

CRÉDIT AGRICOLE ITALIA BANKING GROUP: RESULTS AS AT 31 DECEMBER 2020

- Net income of Euro 206 million (before impairment of goodwill); excluding also the contributions to the banking system and the Covid emergency expenses, net income would be of Euro 264 million.
- Relaunch of commercial activity, back to pre-crisis levels, with record-high production achieved in the fourth quarter: new home loans grew by +9.0% Q4/Q4 and volumes of wealth management products increased by +9.0% Q4/Q4.
- Considerable growth in volumes: increase in loans to households and businesses (up by +7.6% YoY), direct funding from customers (up by +10.6% YoY) and in assets under management (up by +5.0% YoY).
- Customer Recommendation Index: +8 points in 2020, positioning CA Italia Banking Group as the second universal bank of Italy for customer satisfaction.
- Progressive recovery in profitability: in the fourth quarter 2020, revenues registered their highest level since the beginning of the year, increasing vs. the previous year (+0.6% Q4/Q4).
- Constant focus on credit quality: net NPE ratio improved coming to 2.96% (vs. 3.5% of December 2019) with gross NPL stock down by -12.3% vs. the beginning of the year, also thanks to the disposal of over €500 million worth of non-performing loans, mainly concentrated in the fourth quarter.
- High level of liquidity with LCR (242%) equal to more than twice regulatory requirements and solid capital position with a CET 1 Ratio at 14,0% and a Total Capital Ratio at 19.7%.
- Launched a cash voluntary public tender offer for all shares of Credito Valtellinese S.p.A., which is going to strengthen the Group's competitive position in Italy.
- Reached 80% of colleagues enabled to the smart working.

- **Maximum attention to training:** provided in 2020 over 500 thousand hours of online training, across more than 600 courses and 50 thematic areas, with personalized training paths.
- **Inaugurated Le Village by CA Parma, which joins the one in Milan:** already hosted 29 start-ups, 14 enablers and 17 partners, including leading businesses and institutions of Emilia-Romagna.
- **Continued and further strengthened the commitment to social responsibility:** the overall value of the Group's initiatives in Italy amounted to over Euro 3 million euros. Among the most important initiatives, worth mentioning are the fundraising of Euro 1.5 million in favour of the Italian Red Cross and the purchase of 82 machines for assisted ventilation for many hospitals in the areas that urgently needed them during the critical phase of the pandemic.
- **CrowdForLife, the Group's crowdfunding portal, completed in 2020 its first year in operation with raised funds amounting to approximately Euro 1.7 million. Launched Crédit Agricole for Future, an initiative for social purposes, addressed to associations and entities, as well as to the entire Crédit Agricole Group in Italy, to support projects on shared topics: education, inclusion and reduction of inequalities.**

Resilient profitability

The 2020 results give once again evidence of the **Crédit Agricole Italia Banking Group's** ability to generate sustainable profitability, despite the health emergency. **Net income**, excluding impairment of goodwill, **came to Euro 206 million**, down by -34.4% YoY, a figure that includes **additional provisions on loans** related to both **future Covid-19 impacts** and the **ongoing derisking process**, totalling Euro 192 million. **Net income** would be equal to approximately **Euro 264 million**, excluding also contributions to the banking system and extraordinary expenses incurred for the management of the health emergency.

Business momentum sustaining the real economy

In order to provide support to households and businesses, **Euro 2.4 billion of State Guaranteed Loans were made available and already disbursed, together with 10.8 billion worth of loans under moratoria.** Through the year, the Group also granted over **41 thousand loans related to the Liquidity Decree Law**, 87% of which for amounts up to Euro 30 thousand, and developed the "Garanzia Italia" protocol of cooperation with SACE, aimed at supporting the recovery of enterprises.

The fourth quarter, confirmed the recovery in commercial activity that began in the previous quarter. Specifically:

- the trend in **home loans** fully reflects the return back to pre-crisis levels: the stock increased by +5.5% YoY, with the number of new loans increasing by +9.0% vs. Q4 2019 and with record-high production in December;

- **volumes of wealth management** products increased by +9.0% Q4/Q4 and the **bancassurance** segment performed well with **new non-life policies** up by +30.0% vs. Q4 2019, thanks also to a wider product mix available to customers.

The commercial momentum reflects itself into the growth in volumes, with good performances in all their main components. In short:

- **loans¹ increased by +7.6% YoY** driven by the good performance of both home loans and loans to businesses;
- **direct funding increased by +10,6% YoY** driven by the trend of strong growth in savings held for protection from the crisis;
- **assets under management increased by +5.0% YoY** with a virtuous dynamic in net inflows.

