

## CRÉDIT AGRICOLE ITALIA BANKING GROUP: RESULTS AS AT 31 DECEMBER 2018

**PROGRESSIVE INCREASE IN PROFITABILITY:  
NET INCOME OF EURO 274 MILLION, UP BY +10% YOY  
(EURO 297 MILLION, UP BY +13% YOY, EXCLUDING THE CONTRIBUTIONS TO  
DEPOSIT GUARANTEE AND RESOLUTION FUNDS)**

**ALWAYS STANDING BY HOUSEHOLDS AND BUSINESSES WITH INCREASING LOANS  
(UP BY +6% YOY) AND HIGHER ASSETS UNDER MANAGEMENT (UP BY +3% YOY)**

**CONSTANT FOCUS ON CREDIT QUALITY: DECREASE IN THE NPL STOCK (DOWN BY  
-37% YOY) AND HIGHER COVERAGE RATIOS**

**CONTINUING OPEN INNOVATION, DIGITALIZATION AND  
CUSTOMER CENTRALITY; OVER 350 MILLION EURO WORTH OF INVESTMENTS IN  
THE THREE-YEAR PERIOD**

**GOOD CONTRIBUTION OF THE THREE SAVINGS BANKS ACQUIRED AT THE END OF  
2017: FULL BUSINESS REVIVAL WITH THEIR MERGER INTO THE PARENT COMPANY**

*In a macroeconomic scenario with strong fundamentals but featuring uncertainty factors, **Crédit Agricole Italia Banking Group** has achieved performances constantly on the increase. **Net income came to Euro 274 million**, increasing by +10% YOY vs. the 2017 underlying net income; **excluding the contributions to the National Interbank Deposit Guarantee Fund (FITD) and to the Single Resolution Fund (FRU)**, net income amounts to Euro 297 million, up by +13% YOY.*

- **Considerable development in volumes: strong increase in loans up by +6% YOY<sup>1</sup>**, driven by both home loans and lending to businesses. **Asset management also on the increase, up by +3% YOY**, despite the unfavourable performance of the markets, with positive contributions from all business lines.
- **Strong commercial momentum: 140,000 new customers** thanks to the increasing contribution of the digital channel, with online opening of approximately 20% of the new accounts, along with the development of the internal network of financial advisors. The business model is based on the following pillars:
  - ✓ **Constant financial support to households**, with home loans increasing by over +10% and with consumer credit intermediation volumes up by +33%;
  - ✓ **Support to the real economy** with loans to businesses increasing by +4% YOY, with specific focus on strategic industries, such as Agri-Food up by +7% YOY, and the development of the supply chains with best in class Italian players;
  - ✓ **Asset management on the increase** driven by new placements in the insurance segment (up by +19% YOY) and by the growing contribution given by the internal network of financial advisors, in a volatile market scenario with slowdown in performances;
  - ✓ **Cooperation and synergies continuously increasing with all the companies of the Crédit Agricole Group in Italy**, in order to supply a wide and integrated range of products and innovative solutions to the advantage of all economic players.
- **Operating Income came, for the first time ever, to over Euro 1.9 billion**, increasing by +13% YOY, also thanks to the progressively increasing contribution of the 3 Savings Banks acquired. Increase in the weight of fee and commission income that accounted for 46% of total income vs. 44% in 2017, driven by the **asset management** (up by +15% YOY) **and insurance** components, substantiating the development in the services with higher value-added for customers. The Group made considerable **investments for over Euro 350 million** in the last three years, in accordance with the business plan, while continuing the actions to increase operational efficiency, to rationalize and transform physical structures, along with the integration of the 3 Savings Banks.

<sup>1</sup> Versus the same figure as at 1 January 2018; excluding securities at amortized cost.

- **Progressive improvement in asset quality and reduction in the cost of credit:** the coverage ratios of the non-performing portfolio proved again adequate (NPL coverage ratio at 52.5% and bad loans coverage ratio at 68.4%) with the weight of net non-performing loans (equal to 3.8%) ranking among the best in the System. The NPL stock decreased by -37% YOY, based on a plan for the sale of €1.4 billion worth of gross NPLs.
- **Important projects have been developed aimed at supporting the Group's growth through customer centrality and focus on people:**
  - ✓ **Continuous investments in the digital and innovation scope** in order to put customers at the centre of a bank that is 100% human and 100% digital, through the evolution and extension of multi-channel tools, new technologies, smart processes and online initiatives aimed at acquiring new customers, with special focus on young people. Moreover, training plans have been implemented focusing on the evolution of services to customers in a multichannel perspective;
  - ✓ **New hubs were opened in the Group's areas of operation**, 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;
  - ✓ **The first Village** in Italy of Crédit Agricole **was opened in Milan, Start-Up accelerator** dedicated to innovation, sharing and business creation, which involves all the Crédit Agricole entities in Italy. An ecosystem aimed at fostering economic development and supporting new entrepreneurial ideas linked to "made-in-Italy" products (food, fashion and design), as well as to technological innovations and sustainable mobility. The project is going to be repeated also in other important Italian cities;
  - ✓ **The entry of over 200 new resources, 70% of whom are young people**, the improvement in worklife balance and the enhancement of women's role in the company are all evidence of **constant attention to people**, which is also substantiated by **Crédit Agricole Green Life**, the new headquarters housing over 1,500 people in a fully eco-sustainable and technologically innovative environment.
- **Liquidity position** well above the regulatory requirements (LCR at 148%) and **adequate capital strength**, with the Total Capital Ratio at 16.8% (improving vs. 15.1% in the previous year).
- **The Group's engagement in corporate social responsibility:** many initiatives were implemented with players based in the communities, specifically the **Foundations**, both in the communities the Group has long been operating in and in new ones, with **over Euro 5 million** allotted to such initiatives. In 2018 the Group developed its own crowd-funding portal.
- **Full business revival of the 3 Savings Banks acquired at the end of 2017**, which contributed to the Group's performance with constant progress in the year (twice as many mortgage loans between the first and the fourth quarter). Full business and IT integration was completed with their merger into the Parent Company Crédit Agricole Cariparma.

