ANNUAL REPORT 2021

CRÉDIT AGRICOLE

Crédit Agricole Italia Banking Group

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR 2021

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LETTER FROM THE CHAIRMAN

The year 2021 featured widespread recovery in the world economy, also exceeding initial expectations. In Italy, production sprang a pleasant surprise with the GDP growing by +6.5% YoY, thanks to the economic fabric that showed a strong ability to recover sending encouraging signals about the determination and professionalism of our entrepreneurs. However, concomitantly with the economic recovery – and probably also because of the fast pace of the recovery – inflation materially and unexpectedly increased, hitting +5% (its highest since the start of the monetary union) driven also by the strong rise in prices, especially of electricity and gas.

The improved macroeconomic scenario generated positive effects on the situation of Italian banks with recovery in profitability driven by growing revenues – especially in their fee and commission components – and by a strong decrease in losses on loans, which were very high in 2020.

This is evidence of the importance of effective implementation of the investments and reforms provided for in Italy's Recovery and Resilience Plan (RRP), which were defined within the Next Generation EU (NGEU) programme, and whose success is going to be crucial in order for Italy to meet the challenges of digital and ecological transitions that are relevant to all sectors of the economy Specifically, for banks and financial intermediaries, investments in technology and effective management of risks, including those associated with climate change, are key factors in order to increase the quality of their services, to improve profitability and, ultimately, to provide the economy with the support it needs.

True to its *raison d'être* "Working every day in the interest of our customers and society", **Crédit Agricole Italia** operated in this scenario continuing to support the Country's economy, with a development featuring strong focus on innovation, ESG standards and sustainability.

Its performance in 2021 gives again evidence of the Group's ability to generate profits, as it did in the previous years, thanks to its balanced and diversified business model. Statutory consolidated net income came to **Euro 607 million**, including the net badwill for Euro 497 million, as well as by other extraordinary and non-recurring components associated also with Creval acquisition. Net of said extraordinary and non-recurring elements, this figure hit Euro **346** million, materially growing vs, 2020 (+68% YoY). Thanks also to the continuous increase in synergies, the set of the entities of **Crédit Agricole in Italy** posted an aggregate net profit of **Euro 989 million (up by +34% YoY)** and loans to the economy coming to **Euro 92 billion**.

The Banking Group's capital strength was well above the minimum prudential requirements assigned by the ECB, with its consolidated **Total Capital Ratio** at 17.2%. Furthermore, **Moody's confirmed its rating of Crédit Agricole Italia at Baa1 with stable outlook,** the highest one in the Italian banking system.

The Group's reliability was acknowledged by investors within the first ever Italian issue of **Green Covered Bonds**. Consistently with the Group's green finance objectives, the issue proved very interesting for the market and aimed at financing a pool of residential mortgage loans selected based on sustainability criteria and originated for the purchase of high energy efficiency properties.

Also in 2021 the Group's activity aimed at supporting the economy in order to enable the productive and social fabric to withstand the continuing health emergency, while fostering economic recovery Furthermore, the Group proved again as one of the most active and dynamic players in the Italian banking arena.

Evidence is the full success of the **public tender offers for Credito Valtellinese and Crédit Agricole FriulAdria**. Thanks to Creval joining the Group, the merger of which is expected in Q2 2022, we have strengthened our footprint in Italy's most productive areas, starting operations in new Regions. With the deal involving Crédit Agricole FriulAdria, we once more reasserted our closeness to the communities we have long been operating in and to their potential.

Our initiatives for new generations were also very important. With Mutuo Giovani, the home loan for individuals under 36 years of age, we took action to enable them to benefit from all tax deductions under the Italian legislation, fostering their independence. At the same time, with the agreements with the trade unions signed in October and December 2021, the Group took an important step towards generational turnover, recruiting over 500 young people and turning 200 fixed-term contracts into indefinite ones. On top of the above, several partnerships were established with top Universities throughout Italy, in order to communicate the CA Italia Group's values to new generations, to make them aware of career opportunities and to attract the best talents. Over the years, this will enable us to strengthen the Bank's strategic areas even further, with special focus on innovation and sustainability.

Sustainability was indeed at the core of many initiatives that comprised all the aspects of the Bank's activity. In 2021 Crédit Agricole Italia adopted an ESG specific governance model, with special focus on three collective mobilization matters: acting sustainably for the climate and the transition to a low carbon emissions economy; strengthening social cohesion and inclusion; contributing to successful agri-food transition. Worth mentioning are also the actions deployed to reduce direct emissions targeting all segments: energy, transports and services, with special focus on purchasing. As regards Diversity&Inclusion, gender inclusion continued to be focused on, in order to strengthen women's leadership role in the various activities and sectors of the Bank.

Within the innovation of infrastructure, products and services, in June 2021 a partnership was established with TIM and Accenture for the management of the integrated technology and telecommunications infrastructure, accelerating digital transformation and the development of innovative services. Fast and flexible response to Customers' new needs and to market developments also comprised the big success of the Le Village system. In addition to those in Milan and Parma, which now involve over one hundred startups and about sixty partner firms, Le Village by CA Triveneto was opened in Padua and Nowtilus – Sea Innovation Hub went live, which is the first incubator for start-ups in Liguria supporting innovation and technologies in the blue economy.

Lastly, worth noting is the Group's social commitment. CrowdForLife, the Group's crowdfunding portal, reached the milestone of 2 million Euros raised since it went live, with about 40 projects published. Crédit Agricole For Future, a social initiative of the Group intended to support projects for education, inclusion and reduction of inequalities, was successfully deployed. With the Crédit Agricole Companies in Italy and Save The Children, a three-year project went live involving 100 schools throughout Italy tackling social and digital inclusion of very young people, with the objective of improving the digital skills of lower secondary school students fighting digital educational poverty.

In the last two years, so materially hit by the health emergency, we continued to work and never allowed obstacles and new challenges to daunt us. We did that with commitment and engagement, proving that banking business can be dome bringing new ideas to the table and contributing to sustainability His could be done thanks to our Group's strength and to the daily commitment of all its people, who are to be commended.

The Chairman
Ariberto Fassati

CORPORATE OFFICERS AND INDEPENDENT AUDITORS

Board of Directors

CHAIRMAN

Ariberto Fassati

DEPUTY-CHAIRPERSONS

Xavier Musca

Annalisa Sassi(*)

CHIEF EXECUTIVE OFFICER

Giampiero Maioli(*)

DIRECTORS

Evelina Christillin(°)

François-Edouard Drion(*)

Daniel Epron

Anna Maria Fellegara(°)

Lamberto Frescobaldi Franceschi Marini(°)

Nicolas Langevin

Hervé Le Floc'h

Paolo Maggioli(°)

Michel Mathieu

Andrea Pontremoli(*)

Christian Valette(*)

(*) Members of the Executive Committee.
(°) Independent Directors.

Board of Auditors

CHAIRMAN

Paolo Alinovi

STANDING AUDITORS

Luigi Capitani

Maria Ludovica Giovanardi

Alberto Cacciani(**)

Stefano Lottici

Germano Montanari

ALTERNATE AUDITORS

Roberto Perlini(^)

General Management

DEPUTY GENERAL MANAGER

Roberto Ghisellini

CORPORATE AND LENDING DEPUTY GENERAL MANAGER

Olivier Guilhamon

RETAIL BNKG, PRIVATE BNKG AND DIGITAL DEPUTY GENERAL MANAGER

Vittorio Ratto

MANAGER IN CHARGE OF THE PREPARATION OF CORPORATE ACCOUNTING DOCUMENTS

Pierre Débourdeaux

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

(^) In office until 7 February 2022.
(**) Standing Auditor since 8 February 2022.

KEY FIGURES

Income Statement highlights (°) (thousands of Euro)	2021	2020	2019
Net operating income	2,341,228	1,893,822	1,952,962
Operating margin	600,499	653,940	717,812
Net profit (loss)[a]	607,443	206,174	314,069

Balance Sheet highlights (°) (thousands of Euro)	2021	2020	2019
Loans to Customers	77,799,539	58,306,963	51,600,193
Of which securities measured at amortized cost	*12,806,752*	*8,070,821*	*4,913,787*
Funding from Customers	74,682,621	54,959,033	49,710,264
Indirect funding from Customers	93,403,923	75,425,320	71,294,531

Operating structure	2021	2020	2019
Number of employees	13,096	9,740	9,751
Number of branches	1,230	871	895

Profitability, efficiency and credit quality ratios	2021	2020	2019
Cost(°)/income ratio	61.3%	61.2%	61.2%
Net income(*)/Average equity(ROE)	5.2%	3.2%	5.0%
Net income(*)/Average Tangible Equity (ROTE)	6.8%	4.5%	7.1%
Gross non-performing exposures/Gross loans to Customers (gross NPE ratio)(^)	3.3%	5.8%	7.1%
Net non-performing exposures/Net loans to customers (net NPE ratio)	2.1%	3.0%	3.5%
Adjustments of non-performing loans/Gross non-performing loans	53.4%	51.2%	52.6%

Capital ratios	2021	2020	2019
Common Equity Tier 1 ratio	11.6%	14.0%	12.5%
Tier 1 ratio	13.9%	16.6%	15.0%
Total capital ratio	17.2%	19.7%	18.1%

(a) 2020 net profit (loss) excluding goodwill impairment.

(*) Profit net of non-recurring effects. In 2021non-recurring effects were mainly associated with the completion of the Purchase Price Allocation process following Creval, purchase, the generational turnover project, adjustments of non-performing loans subsequent to the disposal of NPLs via securitization backed by the Italian State Guarantee on Securitization of NPLs (GACS), the development in the Group's assessment policies and the recognition of extraordinary tax items (DTAs emerging from the business combination and realignment of values for tax purposes to book values). In 2020 non-recurring effects regarded impairment on goodwill.

(°) Ratio calculated excluding ordinary and extraordinary contributions to support the banking system and provisioning for Voluntary Redundancy.

(^) Applying the treatment of POCI assets.

SIGNIFICANT EVENTS

JANUARY

The App of Crédit Agricole Italia was the first app in the Italian banking industry to obtain the "Privacy OK" certification. Federprivacy approved the Group's home banking App upholding its compliance with the "Privacy and personal data protection on the Internet and in e-commerce" Code of Conduct.

