

CRÉDIT AGRICOLE ITALIA BANKING GROUP, RESULTS AS AT 31 DECEMBER 2019

GROWTH IN PROFITABILITY FOR A SUSTAINABLE DEVELOPMENT OF THE KEY AREAS IN WHICH IT OPERATES:

- **NET INCOME OF EURO 314 MILLION (UP BY +15% YOY)**
- **PROGRESSIVE INCREASE IN LOANS TO SUPPORT HOUSEHOLDS (+5% YOY) AND BUSINESSES (+4% YOY)**
- **CONTINUOUS FOCUS ON WEALTH MANAGEMENT (+11% YOY AUM) AND FURTHER INCREASE OF DIRECT FUNDING (+4% YOY)**
- **STRONG GROWTH IN BANCASSURANCE: +25% YOY IN NON-LIFE POLICIES**
- **CUSTOMERS, PEOPLE AND SUSTAINABILITY AT THE CORE OF THE BUSINESS MODEL: 134,000 NEW CUSTOMERS AND 400 NEW RESOURCES**

SIGNIFICANT GROWTH IN PROFITABILITY

The results give once again evidence of the **Crédit Agricole Italia Banking Group's** ability to generate sustainable profitability, as in the previous years. **Net income came to Euro 314 million**, the highest posted by the Group so far¹, increasing by **+15% YOY**. This figure includes the contributions to the Interbank Deposit Protection Fund (FITD) and to the Single Resolution Fund (SRF) amounting to Euro 41 million.

SUPPORT TO HOUSEHOLDS AND BUSINESSES

Constant financial support to households and businesses: increase of +5% YOY in loans to individuals, increase of +3% YOY in consumer credit intermediation volumes and of +2% in new home loans; loans to businesses and SME up by +4% YOY, with special focus on the Agri-food sector.

Direct funding increased by +4% YOY, thanks to the growth in deposits and current accounts. Institutional investors' trust in the Group was confirmed, as substantiated by the success, in January 2020, of its **covered bond** issue with the longest maturity ever in Italy (25 years).

Asset management up by +11% YOY, driven by new placements by both funds and insurance segments.

COMMERCIAL MOMENTUM TO SUPPORT THE REAL ECONOMY

Customer centrality has driven good performances:

Good momentum in commercial performances: 134,000 new customers were acquired, thanks to the contribution given by the digital channel, with 1 account out of 5 opened online, and to the development of the internal network of financial advisors.

Strong growth in bancassurance: increase of +25% YOY in non-life policies and penetration rate up by 2 percentage points.

HIGHER REVENUES AND LOWER EXPENSES

Core revenues² increasing by +2% YOY, driven by the good performance of interest income (up by +2% YOY), once again evidence of the ability to continue to make profits despite negative interest rates.

Fee and commission income also increased by +2% YOY driven by the **asset under management** component (up by +5% YOY). The weight of the recurring component on total fees and commissions increased to 62%, which reports services provided to customers on a continual basis.

¹ Net of the 2017 "badwill" effect for the purchase of the 3 Savings Banks.

² Core revenues: interest income + fee and commission income.

HIGHER
REVENUES AND
LOWER
EXPENSES

Costs decreasing by **-3% YOY**, thanks to the actions for enhancement of operational efficiency, optimization and transformation of physical structures, as well as to the increasing synergies achieved both in the areas of operation of the 3 Savings Banks absorbed in 2018 and with the merger of *Crédit Agricole Carispezia* into *Crédit Agricole Italia* in July 2019. Investments have continued to support the business and innovation. Operational efficiency improved, with the **Cost/Income ratio down** by over 2 percentage points YOY and coming to 61.2%³.

CONSTANT
FOCUS ON ASSET
QUALITY

Higher asset quality and lower cost of credit, with a decrease of **-27% YOY** in new loan defaults and lower weight of adjustments of loans, which came to 52bps (vs. 57bps in December 2018).
Lower weight of net non-performing loans which came to 3.5% (vs. 3.8% in December 2018); the coverage ratios of non-performing loans were once again adequate (52.6% for non-performing loans and 67.6% for bad loans).
The **default rate improved** coming to 1.0% (vs. 1.5% in December 2018).

STRENGTH
CONFIRMED
ONCE AGAIN

Moody's rating Baa1 (stable outlook), the highest in the Italian Banking System.
Liquidity position well above the regulatory requirements, with the LCR at **204%**.
Strong capital position with the Total Capital Ratio at **17.5%** increasing by 70bps vs. the previous year.

CUSTOMER
PROJECT

Customer satisfaction proved once again the Group's raison d'être: **increase in the Customer Recommendation Index (CRI)** across all segments driven by full-range listening to customers' needs and by digital innovation.
A new hub was opened in Mestre, after those in Verona, Genoa and Salerno, with an approach of focus on customers and presence right in the communities, ensuring that all the services provided by *Crédit Agricole Italy* can be obtained in one place with specialists operating in constant synergy.
Launch of CrowdForLife, the new crowdfunding portal, where ideas can be enhanced through interaction and actual support is provided to the projects promoted by customers.
Le Village of Crédit Agricole in Milan has continued to grow, as the first of others that are going to be opened throughout Italy: it involves all the entities of *Crédit Agricole* in Italy and, at present, supports the business of 34 startups, with 18 partners and 36 innovation enablers.

