

PRESS RELEASE

**CRÉDIT AGRICOLE ITALIA BANKING GROUP: RESULTS AS AT 30 JUNE 2017
NET INCOME COMING TO 131 MILLION UP BY 7% YOY
SOUND CAPITAL POSITION AND ADEQUATE LIQUIDITY LEVELS
INCREASES IN BOTH INTERMEDIATION VOLUMES AND CUSTOMERS
CONTINUOUS INVESTMENTS SUPPORTING DIGITALIZATION AND BUSINESS
DEVELOPMENT**

- **The ability to generate profitability was confirmed, consistently with the previous financial years: in the first half of 2017 net income came to Euro 131 million** (up by +7% YOY). Revenues increased (up by +1% YOY), thanks to the good performance of fee and commission income (up by +9% YOY), driven especially by the asset management component (up by +25% YOY). Interest income increased vs. the previous quarter (up by +2% Q2/Q1). Operating expenses proved well under control and an excellent efficiency level confirmed, with the **cost/income ratio at 55.6%***.
- **Cost of credit came to Euro 152 million, decreasing by -12% YOY**, with the weight of adjustments of loans coming to 78 bps. **Asset quality proved steadily improving**: the weight of both net non-performing loans and net bad debts decreased by 6.9% and by 3.1%, respectively. The coverage ratio of non-performing loans increased coming to 44.2%. The number of new default positions decreased (down by -44% YOY).
- **Adequate capital soundness** with the Common Equity Tier 1 coming to 11.1% and the Total Capital Ratio to 13.4%. **A more than satisfactory liquidity position**, with the LCR coming well above 100%. **Moody's rating A3**, at the highest level in the Italian Banking System.
- **Good commercial performance and momentum**, contributing to a significant increase in **lending volumes (up by +5% YOY)**, **asset under management (up by +10% YOY)** and **direct funding (up by +8% YOY**, driven also by Covered Bond issues). **60,000 new Customers in the first six months of 2017**. The cooperation and synergies with the companies of the Crédit Agricole Group in Italy are constantly increasing.
 - ✓ **Continuous support to households** with a significant increase in mortgage loans (new production up by +7% YOY) and in consumer credit intermediation volumes (up by +33% YOY);
 - ✓ **Support to the economy** with loans to businesses increasing by +6% YOY, with enhanced focus on segments that are key for the Group, such as the Agri-Food one;
 - ✓ **Growth in asset management** with new business increasing (up by +28% YOY), driven also by new products, such as Individual Savings Plans and by the new Financial Advisors network;
- **Consistently with the 2016-19 Business Plan, the investments supporting the business, digital evolution and people continue**
 - ✓ **Transformation of the physical network** - with over 35% of the network that has already implemented the "AgenziaPerTe" advanced branch model and concomitant **evolution in digital tools** to provide Customers with a wider range of services;
 - ✓ **Staff development** through training, new recruitments and the implementation of initiatives aimed at improving worklife balance, such as smart working;
 - ✓ **Renewal of workplaces through real estate projects** that are underway aimed at rationalizing the Group's premises and designed to meet new work requirements and habits.

For further information:

External Relations and Sponsorships Service

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Parma, Italy, 3 August 2017

On 26 July 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, approved the Annual Report and Financial Statements for 2017.

The Group perimeter consists of Crédit Agricole Cariparma S.p.A. (Parent Company), Crédit Agricole FriulAdria S.p.A., Crédit Agricole Carispezia 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: Euro **131 million** (up by +7% YOY)
- Net operating revenues: Euro **866 million** (up by +1% YOY)
- Operating expenses: Euro **483* million** (up by +1% YOY*)
- Operating income: Euro **383* million** (stable YOY*)
- Cost of credit: Euro **152 million** (down by -12% YOY)

Balance Sheet highlights

- Equity - Group share: Euro **5.1 billion** (up by +5% YOY)
- Loans to Customers: Euro **39.5 billion** (up by +5% YOY)
- Direct funding: Euro **41 billion** (up by +8% YOY)
- Assets under management: Euro **29 billion** (up by +10% YOY)

Group ratios

- Cost/Income ratio at **55.6%***
- ROE at **5%**
- ROTE at **8%**
- Common Equity Tier 1 at **11.1%**
- Tier Total at **13.4%**

* net of non-recurring expenses

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INCOME STATEMENT: 2017 KEY PERFORMANCES

Net operating revenues came to Euro 866 million, slightly increasing (up by +1%) vs. the same period of the previous year.