Crédit Agricole Italia participated in the structuring of the syndicated loan of Euro 57 million granted to Procemsa, a leading player in food supplements, medical devices and cosmetics. The loan was used to finance the acquisition of Officina Farmaceutica Italiana. The new group resulting from this business combination aims at acquiring new international customers, pursuing its development in high-potential markets, especially in the United States of America, in China and in the rest of Asia.

Crédit Agricole Italia proved one more time its commitment to the protection of the environment, issuing a new payment card made of fully recycled PVC, i.e. made of plastic that is more environmentally-friendly as it generates lower CO2 emissions. The recycled PVC used to make the card comes from industrial waste and therefore it contributes to reducing the use of natural resources, applying circular economy principles. The new payment cards are manufactured in cooperation with Idemia, the leading player in the production of green cards.

FEBRUARY

Crédit Agricole Italia ranked once more among the leaders in Human Resources management. The Group has been one of the certified TOP Employers firms for thirteen years, an award acknowledging excellence in providing its employees with the best working conditions and in implementing Best Practices focused on the development and wellbeing of its people, while fostering their professional growth.

Over 35 thousand Euros to salvage the frescoes of the apse of the San Francesco del Prato church. This is the amount of the funds raised thanks to donations made through CrowdForLife, the crowdfunding portal of Crédit Agricole Italia. A true milestone achieved in the project launched by the Parma Diocese in synergy with Crédit Agricole Italia and Fondazione Cariparma, which was a partner in the crowdfunding campaign and donated 15 thousand Euros (50% of the campaign target amount of 30 thousand Euros).

Crédit Agricole Italia proposed, on an exclusive basis, a new sustainable investing solution supporting the economy. Said new solution consisted of the Capital Protected Impact Green Certificates issued by Crédit Agricole Corporate and Investment Bank, the market leader in the issuance of green bonds. This is but the latest initiative designed by the Crédit Agricole Group, which has always been committed to promoting sustainable development and focused on Environmental, Social and Governance matters.

MARCH

Agreements were signed between Crédit Agricole Italia and several Consortia (e.g. Morellino di Scansano Consortium, consortium of Bolgheri Wines, Chianti Classico Consortium, Valpolicella Wine Consortium, Consortium of Balsamic Vinegar of Modena) to strengthen the related sectors. Those agreements will enable the enterprises that are the Consortia members to use the revolving pledge facility. This is an important step forward in applying the revolving pledge legislation, which entered into force in 2020 and opened the way to new interaction between banks and enterprises.

Crédit Agricole Italia reasserted once more its commitment to the environment with the first ever Italian issue of Green Covered Bonds. Consistently with the Group's green finance objectives, the issue aimed at financing or refinancing a pool of residential mortgage loans selected based on sustainability criteria and originated for the purchase of high energy efficiency properties. Applying eligibility requirements compliant with the best practices in Environmental Sustainability, mortgage loans for the purchase of residential properties with A, B and C energy ratings or, if not energy rated, of recently built properties (from 2016 on), in accordance with the principle of the best 15% of the most energy-efficient buildings in the Country. The issue of Covered Bonds for €500 million with 12-year maturity (maturing on 15 March 2033), at a mid swap rate plus 9 percentage points has the lowest spread ever posted by Italian Covered Bonds. The gross annual coupon is 0.125%: 64 bps below the yield of Italian government securities BTP having similar residual maturity. The international component of the received orders proved again important as did the Asset Managers' appreciation for the bonds being Green.

Crédit Agricole Leasing Italia stood once again by Italian enterprises meeting their financing needs with new lease transactions. In a year affected by the Covid-19 health emergency, Crédit Agricole Leasing Italia offered its support to Italian enterprises, with constant focus on environmental sustainability as proved by its ranking no.1 in financing plants for the production of electricity from renewable sources and the no.9 top Italian leasing company.

Crédit Agricole Italia added the Confirming reverse factoring method to its Supply Chain Finance platform, which was developed thanks to its technology partner FinDynamic. The solution, which went live last November with the Dynamic Discounting service, is now "fully digital", sustainable and fully integrated with the customer companies' ERP systems. This vision is true to the values of the Crédit Agricole Italia Group, which has always been very responsive to the needs of the communities it operates in and to sustainability matters.

Crédit Agricole Italia and the Confartigianato Imprese trade association promoted a new initiative supporting recovery with a sustainable approach. The Banking Group and the Trade Association signed a nationwide agreement that combines the extraordinary measures deployed by the Italian Government with the support actions deployed by Crédit Agricole Italia, providing the Trade Association member enterprises with innovative solutions for the 110% Superbonus measure and for the other tax incentives under the Italian Relaunch Decree.

APRIL

New Life, the Group's Circular Economy project, went on. In 2021 NEW LIFE focused on the use of circular economy as a tool to meet the new social needs generated by the Covid-19 emergency, starting from the mapping of 4 communities, namely Milan, Bologna, Vicenza and Campi Bisenzio, and developing volunteer work and urban regeneration activities, along with fundraising campaigns on CrowdForLife.

An important and wide-ranging project went live, namely 'Nowtilus - Sea Innovation Hub', the first initiative in Liguria supporting innovation and technology in the blue economy. The initiative, which was carried out with the contribution of the Town of La Spezia and under the patronage of the Liguria Regional government, was presented by the promoter partners: Crédit Agricole Italia, Fondazione Carispezia, Wylab and Le Village by Crédit Agricole Milano.

Successful completion of the voluntary public tender offer made by Crédit Agricole Italia for all the shares in Credito Valtellinese, whereby Crédit Agricole Italia came to hold 91.17% of CreVal share capital, above the target threshold of 90%.

MAY

In 2021 a project went live in cooperation with the startup 3Bee (Le Village MI), intended for Crédit Agricole's customers and prospects and aimed at strengthening the Group's green image, also through a tangible contribution to the protection of biodiversity and of bees, and to raise awareness about the project ESG values among all users, including the Group's employees, through specific initiatives (contests and webinars).

JUNE

The Crédit Agricole Italia Banking Group, TIM and Accenture signed a strategic partnership agreement for the management of the technology and telecommunication integrated infrastructure for the Crédit Agricole Group in Italy. Under the agreement, having a term of validity of ten years, TIM and Accenture will create an integrated platform to jointly manage the technological and telecommunication systems of Crédit Agricole Italia.

SACE and Crédit Agricole Italia partnered up once again to foster the growth of Italian businesses. Crédit Agricole Italia gave a loan to Lumson S.p.A., an operating company that has been in operation for over 40 years and has gained strong know-how in designing and manufacturing packaging for cosmetic products of the leading international cosmetic brands.

Crédit Agricole Italia S.p.A. announced a voluntary public tender offer for 4,159,603 ordinary shares in its subsidiary Crédit Agricole FriulAdria S.p.A.

Crédit Agricole Italia proved once again strongly focused on enterprises and sustainability being awarded the 2021 ABI Prize, which was announced during the webinar organized by the Italian Banking Association (ABI).

JULY

The fundraising initiatives promoted by the companies of Crédit Agricole in Italy to contribute to the achievement of two goals of the 2030 Sustainable Development Agenda, namely quality education and reducing inequalities, came to over 180 thousand Euro. The "Crédit Agricole for Future" initiative provided 11 third sector organizations, previously selected by a scientific jury, with the opportunity to finance their respective projects by publishing them for over three months on the Group's crowdfunding portal www.ca-crowdforlife.it

Crédit Agricole Italia took action in favour of new generations with a new Home Loan designed for them and for their independence, aiming at a target of originated home loans for 2 million Euros. Making full use of the Consap guarantee, the new product enables young people, up to 36 years old, to obtain a loan for up to 100% of the property value with maturity up to 30 years, benefiting from all tax breaks provided for by the new decree law.

Crédit Agricole Italia gave a loan of 2 million Euro to Delicius (a company that is a leading player in the production and marketing of fish preserves) with a clause providing for the interest rate to decrease as the customer reduces its use of plastic. The savings thus obtained will be donated to an association engaged in environmental protection.

SEPTEMBER

Crédit Agricole Italia was the first financial industry player in the world to adopt a "machine learning" model in order to optimize advertising campaigns on Google. Crédit Agricole Italia was one of the first players in the Italian market to use the "image" function on Google advertising platform. With this function, images can be added to text ads in order to better represent its products and services and to catch online users' attention.

The headquarters of Crédit Agricole Italia obtained the highest level of the LEED® – Leadership in Energy and Environmental Design – independent certification, which requires precise design and construction standards for buildings that must be healthy, energy-efficient and with low environmental impact. It is a certification of excellence, substantiating that Green Life is an exemplary complex for its environmental qualities and as a comfortable workplace for people.

The final results of the voluntary public tender offer made by Crédit Agricole Italia S.p.A. for all ordinary shares in Crédit Agricole FriulAdria S.p.A. were announced. Crédit Agricole Italia will end up holding a total of 23,920,883 shares, equal to 99.101% of Crédit Agricole FriulAdria share capital.

Crédit Agricole CIB and Enel signed their first Sustainability-linked Guarantees Agreement. This Sustainability-linked Guarantees Agreement of 615 million Euro will determine the price of the guarantees given by Crédit Agricole CIB Milan on behalf of Enel S.p.A. in Milan. The agreement is based on Enel CSR performances. Its CSR performance is to be measured using specific Key Performance Indicators (KPIs) linked to sustainable development standards.

San Francesco del Prato reopening. At the event, the Church was officially presented after being reconstructed thanks also to the support given by Crédit Agricole Italia and before being reconsecrated, with its recovery and reopening as part of the Parma Capitale della Cultura 2020+21 initiatives.

OCTOBER

Crédit Agricole Italia assisted some students of the faculty of banking, financial and insurance sciences of Università Cattolica of Milan during the "Finance Lab for Future" challenge, which required a group Project Work with strategic and creative features on sustainable financial products. The team assisted by Crédit Agricole Italia won the contest (equal with two other 2 teams).

Crédit Agricole Italia supported the "Il cammino del verde" (green path) promoted by the Town of Florence and by the Tuscany regional government and installed on Piazza del Duomo in Florence for the G20 Agriculture Ministers' Meeting. A green installation evoking the great beauty of the Italian agricultural landscape and the risk of transformation and desertification threatening it because of climate change.

