Euro 143 billion, i.e. up by +5% vs. the end of 2015), across all components.

Loans to Customers increased in 2016 by +5% vs. the previous year, coming to Euro 38.2 billion. This increase was driven by the medium-/long-term components, both mortgage loans (especially home loans, with their total number increasing by 6% YOY driven by the growth in new production, up by 12% YOY), and other loans intended to provide support to businesses (up by +6% YOY).

The development in volumes was achieved effectively focusing on **credit quality**. The weight of non-performing loans on total loans to Customers decreased last year (the weight of non-performing loans net of adjustments down from 8.4% to 7.6%, the weight of bad debts was stable at 3.2%) – thanks also to the decrease in the number of new entries into default (down by -38% vs. 2015) – with a concomitant increase in coverage ratios (up from 40.5% to 42.2%).

In 2016, **total funding** (coming to Euro 105 billion as at December 2016) increased by Euro 5.6 billion vs. 2015 (up by +6% YOY) due to the increase in both direct funding (up by +2% YOY) and, especially, in indirect funding (up by +8% YOY).

The development in **direct funding**, which, as at 31 December 2016, came to Euro 39.9 billion, benefited from the placing of Euro 1.5 Bln worth of Covered Bonds and reflects the Customers' preference for more liquid funding products: the current account component posted a significant increase, with deposits increasing to Euro 28.7 billion (up by +3.5 billion vs. 2015, i.e. up by +14% YOY), whereas debenture loans decreased (down by Euro -3.3 billion), a performance also due to the Customers' preference for products with higher yield opportunities, especially in terms of asset management. **Indirect funding** (which, as at 31 December 2016, came to Euro 65 billion) increased significantly (up by Euro +4.7 billion, i.e. up by +7.8% YOY), thanks especially to the development in asset management (up by +11%), which benefited from an increase in all its components (Funds and Portfolio Management up by +15% YOY and insurance products up by +9% YOY). Assets under administration also had a positive performance.

The decrease for the year in **financial assets available for sale** (down from Euro 5.8 billion as at 31 December 2015 to Euro 5.4 billion at the end of 2016) was due to the changes in the portfolio of Italian government securities, which was affected by the evolution in marker prices and by the reduction in amounts**.**

Capital soundness again proved adequate, with the Common Equity Tier 1 at 11.4% (stable vs. 2015 – the increase in risk-weighted assets, associated with the development in lending, was offset by the increase in own funds) and the Total Capital Ratio at 13.3%, with more than satisfactory liquidity, substantiated by the LCR firmly above 100%.

Profile of the Crédit Agricole Italia Banking Group
Crédit Agricole operates in Italy, its second domestic market, with 12 thousand members of staff and 3.5 million Customers, and accounts for Euro 61 billion worth of loans to the economy. Close cooperation between the companies operating in retail banking, consumer credit, corporate and investment banking, asset management and insurance enables Crédit Agricole to operate in Italy with a wide and integrated range of products, to the benefit of all economic players. The Crédit Agricole Italia Banking Group, a retail bank consisting of CA Cariparma, CA FriulAdria and CA Carispezia, operates in Italy with approximately 900 points of sale in 10 Regions and is the seventh banking player by assets with over 8,000 employees and more than 1,700,000 Customers.
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