Net interest income performed essentially in line with the previous year (down by -2.0%) coming to Euro 462 million, showing steady improvement (up by +2.4% Q2-17/Q1-17). This performance was mainly due to intermediation activities with Customers and especially to the changes in spreads. As regards loans, competitive pressure has caused progressive reduction in spreads, both on newly issued ones and on existing ones (renegotiations and early repayments), with a negative effect on net interest income, which was only partially mitigated by the increase in volumes (especially mortgage loans). Even though benefiting from lower costs of forms with longer maturities, the contribution of funding from Customers to net interest income was impacted by the substantial limits to the decrease in interest rates on some demand funding forms.

Net fee and commission income, which accounted for 43% of operating revenues (39% in the first half of 2016), came to Euro 370 million posting an increase vs. last year (up by +9% YOY): the decrease in fee and commission income from commercial banking activities (down by -9% YOY) was more than offset by the increase in fees and commissions from management, intermediation and advisory services (up by +25% YOY). The latter fee and commission income component benefited from the placing of both asset management and consumer credit products, especially thanks to the synergies with the specialized companies of the Crédit Agricole Group in Italy, including Agos, Amundi, CA Assicurazioni and CA Vita.

The contribution to the income statement of **net income from financial activities** (Euro 13 million as at 30 June 2017) significantly decreased vs. the previous year (down by -21 million), due to lower possibilities of arbitrage on government securities vs. the first half of 2016.

Operating expenses came to Euro 503 million, increasing by 16 million (up by +3.3%) vs. the first half of 2016, but were stable when considered net of non-operating components. Administrative expenses report both the contributions to the Single Resolution Fund (SRF) and the estimated contributions for any future systemic actions (e.g. any actions within the plan to save the two Veneto Banks – Banca Popolare di Vicenza and Veneto Banca). Net of non-operating expenses, the cost/income ratio came to 55-6%, in line with the previous year (up by +0.1%).

Net value adjustments of loans came to Euro 152 million, decreasing by -12% vs. the first six months of 2016.

Net income for the period (Euro 131 million) increased vs. the same figure for the first half of 2016 (up by +7%).

BALANCE SHEET: 2017 KEY PERFORMANCES

Total intermediated assets exceeded Euro 135 billion, increasing by +4.8%* vs. June 2016.

** Underlying figure used in order to take account of outgoing assets under administration relating to a specific position*

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Loans to Customers as at 30 June 2017 came to Euro 39.5 billion, increasing by +5% YOY. This trend has been driven by mortgage loans, which came to Euro 23.4 billion (especially home loans to households - over 11.900 new loans since the beginning of the year, up by +7% vs. the first half of 2016), as well as by loans intended to provide support to businesses (up by +6% YOY).

The development in volumes was achieved by continuously focusing on **credit quality**. Indeed, the weight of both net non-performing loans and of net bad debts on total loans to Customers decreased, amounting to 6.9% and to 3.1%, respectively - thanks also to the decrease in the number of positions entering non-performing status (down by -44% YOY). At the same time, the coverage ratios of non-performing loans and bad debts also improved vs. the end of 2016 (up from 42.2% to 44.2% and from 57.9% to 58.7%, respectively). Total sales of NPLs in the half year, including the bulk sale finalized in June, totalled approximately Euro 100 million. Moreover, it is reported that other sales are being finalized for approximately Euro 96 million worth of gross exposure.

In June 2017 **total funding** came to Euro 96 billion up by +4.8%* vs. the first half of 2016, due to the increase in direct funding components (up by +8% YOY) and asset management components (up by +10% YOY).

The development in **direct funding** (which, as at 30 June 2017, came to Euro 41.2 billion) was driven by current accounts whose balances increased to Euro 30.4 billion (up by +16.5% YOY), substantiating Customers' preference for more liquid forms of deposit. As regards funding through securities, the Group's activity focused on the issue of Covered Bonds, which, thanks to the increasing appreciation shown by the market, has allowed funding to be stabilized on longer maturities and at advantageous costs: in 2017 the Group placed another Euro 1.5 billion worth of Covered Bonds; conversely, unsecured debenture loans decreased (down by -45% YOY): the low interest rate scenario has lead Customers to opt for products having better return opportunities, especially asset management products.

Indirect funding, as at 30 June 2017, came to Euro 55 billion, increasing by +2.8%YOY*. Within this aggregate, asset management increased (up by +10% YOY), due to the growth in all its main components (Funds and Asset management products up by +14.1% YOY and insurance products up by +7.4% YOY). Assets under administration decreased (down by -4.9% YOY*).

Capital soundness proved again adequate with the Common Equity Tier 1 coming to 11.1% and risk-weighted assets that remained stable (this aggregate reported an increase in Retail and Corporate loans along with a decrease in loans to banks, as well as an offsetting component due to the improvement in credit quality) and a Total Capital Ratio coming to 13.4%, with a more than satisfactory liquidity position, as proved by the LCR coming well above 100%.

** Underlying figure used in order to take account of outgoing assets under administration relating to a specific position.*

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 64 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. www.credit-agricole.it

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