The third Le Village by CA accelerator in Italy was opened in Padua. The open-space facility with a surface of 1,800 square meters and 180 workstations on the ground floor of the La Cittadella business center, in the Stanga district, will be fully opened in mid-2022. Its presentation kicked off the operations of Le Village, which is dedicated to North-east Italy and focuses on sustainability, is the 40th accelerator in the worldwide network that the French Bank started to create in Paris 7 years ago. This initiative started with the first activities for the assessment of local startups that are the candidates for the growth pathway and with the meetings aimed at creating a network of 20 partner firms.

Crédit Agricole Italia financed an international university degree programme in "Digital Transformation Management" at the Cesena campus of the University of Bologna. This programme, which is the only one of this kind in Italy, pursues the objective of fostering the creation of a new multidisciplinary profession in Italy, able to steer and guide the digital transformation of enterprises.

The first project stemmed from the new partnership between Save the Children and the companies of the Crédit Agricole Group in Italy. The objective is to involve, in three years and throughout Italy, l100 schools, 6,000 students and about 250 teachers in an educational path towards the acquisition and certification of digital competence.

Crédit Agricole Italia adopted Plick by PayDo, a startup of the Le Village by Crédit Agricole Milano, and enriched its digital offer with this innovative smart payment service. The Banking Group will enable all its customers to send money in a smart, safe and traceable way, with no need to know the payee's IBAN, anywhere in Europe. The Crédit Agricole Italia App, which went live a year before, proved one of the most innovative and complete apps in the Italian market, thanks to its constant evolution, which is based also on the synergies developed with the Le Villages by Crédit Agricole ecosystem.

Crédit Agricole Italia and Indosuez gave their assistance for a merger-acquisition deal. Under their cooperation agreement Aliante, Indosuez and Crédit Agricole Italia organized the merger-acquisition of a company that specializes in international transport and is a multinational customer of the Group. The deal required a loan managed by a pool of banks led by Crédit Agricole Italia and enabled Indosuez to collect 36 million Euros.

NOVEMBER

In October and November, the fourth "Volontari di valore" (Worthy Volunteers) even was held, This corporate volunteer work project was conceived and organized by Crédit Agricole Italia in cooperation with Legambiente and pursues the objective of fostering active participation of its employees in the life of local communities. Parks, beaches, historic districts of cities and public areas in many Italian communities were brought back to their original beauty thanks to the commitment of many employees of Crédit Agricole Italia and of Creval, Crédit Agricole FriulAdria, Crédit Agricole Leasing Italia, Crédit Agricole Vita, Crédit Agricole Caisse d'Epargne Investor Services, and Crédit Agricole Corporate and Investment Bank, with the help of some students of the universities based in the communities concerned. The initiative was deployed in 10 cities, namely: Milan, Florence, Brescia, Turin, Parma, Naples, Genoa, Catania, Venice and Sernio (Sondrio).

The online fundraising campaign launched by the Caritas organization of the La Spezia - Sarzana - Brugnato Diocese which, in just a few months, exceeded the record amount of 100 thousand Euro, intended to build a new shelter for the homeless, which will be called 'Locanda il Samaritano'.

Many local entities proved ready to support the building of the new facility, which will house up to 27 homeless people. Many private citizens contributed to the campaign, which was launched on the crowdfunding platform of Crédit Agricole Italia, CrowdForLife - www.ca-crowdforlife.it. Fondazione Carispezia also supported the project, doubling the first 15 thousand Euro amount raised to build the facility roof, as did Crédit Agricole Italia, which contributed by promoting the initiative and donating another 15 thousand Euros.

Crédit Agricole Italia became the financial partner of the University of Bologna, one of the oldest universities in the Western world and the most important one in Italy. Thanks to this partnership, Crédit Agricole Italia can be the partner bank to over 90,000 students and workers. Targeted products and services are being designed, such as a loan reserved to the University's deserving students.

The Crédit Agricole Italia Group proved its commitment to play a leading role in supporting Italy's Recovery and Resilience Plan and to stand by businesses supporting their growth and development project with an allocated amount of 10 billion Euro. In this scope, the Group also announced the deployment of an in-house team in charge of implementing the initiatives under Italy's Recovery and Resilience Plan and ESG initiatives, as well as its partnership con Warrant Hub – Tinexta Group, a leading player in the provision of consulting services to businesses for subsidized finance solutions.

Crédit Agricole Italia continued its cooperation with the Italian Red Cross, signing the first ever agreement between the Italian Red Cross and a bank. The agreement provides for a set of solutions and services with objectives and customization, reserved for the entities and staff of the Italian Red Cross.

Crédit Agricole Italia organized and signed as the co-arranger the LBO financed by a pool of banks, whereby White Bridge acquired the capital of Delta Med, a company specializing in the manufacturing and distribution of medical devices. One of the objectives of the deal is creating an investment platform in order to pursue a process for the grouping and consolidation of the European industry of medical devices.

DECEMBER

Edison and Crédit Agricole Assurances announced the signing of an agreement whereby Crédit Agricole Assurance became an investor in the wind and photovoltaic power development of Edison Renewables acquiring 49% of its share capital. The overall estimated value of Edison Renewables exceeds 2 billion Euro. With this deal Crédit Agricole Assurances, consistently with Crédit Agricole's commitments to climate, became the long-term financial partner of Edison Renewables upholding the goodness of its business development projects and sharing its engagement in decarbonization challenges.

Crédit Agricole Italia, together with its subsidiaries Crédit Agricole FriulAdria and Creval, disposed, through securitization, of a portfolio of bad loans amounting to 1.6 billion Euro gross of impairment. The disposal was part of the wider action deployed by the Group for derisking and asset quality improvement and it fully met the requirements for the Italian State Guarantee on Securitization of NPLs (GACS).

Crédit Agricole Italia took an important step to democratize access to asset management, providing its over 2 million customers with the possibility to invest, starting with small amounts, thanks to Gimme5: the Digital Piggy Bank went live, which, through automatic actions easy to set, enables to save and invest, using a smartphone, also small amounts of money in order for retail customers to achieve their planned saving goals.

Crédit Agricole Italia signed an innovative three-year agreement with Bocconi University of Milan whereby the Banking Group will make available its advanced analysis tools and strong specialist competence in the agri-food sector to the University, in order to support research in the agricultural and agri-food field.

THE CRÉDIT AGRICOLE GROUP

1°

- Retail Bank in Europe
- European Asset Manager
- Bancassurer in Europe

KEY FIGURES

53 million Customers	**47** Countries
147,000 personnel members	**8.5** bln€ underlying net income*
126,498 mln€ equity - group share	**17.5**% CET 1 ratio

RATINGS

A+	Aa3	A+/AA-	AA(low)
S&P Global Ratings	Moody's	Fitch Ratings	DBRS

* 9.1 bln€ net profit "publiable".

THE CRÉDIT AGRICOLE GROUP IN ITALY

Player
in the Italian
consumer
finance market

Asset
manager
in Italy

KEY FIGURES

5.2
million customers*

Over 17,300
personnel members**

989 mln€***
net income - Group share

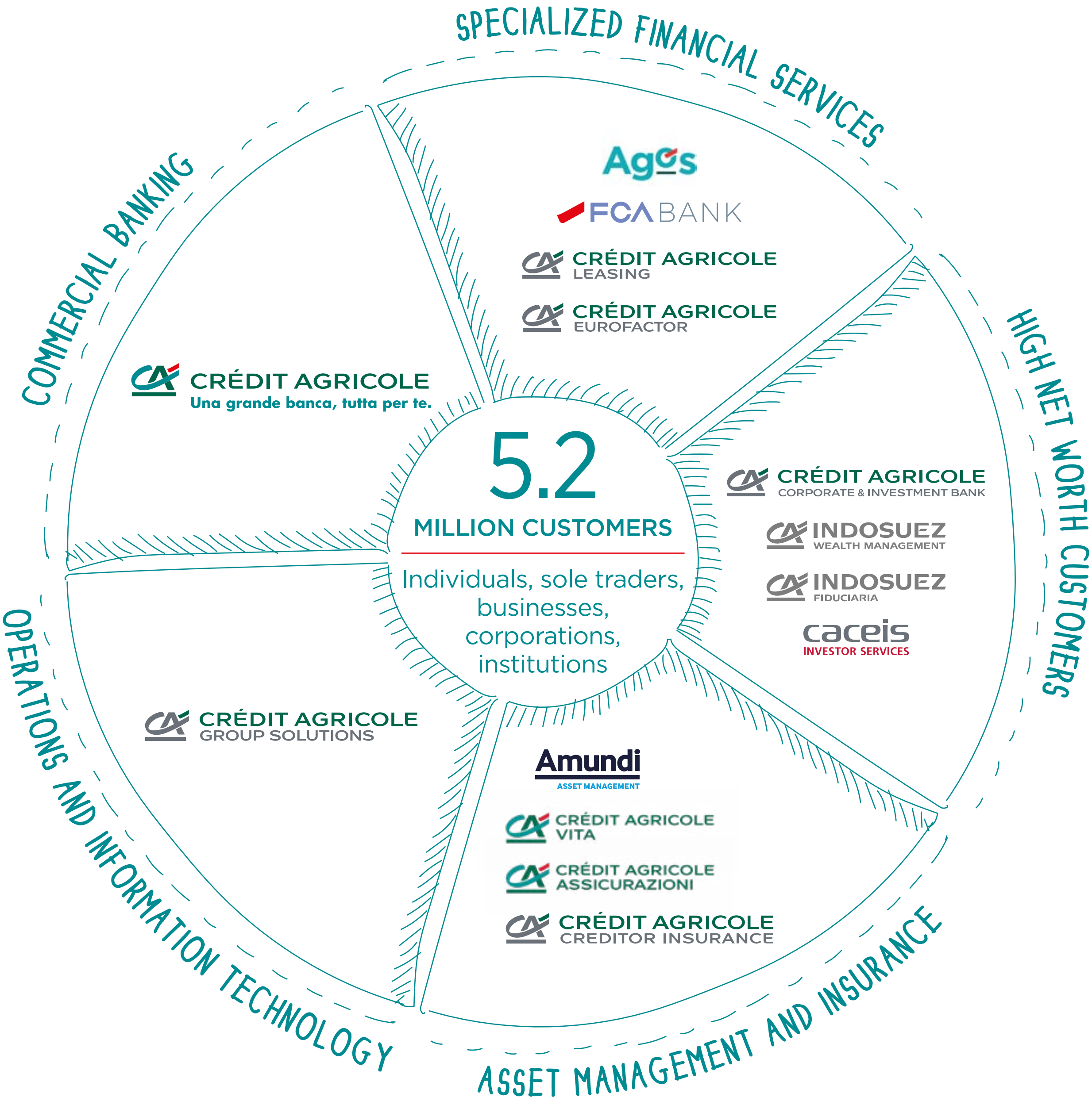
4.1 bln€
net operating income

323 bln€
customers' deposits and funds

92 bln€
loans to customers

* Of which 600,000 Creval.
** Of which 3,400 Creval.
*** Of which 751 mln€ attributable to the Crédit Agricole Group.