Revenues recovering and expenses under control

Albeit decreasing vs. 2019 due to the effects of the Covid-19 crisis, profitability has been recovering, driven by the dynamic commercial activity, with **revenues** that, in fourth quarter 2020, reached, in absolute terms, their record-high in the year **increasing by +0.6% vs. Q4 2019**.

Specifically, **wealth management fees** strengthened, at year end, the recovery started in third quarter, with the last three months of the year reaching the highest level in 2020, **up by +5.0% vs. Q4 2019**.

The containment of the expenses continued thanks to the efficiency and rationalisation actions: ordinary **operating expenses² decreased by -3.0% YoY** despite increasing depreciation and amortization because of the growth in investments to support the business (+5.1% YoY). **Even in this year of uncertainty, the Group has continued to invest in support of its customers, business and innovation.**

Constant focus on asset quality

The **ratio of net non-performing loans and the ratio of net bad loans** further decreased YoY coming to **2.96% (vs. 3.5% in Dec. 2019) and 0.9% (vs. 1.3% in Dec. 2019), respectively**. The stock of gross NPLs decreased by -12.3% YoY, following the disposals of NPLs for a gross amount of over Euro 500Mln, concentrated in the fourth quarter.

The **coverage ratio of non-performing loans** was 51.2%, with a 68.4% coverage ratio for bad loans. Robust reserve ratio on performing loans, coming to 0.6% in December 2020.

The **default rate** is 1.0%, **in line with the figure of December 2019 before the Covid-19 crisis**, and includes the effect of the application of the new definition of default.

Recognized **additional non-recurring provisions** for Euro 192 million, **mainly due to the revision of the macroeconomic scenario affected by Covid-19 and to the disposal of a stock of NPL**, leading the cost of credit to 84 bps. Net of these provisions, the ordinary cost of credit would be equal to 46 bps.

¹ Excluding securities at amortized cost.

² Excluding the contributions to banking system funds and the non-recurring costs linked to the Coronavirus pandemic.

Strong capital position

High level of liquidity with **LCR (242%) equal to more than twice** the regulatory requirement. Solid also the capital position, with a **Common Equity Tier 1 Ratio of 14.0%** and a **Total Capital Ratio of 19.7%**, which represents a capital buffer well above the minimum level assigned by the ECB for 2020.

Impairment of intangible assets

In agreement with the Parent Company Crédit Agricole SA, it has been **written off goodwill** for a total of Euro 260 million. **The impairment**, whose effects are limited to mere accounting aspects, **has no effect on forward-looking profitability, cash flows, liquidity nor on the capital ratios.**

Public Tender Offer

As announced on 23 November 2020, Crédit Agricole Italia launched a **cash voluntary public tender offer for all shares of Credito Valtellinese S.p.A.**

The transaction, which will be **finalized entirely in cash**, is going to further strengthen the Group's competitive position in Italy, **generating value** for the benefit of all **stakeholders, local communities** and regions through a complete competitive and comprehensive, customer-centred **retail banking model.**

The offer represents an extension of Crédit Agricole's strategic partnership with Credito Valtellinese, **supported by a strong industrial and cultural affinity**, and in line with Crédit Agricole Italia's sustainable growth strategy. Relying on the experience gained through **successful integrations of other banks**, Crédit Agricole Italia is confident that it will integrate Credito Valtellinese without difficulty.

Moreover, on 5 February 2021, the European Commission has authorized the transaction concerning the concentration between Crédit Agricole Italia and Credito Valtellinese banking groups. In light of the above decision of the European Commission, the **Antitrust Condition Precedent³ has been fulfilled.**

Customer centrality and Innovation

In a period strongly affected by the health emergency still ongoing, Crédit Agricole Italia has **guaranteed its customers operability in all areas**, also in the most difficult moments, implementing new services, and allowing retail and private managers as well as financial advisors to work in web collaboration.

Furthermore, Crédit Agricole Italia set up a dedicated task force consisting of over 120 resources, which has been working since the very beginning of the emergency to manage all extraordinary needs of Customers.

³ As defined in the 102 Notice (paragraph 3.5(ii))

The **Customer Recommendation Index** sets at **+8 points** in 2020 (increasing vs. 2019), with the Group ranking second among universal banks in Italy. A result generated by a considerable commitment on this front and by the numerous initiatives implemented to strengthen continuously the customer satisfaction.

Inaugurated, in October 2020, **Le Village by CA Parma**, innovation ecosystem that joins the one already active in Milan: it hosts **29 start-ups, 14 enablers and 17 partners**, including the leading businesses and institutions of Emilia-Romagna. The start-ups operate - mainly but not exclusively - in **five different areas**: Pharma & Life Science, AgriFood Tech, Regenerative, Mechanics and Mobility, industrial Automation and Digital.