HUMAN
PROJECT

Recruitment continued with the **entry of 400 new resources**, 85% of whom young people, with different training paths.
Constant attention to people: 1,400 employees have opted for **smart working**, approximately 50% of the potential number.
Digital Academy, the new internal training platform, started operation, providing more than 300 courses and is used by over 95% of the Group's employees that received more than 540 thousand hours of training.
Enhancing the role played by women in the Company, with Mixité Weeks, the annual project on **inclusion** and **diversity management**. An agreement **protecting gender diversity** and the "**Respect Charter**" were signed, in order to promote and reward ethically and socially responsible behaviours.

SOCIETAL
PROJECT

Promotion of **socially sustainable and responsible investment**, in compliance with ESG (Environmental, Social, Governance) standards, supporting the most virtuous businesses in environment protection, respect for people and rules of conduct, implementing ESG approaches in **lending policies**.
In addition to traditional **social sustainability** projects in favour of people with disabilities and paediatric care, and to promotion of artistic heritage, the Group supports **Circular Economy** through waste reduction and reuse of goods, in cooperation with Legambiente, and promotes **energy transformation** through actions aimed at reducing CO2 emissions.
Crédit Agricole Green Life obtained, at the beginning of 2019, the Leed Platinum certification for energy efficiency and the high ecological standards of its buildings.

³ Net of the contributions to SRF and DGS.

Parma, Italy, 14 February 2020

On 4 February 2020, 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, took note of the Annual Report and Financial Statements for 2019.

The main entities the Group consists of are Crédit Agricole Italia S.p.A. (Parent Company), Crédit Agricole FriulAdria S.p.A., Crédit Agricole Group Solutions S.C.p.A. and Crédit Agricole Leasing Italia S.r.l. that have been consolidated on a line-item basis.

GROUP FINANCIAL HIGHLIGHTS

Income Statement highlights

- **Net income - Group share**- Euro 314 million (up by +15% YOY)
- **Revenues** at 1,953 million (up by +1% YOY)
- **Operating expenses** at 1,235 million (down by -3% YOY)
- **Cost of credit** at 242 million (down by -8% YOY) equal to 52 bps.

Balance Sheet highlights

- **Equity - Group share**- 6.4 billion (up by +4% YOY)
- **Loans to Customers** 46.7 billion (up by +1% YOY)
- **Direct funding** 49.9 billion (down by +4% YOY)
- **Assets under management** 38.0 billion (up by +11% YOY)

Group ratios

- **Weight of net non-performing loans** of 3.5% and weight of net bad loans of 1.3%
- **Total Capital Ratio** at 17.5%
- **LCR** at 204%

INCOME STATEMENT: 2019 KEY PERFORMANCES

Net operating revenues came to 1,953 million, up by +1% vs. the previous year, thanks to the increase in both interest and fee and commission income.

In a more stable but still weak macroeconomic scenario with negative interest further decreasing, **net interest income** came to 1,010 million, increasing by +2% vs. the previous year; in 2019 lending volumes increased, pricing was proactively managed, excess liquidity was progressively optimized and cost of funding was reduced.

Net fee and commission income, accounting for 47% of total income (vs. 46% in 2018), came to 919 million and increased by +2% YOY, thanks to the good performance of management, intermediation and advisory services, which, despite the impact of negative performances of markets at the beginning of the year, increased by +5% YOY, driven also by the growing synergies with the companies of the Crédit Agricole Group in Italy.

Operating expenses came to Euro 1,235 million (1,194 million excluding the contributions to SRF and DGS), down by -3% YOY thanks to the optimization of core costs and reduction in property expenses, as well as to the synergies resulting from the integration of the 3 Savings Banks. Depreciation and amortization increased subsequent to the higher investments made to support the business. Operating expenses include the contributions paid to the Italian Single Resolution Fund and to the Deposit Guarantee Scheme amounting to Euro 41 million, which were overall stable YOY.

Net value adjustments of loans and financial assets came to Euro 242 million, further decreasing vs. the end of 2018 (down by -8%). The **cost of credit risk** (the ratio of the relevant adjustments recognized in the income statement to net loans to Customers) decreased to 52 bps vs. 57 bps in the previous year.

Net profit came to Euro 314 million, increasing by +15% vs. the previous year.

BALANCE SHEET: 2019 KEY PERFORMANCES

Total volumes, as the sum of loans, direct funding and assets under management, came to Euro 139.5 billion.

Loans to customers came to Euro 46.7 billion, increasing by +1% vs. the end of 2018, thanks to the progressive development in performing loans (up by 2% YOY), 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 56% 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**: lower weight on total loans to customers of both net NPLs (3.5% vs. 3.8% of Dec. 2018) and of gross NPLs (7.1% vs. 7.6% of Dec. 2018).

In December 2019, **assets under management** came to Euro 38.0 billion, with a very good performance, increasing by +11% vs. the previous year. **Direct funding** came to Euro 49.9 billion, increasing by +4% vs. the end of 2018, with an excellent liquidity position (LCR at 204%).

Capital strength confirmed by the fully-loaded Common Equity Tier 1 ratio at 11.9%, Tier1 ratio at 14.4% and the Total Capital Ratio at 17.5%.

Profile of Crédit Agricole Italia

Crédit Agricole operates in Italy, its second domestic market, with approximately 14 thousand members of staff and more than 4.5 million customers, and accounts for Euro 76 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 about 1100 points of sale, approximately 10,000 employees and more than 2 million customers.

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