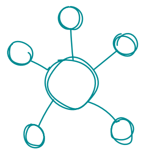
THE GROUP'S OFFER IN ITALY



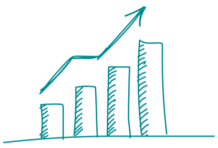
THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

The **Crédit Agricole Italia Banking Group**, through its commercial banks, is a proximity banking player that covers all market segments, thanks to its distinctive positioning based on Customer centrality.

2.7
million Customers

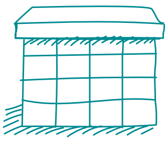


Over 13,000
personnel members

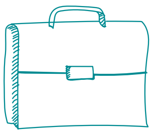


346 mln€*
net income - Group share

2.3 bln€
net operating income



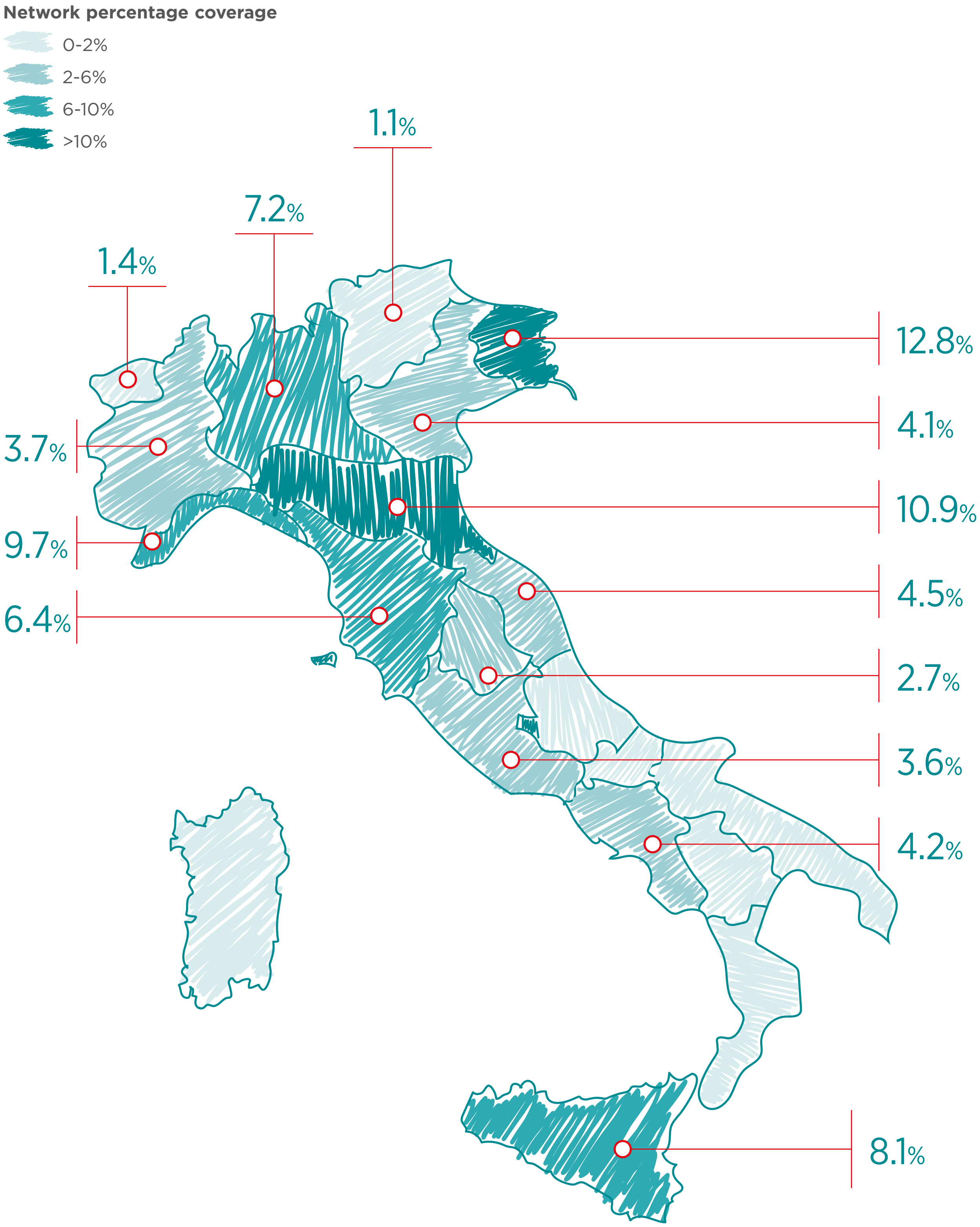
1,380
points of sale



65 bln€
total loans

* Excluding non-recurring effects; 607 mln€ including non-recurring effects.

BRANCH NETWORK PERCENTAGE COVERAGE BY REGION



CRÉDIT AGRICOLE

The Parent Company of the Crédit Agricole Italia Banking Group; it is one of the leading Italian banks. is strongly rooted in Italy and originated from local banks.

832
points of sale

43.2 bln€
loans

122.7 bln€
total funding

CRÉDIT AGRICOLE FRIULADRIA

In 2007 Crédit Agricole FriulAdria joined the Group. Today it is **the bank of choice for households and businesses in Northeast Italy.**

196
points of sale

8.1 bln€
loans

18.4 bln€
total funding

Creval

Creval became part of the Crédit Agricole Italia Banking Group after the success of the public tender offer in April 2021. It operates in 11 Italian Regions.

355
points of sale

13.9 bln€
loans

29.2 bln€
total funding

CRÉDIT AGRICOLE LEASING

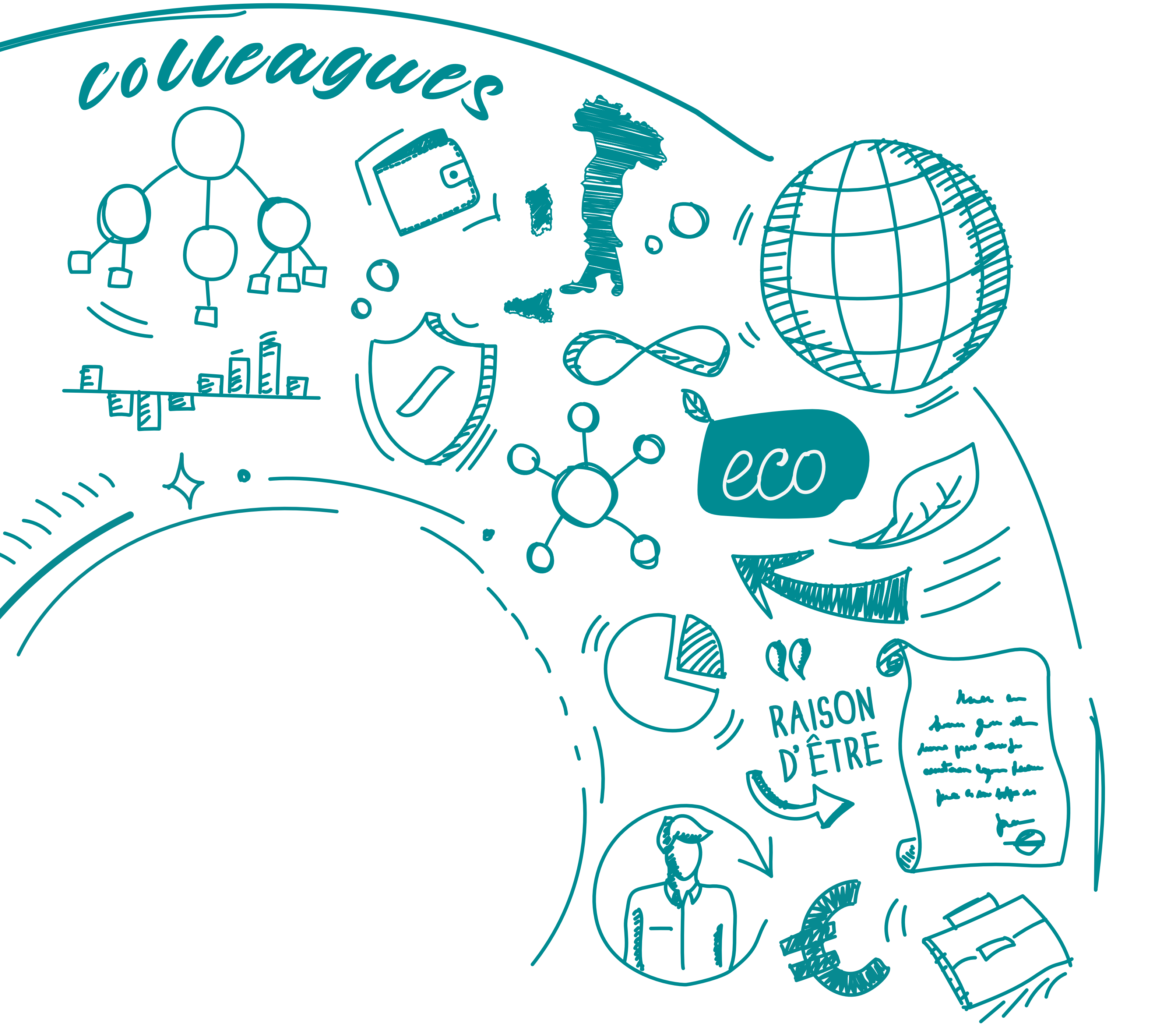
The Crédit Agricole Italia Banking Group's leasing entity. Crédit Agricole Leasing Italia **operates in the equipment, vehicle, real estate, seacraft and aircraft and renewable energy** financial leasing segments. **At the end of 2021, the loan portfolio amounted to Euro 2,269 Bln.**