At the end of June, a new Hub was opened in Brescia, following the ones already opened in other Italian regions, to provide all Crédit Agricole Italia services in one place, where specialists operate in constant synergy.

Commitment to people and training

In order to continue to cope with the emergency, the Bank has kept all health and protection protocols in force to ensure the safety of its personnel, customers and citizens, **making personal protective equipment available free of charge** to all staff and the **possibility of carrying out serological testing on a voluntary basis**.

In 2020, Digital Academy, the internal online training platform, provided over **500 thousand hours of training** (equal to approximately 74,000 training days), involving nearly all the people, on average about **60 hours of training per person** (equal to approx. 8 days).

Today, **50 topic areas and over 600 training courses** (up by +113% YoY) are available to every employee and can provide bespoke online training. Among them, a specific training course on customer satisfaction, which had nearly 10,000 logins and a training course on remote team leadership, with over 7,000 logins.

The number of personnel members enabled for smart working reached **80%**; a work arrangement that has had a very positive impact on social relations, corporate culture and work organization.

November was for the Group a month of in-depth study on the themes of Diversity and Inclusion, in line with the **Mois de la Diversité** organized by Crédit Agricole SA, with events and testimonies that guided us to the discovery of various faces of Diversity: generational differences, disabilities and gender diversity, with high participation by colleagues.

Commitment to social responsibility and sustainability

In line with the Group's *raison d'être* "Working every day in the interest of our customers and society", in 2020 Crédit Agricole Italia has continued with its commitment to social responsibility, especially in these past months that proved very difficult for everyone.

Among the most important initiatives, Crédit Agricole Italia purchased **82 machines for assisted ventilation**, along with other equipment, during the peak of the emergency, for many hospitals in the areas that needed them (in synergy with its shareholder Foundations: Cariparma, Piacenza e Vigevano, Carispezia, San Miniato, Lugo and the Foundations based in its regions: Cesena, Rimini, and Faenza).

These initiatives must be added to other solidarity contributions towards many local Institutions and to the crowdfunding initiative in favour of the **Italian Red Cross**, finalized during the lockdown, through which Euro 1.5 million were raised thanks to the commitment of all the companies of Crédit Agricole in Italy, to the Payroll Giving and to the direct contributions donated by senior managers and employees of Crédit Agricole Italia, Agos and Amundi Italia, along with the donations made by customers and suppliers.

In 2020, **CrowdForLife**, the Group's crowdfunding portal, completed its first year in operation with raised funds amounting to approximately Euro 1.7 million. On the portal, has been recently launched **Crédit Agricole for Future**, a social call by the Crédit Agricole Group in Italy as a whole to support projects sharing common themes: **education, inclusion and reduction of inequalities**.

Parma, 11 February 2021

On 11 February 2021, 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 Annual Report and Financial Statements for 2020.

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**, before impairment of goodwill, at Euro 206 million (vs. 314 in 2019)
- **Net income (loss)** at Euro -53.4 million
- **Revenues** at Euro 1,894 million (down by -3.0% YoY)
- **Operating expenses** at Euro 1,240 million (down by +0.4% YoY)
- **Cost of credit** at Euro 422 million, equal to 84 bps

Balance Sheet highlights

- **Equity - Group share-** at Euro 6.4 billion (down by -1.4% YoY)
- **Loans to Customers** at Euro 50.2 billion (up by +7.6% YoY)
- **Direct funding** at Euro 55.0 billion (up by +10.6% YoY)
- **Assets under management** at Euro 39.9 billion (up by +5.0% YoY)

Group ratios

- **Ratio of net non-performing loans** at 2.96% and ratio of net bad loans at 0.9%
- **Coverage ratio of net non-performing loans** at 51.2% and of net bad loans at 68.4%
- **Common Equity Tier 1 Ratio Fully Loaded** at 14.0%
- **Total Capital Ratio** at 19.7%
- **LCR** equal to 242%

INCOME STATEMENT: 2020 FIGURES

Net operating revenues came to Euro 1,894 million, down by -3.0% vs. the previous year, reflecting a year characterized by the effects of the health emergency and by the subsequent slowdown of the economy.

Net interest income came to Euro 976 million, down by -3.4% vs. the previous year. The figure is affected also by the unfavourable market performance, which, with interest rates driven to new all-time lows by the expansionary measures deployed by Central banks and in stable negative territory, triggered requests for repricing of outstanding loans to customers.

Net fee and commission income came to Euro 880 million, decreasing by -4.3% YOY, with the drop affecting both traditional services and management, intermediation and advisory services. This decrease resulted both from the reduction in commercial banking activity during the lockdown period and from the subsequent slowdown in commercial production in the following months, which led to lower revenues from product placements.

After the easing of social distancing measures, fee and commission income progressively recovered going back to year opening levels.

