

CRÉDIT AGRICOLE ITALIA BANKING GROUP, RESULTS AS AT 30 JUNE 2019

**CONTINUOUS INCREASE IN PROFITABILITY:
NET INCOME OF EURO 156 MILLION (UP BY +4% YOY)**

GROWTH IN ASSETS:

LOANS (UP BY +6% YOY) AND ASSETS UNDER MANAGEMENT (UP BY +6% YOY)

CONSTANT FOCUS ON CREDIT QUALITY: NPE RATIO AT 3.6%

**CUSTOMERS, PEOPLE AND SOCIAL RESPONSIBILITY ARE THE DRIVERS
OF THE NEW BUSINESS PLAN**

PROGRESSIVE INCREASE IN PROFITABILITY

*The Crédit Agricole Italia Banking Group has proved again able to generate profitability as in the previous years. **Net income came to Euro 156 million**, increasing by +4% YOY, including the Euro 22 million contribution to the Single Resolution Fund (SRF); net income would increase by +27% YOY net to the non-recurring elements recognized in the first half of 2018.*

CONSIDERABLE DEVELOPMENT IN VOLUMES

***Significant increase in loans up by +6% YOY¹**, driven by both home loans and lending to businesses.*

***Asset management increased by +6% YOY** with positive contributions from the main customer segments.*

***A new issue of covered bonds was finalized** for 750 million (maturity 2027) and, with 4.5 billion worth of orders received, i.e. approximately 6 times the placed amount, generated the **highest demand ever obtained by Crédit Agricole Italia**, once again giving evidence of international investors' high opinion of the Group.*

DYNAMIC BUSINESS ACTIVITY SUPPORTING HOUSEHOLDS AND BUSINESSES

***Strong commercial momentum:** over 70,000 new customers were acquired in H1 2019, up by +4% YOY (with a net customer acquisition of 12.000 customers), also thanks to the contribution from the digital channel, with 1 account out of 5 opened online, and to the development of the internal network of financial advisors.*

***Constant financial support to households**, with home loans increasing by +9% YOY and with consumer credit intermediation volumes up by +5%.*

***Support to the real economy** with loans to businesses increasing by +6% YOY, with specific focus on strategic industries, such as Agri-Food (up by +2% YOY); the Group facilitated the return to performing status of around 2,000 positions since the beginning of the year.*

GROWTH IN CORE REVENUES AND EXPENSES UNDER CONTROL

***Core revenues** (net interest income + fees and commissions income) **increased** by +3% YOY, driven by the growth of net interest income (up by +4% YOY), despite the continuing scenario of negative interest rates. Fee and commission income also increased by +1% YOY, driven by the **asset management** component (up by +3% YOY).*

***Expenses decreased** by -2% YOY, thanks to initiatives increasing operational efficiency, rationalization and transformation of physical structures, as well as to increasing synergies in the areas of the 3 Savings Banks absorbed in 2018, despite the **higher investments** to support the business.*

CONSTANT FOCUS ON CREDIT QUALITY

***Continued improvement in asset quality and further reduction in the cost of credit:** the weight of net non-performing loans (equal to 3.6%) decreased YOY and the NPL stock went down by -21% in the last 12 months. The coverage ratios of non-performing portfolios proved once again adequate (53.4% for non-performing and 68.6% for bad loans).*

The default rate² improved coming to 1.0% (vs. 1.2% of June 2018), along with a lower ratio of relevant adjustments of loans to net loans, coming to 54bps (vs. 60bps of June 2018).

¹ Excluding securities at amortized cost.

² Annualized default rate.

**CONFIRMED
SOLIDITY**

Liquidity position well above regulatory requirements: LCR at 158%.
Adequate capital strength with the Total Capital Ratio coming to 16.6% (improving vs. 14.9% of the previous year) and a capital buffer by far higher than the minimum level required by the ECB for 2019.

**2019-2022
MEDIUM TERM
PLAN**

The new Business Plan was presented in June, whereby Crédit Agricole Italia has reasserted its **universal customer-focused banking model**, based on a relational model structured on three pillars: **Customer, People and Social Responsibility**.

**CUSTOMER
CENTRALITY**

Full-range attention to customers' needs, enhancing their spontaneous feedback on all physical and digital channels in order to improve customer experience.

Strong digital and innovation performance via the differentiation of the service model, which has become more and more dedicated and specialized, the evolution of offer that is customized by channel, full integration of multichannel services and digital evolution.

The first Crédit Agricole Village in Italy was opened in Milan: an innovation hub and accelerator of startups, which, in the first months of 2019, has already taken in 22 startups, 16 partners, 22 innovation enablers, over 100 organized events and over 6,000 people. A true nationwide network involving all the entities of Crédit Agricole in Italy and, at the same time, relying on its connection with the Villages in France.

Geographical reorganization of the distribution network with the new regional management areas, as a strategic tool for change and a distinctive model based on synergies between channels and customer satisfaction.

**ATTENTION TO
PEOPLE**

Continuous **attention to work-life balance:** 1300 resources use smart working (more than 40% of the total user base). Enhancement of people with investments on careers and talents and over 160 thousand hours of training provided. Recruitment continued with the entry of about 200 new resources, 85% of whom young people.

An agreement was signed with the trade unions to **protect gender diversity and respect for the individual**, as was the **"Donne in Banca"** (Women in Bank) chart, issued by the Italian Banking Association and aimed at enhancing the role of women in the company, which is further evidence of the Group's distinctive culture fostering a more and more inclusive work environment.