CRÉDIT AGRICOLE GROUP SOLUTIONS

CAGS is the consortium company of the **Crédit Agricole Italia Banking Group** in charge of all activities relating to **Operational Processes, Information Systems, Technical Logistics, Safety and Security, Business Continuity, Purchases and Real Estate Management, as well as Human Resources Administration.**

Crédit Agricole Italia Banking Group

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2021



FINANCIAL HIGHLIGHTS AND ALTERNATIVE PERFORMANCE MEASURES

Income Statement highlights(°) (thousands of Euro)	31 Dec. 2021	31 Dec. 2020	Change	
			Absolute	%
Net interest income	1,130,740	975,701	155,039	15.9
Net fee and commission income	1,141,498	879,580	261,918	29.8
Dividends	11,429	10,449	980	9.4
Financial income (loss)	62,069	20,211	41,858	
Other operating income (expenses)	-4,508	7,881	-12,389	
Net operating income	2,341,228	1,893,822	447,406	23.6
Operating expenses	-1,740,729	-1,239,882	500,847	40.4
Operating margin	600,499	653,940	-53,441	-8.2
Cost of Risk(a)	-691,668	-429,991	261,677	60.9
O/w net adjustments to loans	*-643,868*	*-413,941*	*229,927*	*55.5*
Impairment on Goodwill	-	-259,611	-259,611	-100.0
Creval consolidation difference (Badwill)	496,865	-	496,865	100.0
Profit (Loss) for the period	607,443	-53,437	660,880	
Profit for the period net of non-recurring effects(#)	345,877	206,174	139,703	67.8

Balance Sheet highlights(°) (thousands of Euro)	31 Dec. 2021	31 Dec. 2020(*)	Change	
			Absolute	%
Loans to Customers	77,799,539	58,306,963	19,492,576	33.4
Of which government securities measured at amortized cost	*12,806,752*	*7,900,358*	*4,906,394*	*62.1*
Net financial Assets/Liabilities at fair value	196,292	47,449	148,843	
Financial assets measured at fair value through other comprehensive income	4,115,240	3,307,045	808,195	24.4
Equity investments	45,151	20,483	24,668	
Property, plant and equipment and intangible assets	2,918,176	2,570,520	347,656	13.5
Total net assets	90,398,911	67,808,892	22,590,019	33.3
Funding from Customers	74,682,621	54,959,033	19,723,588	35.9
Indirect funding from Customers	93,403,923	75,425,320	17,978,603	23.8
of which: asset management	*52,694,692*	*39,893,012*	*12,801,680*	*32.1*
Net due to banks	3,764,293	2,842,493	921,800	32.4
Equity	7,278,895	6,350,878	928,017	14.6

Operating structure	31 Dec. 2021	31 Dec. 2020	Change	
			Absolute	%
Number of employees	13,096	9,740	3,356	34.5
Average number of employees(§)	11,284	9,102	2,182	24.0
Number of branches	1,230	871	359	41.2

(°) The income statement and balance sheet data are those restated in the reclassified financial statements shown on pages 46 and 57.
(*) Current accounts and "sight" deposits with Central Banks and Banks have been reclassified from item "Due from Banks" to item "Cash and cash equivalents" in compliance with the new provisions laid down by Bank of Italy Circular no. 262.
(a) The cost of risk includes provisions for risks and charges, net impairment of loans and impairment of securities.
(§) The average number has been calculated as the weighted average of employees and atypical workers, where the weight is the number of months worked in the year; part-time personnel is conventionally weighted at 50%.
(#) In 2021non-recurring effects were mainly associated with the completion of the Purchase Price Allocation process following Creval, purchase, the generational turnover project, adjustments of non-performing loans subsequent to the disposal of NPLs via securitization backed by the Italian State Guarantee on Securitization of NPLs (GACS), the development in the Group's assessment policies and the recognition of extraordinary tax items (DTAs emerging from the business combination and realignment of values for tax purposes to book values). In 2020 non-recurring effects regarded impairment on goodwill.

Structure ratios(°)	31 Dec. 2021	31 Dec. 2020
Loans to and receivables from Customers /Total net assets	71.9%	74.6%
Direct funding from Customers/Total net assets	82.6%	81.4%
Asset under management/Indirect funding from Customers	56.4%	52.9%
Loans to and receivables from Customers/ Direct funding from Customers	87.0%	91.7%
Total net assets/Equity	14.4	12.0

Profitability ratios(°)	31 Dec. 2021	31 Dec. 2020
Net interest income/Net operating income	48.3%	51.5%
Net fee and commission income/Net operating income	48.8%	46.4%
Cost(*)/income ratio	61.3%	61.2%
Net income(#)/Average equity (ROE)(a)	5.2%	3.2%
Net income(#)/Average tangible equity (ROTE)(a)	6.8%	4.5%
Net income(#)/Total assets (ROA)	0.3%	0.3%
Net income(#)/Risk-weighted assets	1.0%	0.8%

Risk ratios(°)	31 Dec. 2021	31 Dec. 2020
Gross bad loans/Gross loans to Customers with POCI assets	0.6%	2.9%
Gross bad loans/Gross loans to Customers	0.8%	2.9%
Net bad loans/Net loans to Customers	0.2%	0.9%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio) with POCI assets	3.3%	5.8%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio)	4.4%	5.8%
Net non-performing exposures/Net loans to customers (net NPE ratio)	2.1%	3.0%
Net adjustments to loans /Net loans to Customers(**)	0.5%	0.8%
Cost of riskkb)/Income from operations	58.6%	65.8%
Net bad loans/Total Capital(c)	2.3%	8.7%
Total adjustments of non-performing loans /Gross non-performing loans with POCI assets	38.2%	51.2%
Total adjustments of non-performing loans/Gross non-performing loans	53.4%	51.2%
Total Impairments of performing loans/Gross performing loans	0.8%	0.6%

Productivity ratios(°) (in income terms)	31 Dec. 2021	31 Dec. 2020
Operating expenses/No. of Employees (average)	154	136
Operating income/No. of Employees (average)	207	207

Productivity ratios (in financial terms)(^)	31 Dec. 2021	31 Dec. 2020
Loans to Customers/No. of employees (average)	5,254	5,538
Direct funding from Customers/No. of Employees (average)	6,038	6,038
Gross banking income(f)/No. of employees (average)	18,844	19,863

Capital and liquidity ratios	31 Dec. 2021	31 Dec. 2020
Common Equity Tier 1(d) /Risk-weighted assets (CET 1 ratio)	11.6%	14.0%
Tier 1(e) / Risk-weighted assets (Tier 1 ratio)	13.9%	16.6%
Total Capital(c) /Risk-weighted assets (Total capital ratio)	17.2%	19.7%
Risk-weighted assets (Euro thousands)	34,456,466	27,336,813
Liquidity Coverage Ratio (LCR)	277%	242%

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 46 and 57.
(*) Ratio calculated excluding ordinary and extraordinary contributions to support the banking system and provisioning for Voluntary Redundancy.
(a) The ratio of net earnings to the equity weighted average (for ROTE net of intangibles).
(b) The cost of risk includes provisioning for risks and charges, net adjustments to loans and impairment of securities.
(c) Total Capital: total regulatory own funds.
(d) Common Equity Tier 1: Common Equity Tier 1.
(e) Tier 1: Tier 1 Capital.
(f) Loans to and receivables from Customers + Direct Funding + Indirect Funding.
(#) Profit net of non-recurring effects.
(^) The annual average figure of Creval employees was used.
(**) Net of the adjustments associated with the securitization of bad loans for a gross amount of €1.6 billion and with the evolution in the policies for measurement of non-performing loans.

MANAGEMENT REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS

THE MACROECONOMIC SCENARIO AND THE FINANCIAL SYSTEM

The international macroeconomic scenario in 2021[1]

In 2021 the international macroeconomic scenario confirmed the signs of recovery that started to be seen in the first half of the year despite the risks generated by the new variants of the virus, thanks mainly to some key factors, such as progressive vaccination and the announcement of further and important tax support, based on which the GDP global growth has been estimated at about +5.5% YoY, the most robust rebound after a crisis in over 80 years.

As regards the development in the **health situation,** the spreading of the Delta variant in the summer months at first caused infections to grow on a global scale, but the increase in deaths was less pronounced in the areas with higher vaccination rates. From September the number of Covid cases gradually decreased and became lower than the early July number. From early November the number of cases increased again on a global scale due to the spreading of the Omicron variant, to a higher rate in Europe and in the USA, where the hospital admissions and deaths also increased. Hospital admissions and deaths increased less considerably than in the previous epidemic waves thanks to vaccination campaigns. In H2 2021 global mobility was markedly higher than in the previous year.

Trade went back to its before-pandemic levels, but tensions emerged in the procurement of commodities and intermediate inputs, which caused "bottlenecks" throughout value chains worldwide on the supply side. Inflation expectations consequently increases: in mid-October 5-year forward inflation expectations, i.e. financial market-based expectations, were about +2.7% YoY, factoring in that supply bottleneck may continue to impact on prices for a longer period than initially expected.

The economic recovery was uneven across countries and production sectors. Specifically, emerging markets and developing countries have been experiencing weaker recovery than advanced economies as a consequence of still low progress in vaccination, as well as of modest political response.

The countries that proved able to best respond to the difficulties started in 2020, year 0 in the pandemic spreading, include China and the USA (with their GDP growing by +8.1% and +5.6% respectively), as well as the United Kingdom (+6.9%) and, in the Euro Area, France (+6.8%) and Italy (+6.2%). The Chinese economy posted the most material rebound of all, with positive signs in all economic aggregates, although ,in the last part of the year, the measures deployed by the government to manage the health emergency had to be tightened again and the pursued reduction in energy consumption, which caused new disruption in activities. In the United States, the economic recovery took off must faster than in many other countries, as early as in the first months of 2021, thanks especially to consumer and business confidence, which always remained quite high, actually driving the economic cycle.