## Parma, Italy, 14 February 2019

On 29 January 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, took note of the Annual Report and Financial Statements for 2018.

The main entities the Group consists of are 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. that have been consolidated on a line-item basis.

## GROUP FINANCIAL HIGHLIGHTS

### Income Statement data

- Net income - Group share - came to Euro **274 million** (up by +10% YOY) – excluding the contributions to FRU and FITD, net income came to Euro **297 million** (up by +13% YOY)
- Net operating revenues came to Euro **1,938 million** (up by +13% YOY)
- Operating expenses came to Euro **1,273 million** (up by +22% YOY) including the contribution to FRU and FITD amounting to Euro 40 million
- Cost of credit came to Euro **260 million** (down by -12% YOY)

### Balance Sheet highlights

- Equity - Group share - came to Euro **6.2 billion** (up by +1% YOY)

- Loans to Customers to Euro **46 billion** (up by +6% YOY)
- Direct funding to Euro **48 billion** (down by -4% YOY)
- Assets under management came to Euro **34 billion** (up by +3% YOY)

#### Group ratios

- Cost of credit came to **57 bps**
- Total Capital Ratio to **16.8%**
- LCR to **148%**

### INCOME STATEMENT: 2018 KEY PERFORMANCES

The comparison vs. 31 December 2017 reports also the change in the perimeter, with the entry, at the end of December 2017, of CR Rimini, CR Cesena and CR San Miniato.

**Net operating revenues** came to Euro 1,938 million, up by +13% vs. the previous year.

In a scenario featuring some slowdown in economic growth and still negative interest rates, **net interest income** came to Euro 991 million, increasing vs. the previous financial year by +8%; in the year, the spreads of new loans progressively improved and excess liquidity was progressively reduced.

**Net fee and commission income**, which, today, accounts for 46% of total income, came to Euro 898 million, increasing by +18% YOY. The Group's performance was driven by both fee and commission income from the traditional banking business (up by +20% YOY), and by fee and commission income from management, intermediation and advisory services (up by +15% YOY).

**Operating expenses** came to Euro 1,273 million, increasing by Euro 228 million vs. the previous financial year subsequent to the change in perimeter. This figure reports also the expenses for the integration of the three Savings Banks amounting to approximately Euro 30 million and the structural growth in investments as provided for by the Business Plan, which were offset by even more effective actions aimed at reducing operating costs. Operating expenses include the contributions paid to the Single Resolution Fund and to the National Deposit Guarantee Voluntary Scheme amounting to Euro 40 million, which overall increased by 20% YOY.

**Net value adjustments of loans** came to Euro 260 million, progressively decreasing (down by -12%) vs. the end of 2017, despite the larger perimeter. In percentage terms, the ratio that expresses the **cost of credit risk** (the ratio of the relevant adjustments taken to the Income Statement to net loans to Customers) decreased to 57 bps vs. 75 bps at the end of the previous year, while the coverage ratios of non-performing loans increased.

**Net profit** came to Euro 274 million, increasing by +10% vs. 2017 underlying net income amounting to Euro 250 million.

### BALANCE SHEET: 2018 KEY PERFORMANCES

**Total assets**, i.e. the sum of loans, direct funding and assets under management, including the volumes coming from the acquisition of the 3 Savings Banks, came to Euro 134 billion.

**Loans to customers** came to Euro 46.0 billion, increasing by +6.0% vs. 1 January 2018, driven by the progressive development 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 (3.8% vs. 6.3% in Dec. 2017) and of net bad loans (1.4% vs. 2.7% in Dec. 2017). A concomitant increase was achieved in the coverage ratio of both non-performing loans (52.5% vs. 44.9% in Dec. 2017) and of bad loans (68.4% vs. 59.5% in Dec. 2017). Non-

Performing Loans decreased through the sale of an NPL stock for a gross amount of Euro 1.4 billion.

**Assets under management** came to Euro 34.4 billion, with an underlying increase by +3.3% vs. the end of 2017, in spite of the negative market trend. As at 31 December 2018, **direct funding** came to Euro 48.2 billion, down by -4.4% vs. the end of 2017 consistently with the strategy of reducing volatile and costly funding, while continuing to ensure a more than satisfying liquidity position (LCR at 148%).

**Capital strength** proved once again adequate, with the Common Equity Tier 1 coming to 11.2% and the Total Capital Ratio to 16.8%.

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### Profile of the Crédit Agricole Italia Banking Group

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 67 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 operates in Italy with over 1100 points of sale in 11 Regions and is the sixth banking player by assets with 10,000 employees and more than 2 million Customers.

[www.credit-agricole.it](http://www.credit-agricole.it)

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