**ENVIRONMENTAL
SUSTAINABILITY
AND SOCIAL
COMMITMENT**

The Group's Social Responsibility translates into several initiatives implemented with the main players in its areas of operation, especially the Foundations, to develop **social and environmental sustainability** projects and to support cultural events, such as the Caravaggio Exhibition at the Museo di Capodimonte in Naples and the restoration of Chiesa di San Francesco del Prato in Parma.

Continuous attention to social and environmental themes with the offer of **socially responsible investments** linked to businesses and projects with strong performances in terms of sustainability, as well as the continuation of actions in cooperation with Lega Ambiente.

Use of **green energy for energy efficiency enhancement:** **Crédit Agricole Green Life** obtained the Leed Platinum certification, the highest acknowledgement certifying the high eco-friendly standards of the premises.

Parma, Italy, 2 August 2019

On 23 July 2019, the Board of Directors of the Crédit Agricole Italia Banking Group, chaired by Ariberto Fassati and upon the proposal made by Giampiero Maioli, the Group CEO and Senior Country Officer of Crédit Agricole in Italy, approved the Financial Report for the first half of 2019.

The Group consists of Crédit Agricole Italia S.p.A. (Parent Company), Crédit Agricole FriulAdria S.p.A., Crédit Agricole Carispezia S.p.A. (Merged into CA Italia on 21 July 2019), Crédit Agricole Group Solutions S.C.p.A. and Crédit Agricole Leasing Italia S.r.l., which have been consolidated on a line-item basis.

GROUP FINANCIAL HIGHLIGHTS

Income Statement highlights

- **Net income - Group share** - came to Euro 156 million (up by +4% YOY)
- **Net Operating Revenues** to 976 million (stable YOY)
- **Operating expenses** to 617 million (down by -2% YOY)
- **Cost of credit** came to 124 million (down by -6% YOY) equal to 54 bps.

Balance Sheet highlights

- **Equity - Group share** - came to 6.2 billion (up by +9% YOY)
- **Loans to Customers** to 46.6 billion (up by +6% YOY)
- **Direct funding** to 49.1 billion (down by -2% YOY)
- **Assets under management** came to 36.1 billion (up by +6% YOY)

Group ratios

- **Weight of net non-performing loans** at 3.6% and weight of net bad loans at 1.3%
- **Total Capital Ratio** to 16.6%
- **LCR** to 158%

INCOME STATEMENT: H1 2019 KEY PERFORMANCES

Net operating revenues came to Euro 976 million, stable vs. the same period of last year. The growth in interest and fee/commission income offset the lack of capital gains in the half year.

In a scenario of modest economic growth and still negative interest rates, **net interest income** came to 508 million, up by +4% compared to the same period in 2018; this performance resulted from the increase in loans, from the improvement in the spreads of new lending production, from effective control of the cost of funding and the progressive decrease in excess liquidity.

Net fee and commission income, which, today, accounts for 46% of total income, came to Euro 448 million, increasing by +1% YOY. This performance was driven by fee and commission income from management, intermediation and advisory services (up by +3% YOY), which benefited from the synergies with the companies of the Crédit Agricole Group in Italy.

Operating expenses came to Euro 617 million, decreasing by -2% YOY, thanks to initiatives to enhance operational efficiency, rationalization and transformation of physical structures, with a subsequent decrease in both staff and administrative expenses. Depreciation and amortization increased subsequent to the higher investments made to support the business. The expense figure includes the contribution to the Single Resolution Fund (SRF) of 22 million, overall stable YOY.

Net value adjustments of loans came to Euro 124 million, progressively decreasing vs. June 2018 (down by -6%). In percentage terms, the **cost of credit risk ratio** (the ratio of the relevant adjustments taken to the Income Statement to net loans to Customers) decreased to 54 bps vs. 60 bps in the previous year, while achieving higher coverage ratios of non-performing loans vs. the end of 2018.

Net profit came to Euro 156 million, increasing by +4% vs. the same period 2018. Profit for the period would have increased by +27% YOY net of the non-recurring elements recognized in H1 2018 (capital gains and integration expenses).

BALANCE SHEET: H1 2019 KEY PERFORMANCES

Total assets, as the sum of loans, direct funding and assets under management, came to Euro 136.8 billion.

Loans to customers came to Euro 46.6 billion, increasing by +6% vs. June 2018, thanks to the progressive development in performing loans, with concomitant reduction in non-performing loans. This trend has been driven both by the growth in medium/long-term loans, especially home loans to households, which accounted for 55% of loans to customers, and by other forms of loans intended for financing businesses.

Higher volumes were achieved while keeping constant focus on **credit quality**: considerable decrease in the weight on total loans to customers of both net non-performing loans (3.6% vs. 4.4% of June 2018) and of net bad loans (1.3% vs. 1.9% of June 2018).

Assets under management came to Euro 36.1 billion, increasing by +6% vs. the previous year. As at 30 June 2019, **direct funding** came to Euro 49.1 billion, down by -2% vs. June 2018, continuing initiatives to reduce high-cost volatile funding, while continuing to ensure a more than satisfying liquidity position (LCR at 158%).

Capital strength proved once again adequate, with the Common Equity Tier 1 coming to 11.3% and the Total Capital Ratio to 16.6%.

Profile of Crédit Agricole Italia

Crédit Agricole operates in Italy, its second domestic market, with over 15 thousand members of staff and more than 4 million customers, and accounts for Euro 68 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. Crédit Agricole Italia operates in Italy with 1100 points of sale, approximately 10,000 employees and more than 2 million customers.

www.credit-agricole.it

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