In Q3 2021 the GDP of the Euro Area further grew by +2.3% t/t, driven by the marked increase in household consumption. The expansion of the added value of services further stepped up, whereas the construction industry slowed down and manufacture essentially stagnated, which mainly reflected the decrease in Germany due to the extended difficulties experienced by enterprises in procurement. The GDP grew, albeit at difference paces, across all the largest economies in the Area. Based on the available indicators, the economic activity would markedly weaken in Q4.

1 Source: Bank of Italy, Economic Bulletin 1/2022 (January 2022).

Furthermore, the economic cycle recovery went alongside **accelerating inflation worldwide**, which was driven by higher prices of oil and commodities generating impacts in the various phases of the price system design. On this point, in the Euro Area inflation grew by +3.4% in 2021, mainly driven by the marked increase in the energy component, as well as by temporary factors associated with the tax measures deployed by Germany in 2020. After decreasing in August, oil prices grew again above their July figures, driving global inflation, albeit *futures* expect oil prices to decrease in the medium term. Volatility remained high, reflecting the uncertainty on the pandemic development. Natural gas prices considerably increased, especially in Europe, driven also by the very cold winter, which caused reduction in reserves, slowdown in production and faster than expected recovery.

Nevertheless, long-term inflation expectations based on financial markets remained at values compatible with the targets set by Central Banks.

Monetary policies

Subsequent to the uncertainties in the economic situation, the main Central Banks are continuing to implement different **monetary policies**:

- At the Federal Open Market Committee (FOMC) meeting held in December, the **Fed** confirmed its monetary policy, leaving rates unchanged and ranging between 0.00% and 0.25%, reasserting that full employment is the key in the United States' monetary policy. In light of inflation developments, the Fed also announced its intention to double the pace of tapering its monthly asset purchases, which had started in November. Specifically, the Fed will reduce its monthly purchases of USA Treasury securities by 20 Dollars each month and its purchases of US agency mortgage-backed securities by 10 billion Dollars every month;
- The **European Central Bank** decided to extend the duration and range of its different monetary policy instruments deployed in 2020, confirming its accommodative stance. Interest rates have been kept unchanged: the reference rate continues to be zero, while the deposit facility rate is negative, at -0.5%. Other monetary policy measures included: (i) The increase in the Pandemic Emergency Purchase Programme (PEPP) from 500 billion Euro to 1,850 billion Euro and extension of its duration to at least the end of March 2022 (vs. June 2021), (ii) recalibration of the conditions of its third programme of Targeted longer-term refinancing operations (TLTRO-III), also extending the period in which banks can obtain favourable conditions to June 2022, increasing borrowing limits and announcing another three operations scheduled between June and December 2021, (iii) extension of collateral easing measures from April 2020 to June 2022, (iv) announcement of four additional pandemic emergency longer-term refinancing operations (PELTROs) in 2021 to provide liquidity backstop. On 8 July 2021 the ECB published a statement setting out its new monetary policy strategy, which will be reviewed in 2025, confirming the objective of maintaining price stability in the Euro area, aiming at a 2% inflation target in the medium term, but with said target being "symmetric" (preventing both negative and positive deviations of inflation from the target);
- At its meeting held on 15 December, the **Bank of England** reviewed its current monetary policy measures confirming its 2% inflation target in a manner fit to support growth and employment, increasing its bank rate by 0.15 percentage points to 0.25%. The Monetary Policy Committee voted unanimously for the BoE: (i) To maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20 billion; (ii) to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves at £875 billion and so the total target stock of asset purchases at £895 billion.

Main economies[2]

The **Gross World Product grew by +5.8% in 2021**, considerably recovering from the marked decrease it posted in 2020 (-3.2% YoY). The international scenario benefited from a rebound across all segments of the economy, despite a new spike in Covid cases in the last part of the year, which weakened the momentum gained in the first months of 2021:

- Despite the slowdown in the growth pace in Q3 2021, which was largely due to the virus new delta variant and to the new wave of cases, the **United States**[4] GDP continued to increase at a fast rate, which resulted in +5.6% growth on an annual basis. The unemployment rate decreased (4.2%), although the way back to 2019 employment rate seems still quite long and the measured deployed by businesses for hour pay increase. The Consumer Price Index (+6.2% in November) reached a new peak, driven also by the upward trend in pays, as well as by the high commodity prices; nonetheless, the downturn in households' propensity to

2 Source: Prometeia, Forecast Report (December 2021).

consume (already partially dampened by restrictive measures) can be considered curbed by accumulated savings and by the new measures deployed by the government (an investment plan for approximately 570 million Dollars in 5 years), which will be implemented also through tax increases;

- In 2021, **China's**[3] GDP grew by +8.1% vs. the previous year, posting the most material increase in the last ten years, although the figures on a quarterly basis showed a progressive decrease in the expansionary phase during the year, especially in Q4 (+4% YoY) due to the crisis in the real estate market and to a new spike in Covid-19 cases, which brought about a zero tolerance policy to fight the virus. In general, all the main economic aggregates increased, specifically the industrial output grew by +9.6% YoY, thanks to the high-tech sector, while the balance of trade increased by +21.4% YoY. Consumer prices increased by +0.9% YoY, with the increase being of +0.8% if food and energy prices are excluded. On their part, industrial producer prices grew by +8.1% YoY;
- **Japan's**[4] economy was very affected by the severe restrictions deployed after the declaration of the fourth state of emergency due to the Covid-19 pandemic. Overall, the economy grew by +1,5% YoY. The negative effects of the restrictive measures in force also impacted on household consumption and consequently, in November, new expansionary measures were approved (amounting to 6.7% of the GDP), aimed at driving the recovery of the health sector, of production activities and of individuals' propensity to consume;
- in **India**[4]**,** the renewed stimulus to the growth of consumption and investments (both domestic and foreign), due to the easing of restrictions and to considerable progress in vaccination, drove the GDP rebound, up by +8.6% YoY. Consumer price inflation has shown a decreasing trend (+5.1% expected at year-end4), thanks mostly to agricultural product prices being stable, although the outlook of increases in commodity prices suggests a new increase in this index. It is believed that the improving general scenario can support recovery continuation;
- In **Russia**[4] the economy grew by +3.2% YoY due to poor vaccination coverage and to weak demand, especially in certain sectors, such as manufacturing, freight transport and construction, and to the drop in PMIs. In October 2021,inflation reached a new peak (+8.1%) prompting the central bank to keep a restrictive stance;
- The economy of the **United Kingdom**[4] continued to feature high consumer and business confidence indexes, despite the uncertainty caused by the Omicron variant. This reflected in the GDP growing by +6.5% YoY. The service sector was the best performing one, featuring strong rebound in foreign demand thanks to recovery in tourism, whereas the manufacturing sector suffered the most material slowdown, especially in the last months of the year. The decrease in the unemployment rate (4.3% as at the end of September) contributed to supporting private consumption, counteracting the pressure of inflation on purchasing power.

The Euro Area

The projections made in December 2021 by the Eurosystem experts expect material recovery in economic activity with pre-pandemic output levels and the GDP growth rate that should hit +5.1% YoY (slightly above the previous forecast of +4.8%). Private consumption proved the main driver of growth, with another contribution given by net exports. Specifically, the service sector gave an important contribution to growth, especially in its hospitality and leisure industries, which benefited from the progressing easing of restrictions during the summer. In the meantime, the manufacturing and construction sectors suffered from the worsening supply shortages caused by procurement disruption and by the increase in energy prices.

Based on the latest information, after two quarters of strong expansion, the economic activity in the Euro Area would seem to have shown some slowdown in the last part of the year, due to the increase in the number of Covid cases and the consequent re-deployment of preventive measures that became stricter and stricter, as well as to the persistence of bottlenecks in supply, which are hindering manufacturing production.

Inflation hit its all-time high since the start of the Monetary Union (+2.6% YoY), being mainly affected by the exceptional increase in energy prices.

Industrial output[5] continued on its way towards recovery but showed signs of some slowdown starting from the summer months, because of the tensions in supply chains, which caused a contraction in the production of capital goods, such as vehicles and machinery. **Inflation is increasing also in Europe**: the estimate published in December[6] expected the harmonised index of consumer prices to increase by +5.0% YoY. Having regard

3 Source: National Bureau of Statistics of China (January 2022).

4 Source: ECO, Macroeconomic scenario 2022-2023 (December 2021).

5 Source: Eurostat 7/2022 (January 2022).

6 Source: Eurostat 2/2022 (January 2022).

to the main inflation components in the Euro Area, energy is expected to post the highest annual rate in December (+26.0% YoY), followed by food and tobacco (+3.2% YoY), non-energy industrial goods (+2.9% YoY) and services (+2.4% YoY).

Unemployment rate[7], it came to 7.2%, decreasing vs. its figure in the previous year of 8.1%.

In **Germany**[4] the GDP growth progressively slowed down in H2 2021 (annual figure +2.7%). Said trend resulted from the strong positive contribution of household consumption and the negative contribution of foreign demand The manufacturing sector – especially the automotive industry – posted its third consecutive quarterly contraction, coming to -8pp below the 2019 closing figures, due to the lasting difficulties in procurement experienced by enterprises.

In **France**[4] the 2021 GDP growth rate was +6.8% vs. -8.0% in the previous year, in line with the expected trend. This performance is the result of a negative contribution from the foreign component (-0.2pp), and of a positive one from domestic demand (+1.2pp). The manufacturing sector showed marginal contraction, whereas the construction one performed well.

In **Spain**[4] the GDP grew by +4.4% vs. the end of 2020, speeding up vs. the year opening expectations. The increase was driven by the foreign component, whereas domestic demand gave essentially no contribution. The contribution from household consumption was slightly negative, bucking the component trend in the other European countries.

Following the suspension of the Stability and Growth Pact, the fiscal measures deployed by the EMU member states to respond to the pandemic were quite considerable: around 4% of the GDP in 2020 and increasing to above 5% of the GDP in 2021, with stronger measures to support economic recovery.

The EU approved temporary support measures for a total of Euro 540 billion, such as SURE, EIB and ESM funds, on top of the Next Generation EU longer terms ones, which will be implemented in the 2021-2026 period and, overall, will make Euro 750 billion available to the Member States, partly as loans (up to Euro 360 billion) and grants (up to Euro 390 billion) to be paid out through seven programmes – the main one being the Recovery and Resilience Facility (RRF), which covers the entire loan portfolio and 80% of grants.