Total operating expenses came to Euro 1,240 million, up by +0.4% YoY, because of higher specific costs incurred to manage the Covid emergency, along with higher contributions to the banking system required for the resolution of bank crises. Indeed, operating expenses include the contributions to the Deposit Guarantee Scheme (DGS) and to the Single Resolution Fund (SRF) of Euro 58 million, which increased by +42.6% YoY.

The ordinary component, excluding contributions to the banking system and extraordinary costs to manage the Coronavirus emergency, continued to decrease, down by -3.0% YoY thanks to continuous operational efficiency.

Net value adjustments of loans and financial assets came to Euro 422 million, increasing vs. 2019 (up by +74.7% YoY). This increase is due to additional provisions for Euro 192 million, recognized in the year to account for the revised macroeconomic scenario impacted by Covid-19, of which €62 million for loans in stage 1 and 2 reflecting the forward-looking scenario under IFRS 9, and €130 million for loans in stage 3 mainly regarding adjustments made to the NPL portfolio. The cost of credit (the ratio of the net value adjustments of loans and financial assets recognized in the income statement to net loans to customers) came to 84bps.

Realized, in the first half of the year, a **gross capital gain** of 65 million following the sale and lease back operation relating to a property in Milan.

Because of the persistent low interest rate environment, an **impairment of goodwill** equal to 260 million euro was made. The transaction has no effect on forward-looking profitability, cash flows, liquidity solidity and capital ratios.

Including all of the non-operating and non-recurring elements, the **Group reported a net loss** of Euro -53.4 million.

THE BALANCE SHEET AS AT 31 DECEMBER 2020

Total assets, as the sum of loans to customers, direct funding and assets under management, came to Euro145.1 billion.

Loans to Customers⁴ came to Euro 50.2 billion, increasing by +7.6% YoY, driven by the good performance of all channels and by the considerable contributions of loans originated under the Liquidity Decree Law.

Higher volumes were achieved while keeping constant focus on **loan quality**: in reduction both total net NPL ratio (2.96% vs. 3.5% of Dec. 2019) and the total gross NPL ratio (5.8% vs. 7.1% of Dec. 2019). NPL coverage ratios were in line with 2019 despite the disposal of an NPL stock: the NPLs coverage ratio came to 51.2% and the coverage ratio of bad loans to 68.4%.

Assets under management came to Euro 39.9billion, up by +5.0% YoY, thanks to the increase in the net inflows. The positive performance is common from both asset management products (up by +3.3% YoY) and insurance products (up by +6.4% YoY).

Direct funding came to Euro 55.0 billion, up by +10.6% YoY, thanks to the increase in Customers' deposits. The Group also drew an ECB TLTRO III loan of Euro 9.5 billion.

More than satisfying **liquidity position**, with the LCR coming to 242%. Strong Group's **capital caposition**, well above the minimum regulatory requirements set by the ECB for 2020, with the Fully Loaded Common Equity Tier 1 ratio standing at 14.0%, the Tier1 ratio at 16.6% and the Total Capital Ratio at 19.7%.

Profile of Crédit Agricole Italia

The Crédit Agricole Group, the 10th bank worldwide, with 10.5 million mutual shareholders, operates in 47 Countries, including Italy, which is its second domestic market. It operates in Italy with all its business lines: from commercial banking, to consumer lending, from corporate&investment banking to private banking and asset management, all the way to insurance and wealth management services for HNW individuals. The cooperation between the commercial network and the business lines ensures wide-ranging and integrated operations serving 4.5 million active customers, through 1,300 points of sale and 14,000 employees, and increasing support to the economy with over Euro 78 Bln in loans.

The Group consists of the Crédit Agricole Italia Banking Group and of the entities engaged in Corporate and Investment Banking (CACIB), Specialist Financial Services (Agos, FCA Bank), Leasing and Factoring (Crédit Agricole Leasing and Crédit Agricole Eurofactor), Asset Management and Asset Services (Amundi, CACEIS), Insurance (Crédit Agricole Vita, Crédit Agricole Assicurazioni, Crédit Agricole Creditor Insurance) and Wealth Management (CA Indosuez Wealth Italy and CA Indosuez Fiduciaria).

www.credit-agricole.it

PRESS CONTACTS

External Relations Area

Crédit Agricole Italia

Phone: +39 0521.21.2826 / 2846 / 2801

Elisabetta Usuelli – elisabetta.usuelli@credit-agricole.it

Vincenzo Calabria – vincenzo.calabria@credit-agricole.it

⁴ Net of securities at amortized cost.

Andrea Vighi – andrea.vighi@credit-agricole.it
Simona Carini – simona.carini@credit-agricole.it
Silvia Lizza – silvia.lizza2@credit-agricole.it
Silvia Polloni – silvia.polloni2@credit-agricole.it