As seen, the support measures mostly reflected in higher expenditure, for government investments, strengthened by the programmes within the national Recovery and Resilience Plans of the individual countries. Many countries have already obtained the European Council's approval of their plans and therefore the 13% pre-financing payment. Overall, the approved plans amount to a total of 448 billion Euros, equal to 3.3% of the Euro Area GDP.

As at 31 December 2021 the European Council had approved twenty-two of the twenty-seven national plans, while those of Bulgaria, the Netherlands, Poland, Sweden and Hungary were still being assessed. **The total resources disbursed so far as pre-financing amount to over 56 billion Euro, of which little less than one half to Italy**. For this purpose, an amount of nearly 96 billion Euros has so far been raised on capital markets through the **first issue of "Eurobonds"**.

The Italian economy

In 2021, the Italian economy grew by +6.2%[8] vs. 2020, with continuous expansion in all quarters, albeit at a progressively slower pace during the year. In the spring, especially retail, transportation and accommodation spending started to regain momentum (thanks to the easing of the measures deployed in the worst phases of the pandemic) and drove acceleration in the activity of the tertiary sector as a whole. Conversely, added value slowed down in the construction industry and, to a lesser extent, in manufacturing, after the strong expansion posted in the first part of the year.

Households' **final consumption expenditure**[9] progressively grew throughout the first nine months of the year, increasing by +5.3% YoY (+3.6% QoQ), driven by purchases of goods and especially of services.

7 Source Eurostat 4/2022 (January 2022).

8 Source: ISTAT, Quarterly Economic Accounts (March 2022).

9 Source: ISTAT, Quarterly Account of Public Administrations, households income and saving and company profits (January 2022).

In the first three quarters of 2021, consumer households' gross **disposable income** increased by 2.4%[9]. Conversely, households' **propensity to save** was estimated at 11%, decreasing by -2.4 pp. (Q1-Q3. 2021 less Q1-Q3 2020). This performance reflects higher growth in **final consumption expenditure** than in gross disposable income (+3.6% vs. +1.8%, respectively).

In December 2021 **consumer confidence**[10] came to 117.7, driven by the opinions on the general economic situation, on household budgets and on the present expediency of purchasing durable goods strengthening the upward trend throughout the year and hitting its all-time high since 2012. The same can be said for **business confidence,** which, albeit slightly decreasing in December due to worsening expectations about manufacturing output, about orders in the service sector and about employment, nonetheless remained at historically high levels.

In the first three quarters, the **State**[9] posted total net debt amounting to -8.8% of the GDP, improving vs. -11.1% in the same period of 2020. In the first nine months of 2021, in terms of weight on the GDP, the primary balance and the revenue balance were both negative, amounting to -5.3% (-7.5% in Q1 2020) and to -3.7% (-6.4% in Q1 2020), respectively.

In 2021 **industrial output**[11] increased by 11.8% vs. 2020 when it had decreased by -11.4%. The annual growth was posted across all the main manufacturing clusters and proved higher in intermediate goods and capital goods. Considering the evolution in the economic situation in 2021, the comprehensive index increased in all four quarters, albeit progressively slowing down in the course of the year. Specifically, the economic activity sectors that posted the highest increases vs. the same period of the previous year were the manufacturing of rubber and plastic products (+18.8%), the manufacturing of electrical equipment (+18.6%) and the metalworking and manufacture of metal products industry (+17.5%). Machinery manufacturing also grew (+15.3), as did the wood sector and the clothing and textile industries (+12.1% and +10.0%, respectively). The extractive sector was the only one posting decreases vs. the same period of the previous year (-7.0%).

The economic climate improvement generated, in the period between January and November 2021, growth in **gross fixed investments**[9] which grew by +16.3% vs. the same period of 2020, whereas the annual change in Q3 was of +19.7%, confirming the excellent overall quarterly figure.

The expansion in the Italian economy generated positive impacts also on **foreign trade**[12]. **Exports** progressively increased throughout the year, driven especially by the sales of intermediate goods and energy. On a period-on-period basis, the export growth sped up reaching +18.2% (January-December 2021/January-December 2020) and was posted in all sectors, especially in the energy one (+74.5%). The sales of chemical, pharmaceutical, food and metal products accounted for approximately half of the period-on-period increase in exports. **Imports** had a similar performance (+24.7% January-December 2021/January-December 2020) posting a strong period-on-period growth across all sectors, except for the automotive one, and across all partner countries. Import prices showed an increasing trend (+15.6% in 2021 on a yearly basis vs. 2020) especially in H2 and especially in the energy sector.

In 2021, after decreasing in 2020 (-0.2%), **consumer prices**[13] reverted to growth in terms of year average (+1.9%),posting the highest increase since 2012 (+3.0%). The inflation increase in 2021 was essentially driven by the performance of energy prices (+14.1%), which had conversely decreased by -8.4% in 2020. Net of these goods, in 2021, the increase in consumer prices was the same as in the previous year (+0.7%). The increase in prices already posted in Q1 (+0.1%), became higher in the following quarters, reaching its peak in Q4 (at +5.0%). In 2021, the performance of goods prices and of the general index was driven by energy prices, which increased by a year average of +14.1% (from -8.4% in 2020) and also posted their highest increase in Q4 (+28.3%).

10 Source: ISTAT, Consumer and business confidence (December 2021).

11 Source: ISTAT, Industrial production (February 2022).

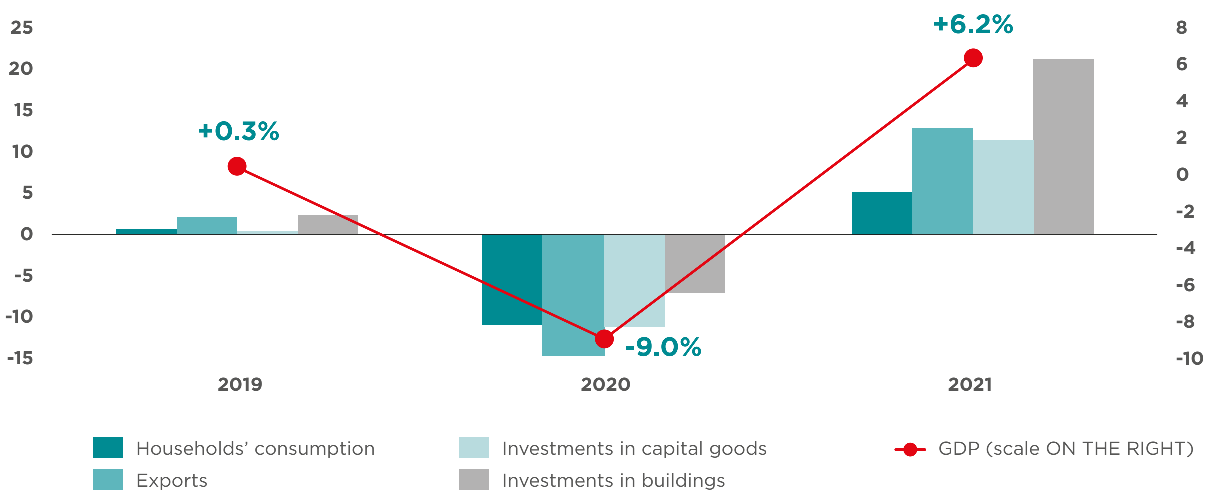
12 Source: ISTAT, Foreign trade and import prices (February 2022).

13 Source: ISTAT: Consumer prices – provisional data (January 2022).

In 2021 the labour market markedly improved: in December the **unemployment rate**[14] came to 9.0%, vs. 9.8% in December 2020. Likewise, the employment rate increased coming to 59.0%, up by 1.9 pp vs. December 2020, while the inactivity rate decreased by 1.4 pp coming to 35.1% in December 2021.

The implementation of the reform and investment projects within Italy's **National Recovery and Resilience Plan (Italian acronym PNRR)**, which was approved in July 2021 by the European Commission, started in August with the payment of the first pre-financing tranche of Euro 24.1 billion. As a whole, Italy's Recovery and Resilience Plan provides for total resources of Euro 235.61billion comprising NGEU funds amounting to Euro 205 billion, to which the Italian Government is going to add Euro 30.6 billion to fund a complementary national plan that will be implemented along with the EU programme. Out of the Euro 235 billion total, an amount of Euro 191.5 billion is linked to the Recovery and Resilience Facility (RRF), the financing of which is subject to the condition that agreed milestones and targets are fulfilled, for a total of 527 conditions to be met, of which 51 to be achieved by the end of 2021. Italy's national Recovery and Resilience Plan is based on six *missions* structured over three horizontal strategic priorities: digital transition, green transition and social inclusion. Nearly 40% of the total resources has been earmarked for the green transition, 27% for digitalization and 40% for the development of South Italy.

Italy: GDP and its components



Source: Prometeia, Forecast Report (December 2021).

14 Source: ISTAT Employment and Unemployment (February 2021 provisional data).

The banking system

In 2021, the Italian banking industry **continued to meet households' and businesses' demand for loans**, despite the very complex situation, keeping easy financing conditions thanks also to the **ample liquidity availability** of the ECB. Indeed, cost of funding for banks remained low, thanks to the many monetary policy and regulatory interventions deployed at a national and EU level, with repercussions on medium and long-term benchmark rates applied to customers, improving the conditions for access to credit to the benefit of households and businesses.

In terms of profit or loss, the **profitability of the banking industry as a whole considerably increased** vs. the previous year, proving back to its pre-crisis levels. This performance was largely due to the **increase in revenues thanks to the contribution of fee and commission income**, driven by the assets under management component, and by profits from trading activities, which more than offset the decrease in net interest income, and due to the **effectiveness of cost control actions**. **Investments in technology and cyber security** increased, driven by the momentum in digital transformation and necessary also to address higher Information and Communication Technology (ICT) risks generated by the facts that customers make more and more transactions online, but the increase was offset by the decrease in overhead costs thanks to the ongoing process for network optimization and generational turnover. A positive factor was also the **decrease in the cost of risk,** which went back to its physiological levels after the exceptional ones it reached in 2020. Lastly, banks continue to bear also **banking system expenses** under requests for extraordinary contributions subsequent to some actions for the recovery and resolution of some banks carried out by the Interbank Deposit Protection Fund, on top of the ordinary contributions, which increase across the banking system in accordance with the performance of protected deposits.

The **quality of bank loans has remained under control** thanks also to the extraordinary measures deployed to support lending – moratoria on outstanding loans, state guarantees on new loans and income supporting policies – which contributed to **curbing the rate of loan impairment** providing borrowers in temporary difficulties with the possibility to handle liquidity shortage.

Under said support measures, **demand by businesses for loans backed by state guarantees continued to grow, whereas the loans still under moratoria considerably decreased** (from Euro 132 billion at the end of 2020 to Euro 44 billion at the end of December 2021), despite the option given to enterprises - under Cure Italy Decree and later under the Support-bis Decree - to extend the moratoria until 31 December 2021. Therefore, the term given to enterprises to use the moratoria granted by law expired on 31 December 2021 and, as of 2022, the entire amount debit on the contractual due dates shall be automatically restarted, in accordance with the original amortization schedule.

The Bank of Italy[15] data show that **the granted moratoria** (approx. Euro 270 billion from the pandemic outbreak) **gradually expired** starting from June 2021, under the new provisions laid down in the Support-bis Decree. Thus, the suspension of bank loan repayment was selectively extended and the moratoria had to be recognized as either compliant or non-compliant with the EBA guidelines, based on whether the overall duration of repayment suspension exceeded nine months. The latest data on the quality of loans under already expired moratoria show **a modest number of positions that became non-performing, which is essentially the same in the various countries**, thus suggesting that those measures proved effective in supporting enterprises' liquidity. Despite fears that asset quality may worsen, the data made available by the EBA indeed indicate that 2.8% only of the loans for which moratoria expired became non-performing at the end as at June 2021 (vs. the EU average of 4.7%)[16].

Conversely, the use of state guarantees increased, so much so that, in the period from 17 March 2020 to 31 December 2021, the Italian Ministry of Economic Development and Mediocredito Centrale (MCC) reported that 2,580,848 applications had been received by the Guarantee Fund for guarantees on loans to enterprises, craft businesses and sole traders, for a total amount of **Euro 221 billion**. Specifically, 1,179.625 concerned loans under the **Liquidity Decree up to Euro 30,000** for a financed amount of approximately **Euro 23 billion** and 694,894 concerned guarantees for moratoria under the **Cure Italy Decree** for a financed amount of approximately **Euro 27 billion**. The overall loans guaranteed under **SACE "Garanzia Italia"** increased to **Euro 32 billion**, for a total of 4,344 transactions.

15 Press releases issued by the task force consisting of the Italian Ministry of the Economy and Finance, the Bank of Italy, the Italian Banking Association, Mediocredito Centrale, the Italian Ministry of Economic Development and SACE (13 January 2022).

16 EBA Risk dashboard, data as at Q2 2021.

In the Italian banking system, **capitalization remains strong and resilient** as regards essentially all significant banks, with capital ratios well above the minimum requirements applicable since 1 January 2021 as set by the Supervisory Authority after the SREP carried out in 2020. Consequently, in the light of the improved macroeconomic conditions, with their recommendation issued on 23 July 2021, the Supervisory Authorities decided not to extend the limitations to dividend distribution deployed at the start of the pandemic. Furthermore, all significant banks are compliant with the regulatory requirements concerning the ***leverage ratio and the Net Stable Funding Ratio (*****NSFR**), which have become binding since 28 June 2021 with the CRR2 application.

In this scenario, the following business performances[17] were posted:

In December 2021 **loans to households and businesses** came to Euro 1,331billion, increasing by +2.5% YoY. According to the Bank of Italy's official data, lending to non-financial corporations slowed down (+0.4% YoY) reflecting lower needs for inventory and working capital financing; loans to households increased by +3.8% YoY subsequent to higher demand for home loans (up by +4.8% YoY) and for consumer loans (up by +1.5% YoY), driven by the improved outlook in the property market, higher consumer confidence and low interest rates.

The stock of **net band loans** continued on its decreasing trend and, in November 2021, came to Euro 17.6 billion down by -15.6% vs. December 2020. The weight of net bad loans on total loans came to 1.02%, decreasing from 1.21% in December 2020; Conversely, the coverage ratio slightly increased.

The weight of non-performing loans on the total loans originated by significant banking groups decreased – both as the gross figure and as the figure net of adjustments – thanks to the *derisking* process pursued in the last few years, opting for **proactive management of NPLs** and continuing with **sales on the market of bad loans and UTPs**, reducing the gap vs. European banks. The rate of loan impairment expressed by the **default rate remained modest** thanks also to the measures deployed by governments and authorities (moratoria and state guarantees).

Liabilities to the Eurosystem increased subsequent to banks' participation in the third series of targeted longer-term refinancing operations (TLTRO-III) programme – the last of which settled on 22 December 2021 – taking the loans obtained by Italian banks to Euro 452 billion. The first operation will mature in September 2022 and the last one in December 2024.

In December 2021, total **direct funding** (deposits from resident customers and bonds) had increased by +5.4% on a yearly basis. The medium/long-term funding component, consisting of bonds, decreased by approximately Euro 9.6 billion in absolute value (i.e. down by -4.4% YoY), whereas deposits increased by over Euro 114 billion (up by +6.6% YoY). Albeit with the applicable legislation still in its development stage, **the placement of *Green, Social and Sustainability Bonds increased,*** which are intended exclusively to finance or refinance new and/or pre-existing ESG projects.

The breakdown of changes in deposits by depositor shows that, in November 2021, business deposits had increased by +8.7% YoY and households' one by +5.2% YoY. Those increases give evidence of the still high liquidity held by customers (mostly by businesses), which was not immediately reinvested in productive activities or in financial markets. The strong increase in bank deposits occurred in 2020 and in the first months of 2021, which had mainly precautionary reasons given the uncertainty caused by the health crisis, started to lose momentum in H2 2021 and, while still firmly growing, went up at a slower pace.

In December 2021, **the interest rates applied to loans to Customers** continued to be very low: the average rate on total loans at 2.16%, the interest rate on new home loans at 1.40% vs.1.27% in 2020) – reflecting the changes in the composition of new loans in terms of type of mortgage loan – while the interest rate on loans to businesses was 1.29% vs. 1.33% in 2020).

Interest **rates** on **bank funding** remained essentially stable: in December 2021 the average rate on total bank funding from customers came to 0.45% vs. 0.49% in December 2020.

The **spread** between the average rate on loans to and the average rate on deposits from households and non-financial corporations has remained, in Italy, at very low levels; in December 2021 it came to 171 basis points, decreasing vs. 178 basis points in December 2020, reflecting also the increase in the weight of loans backed by state guarantees.

17 ABI Monthly Outlook (January 2022).

Having regard to the **asset management industry**[18], in December 2021 the system posted net funding up by +92 billion from the year opening, while AuM – thanks to the combined effect of net inflows and the positive market effect – reached their new all-time high of Euro 2,582 billion. The portion managed under collective investment schemes (open- and closed-end funds) amounted to Euro 1,340 billion, i.e. 52% of total assets). Investments in portfolio management came to Euro 1,242 billion and accounted for the remaining 48% of total AuM.

REGULATORY AND SUPERVISORY MEASURES DEPLOYED BY INSTITUTIONS IN THE COVID-19 PANDEMIC SCENARIO

The **monetary policy measures** deployed by the Supervisory Authorities aim at preserving favourable financing conditions, thus supporting credit flow to all economic sectors and ensuring price stability in the medium term. In this regard, the ECB:

- **Extended its TLTRO-III programme,** adding another three operations to those initially planned, to be allotted in June, September and December 2021 (each with a maturity of three years). The borrowing allowance was raised from 50% to 55% of eligible loans at the end of February 2019 and the bid limit for each operation was removed. The interest rate for each operation is the average rate applied in the Eurosystem's main refinancing operations over the life of the respective TLTRO III operation, except for the periods between 24 June 2020 and 23 June 2021 and between 24 June 2021 and 23 June 2022, during which the applied interest rate will be 50 basis points lower (extension by an additional 12 months of the period in which favourable interest rates apply to banks). For reducing interest rates, three different criteria shall be used to assess the counterparty's lending performance and said criteria refer to as many observation periods: (a) *special reference period* from 1 March 2020 to 31 March 2021; (b) *second reference period* from 1 April 2019 to 31 March 2021; (c) *additional special reference period* from 1 October 2020 to 31 December 2021. The interest rate conditions applying to the first seven operations are determined based on the aforementioned three criteria, those applying to the following operations are determined based only on the *additional special reference period*;
- **Resolved to increase the envelope for the Pandemic Emergency Purchase Programme (PEPP)** by Euro 500 billion taking it to a total of Euro 1,850 billion and the programme will run until the end of March 2022. Furthermore, the Governing Council decided to extend the period during which maturing principal payments from securities purchased under the PEPP will be reinvested until at least the end of 2023. Therefore, the Governing Council intends conduct net asset purchases until at least the end of March 2022 and, in any case, until the Governing Council judges that the crisis is over;
- **Confirmed its measures to support liquidity**, the pandemic emergency longer-term refinancing operations (**PELTRO**). The PELTROs are conducted as fixed rate tender procedures with full allotment, applying an interest rate that is 25 basis points below the average rate applied in the Eurosystem's main refinancing operations over the life of the respective PELTRO. The first seven PELTROs were allotted on a monthly basis between May and December 2020, with maturities between July and September 2021. In order to continue to effectively support liquidity on 10 December 2020 the Governing Council decided to offer four additional PELTROs in 2021, to be allotted on a quarterly basis and each with a tenor of approximately one year;
- **Extended leverage ratio relief for banks until March 2022**, allowing banks to exclude some central bank exposures from their leverage ratio, in order to support the ECB monetary policy transmission. The decision extended the leverage ratio relief, which was granted in September 2020 and was originally going to end on 27 June 2021, as the Governing Council deemed that exceptional circumstances justifying said temporary exclusion continued to exist.

The Italian Government continued with its actions aimed at supporting the economy, as the pandemic situation persisted and therefore required restrictions to movement of people.

18 Source: Assogestioni, Monthly Map of Assets Under. Management (December 2021).

In March 2021 the Italian Council of Ministers approved the so-called **"Support Decree"** implementing "*Urgent measures to support businesses and economic players, employment, health and local services, associated with the Covid-19 emergency*", which provided for:

- The allocation of resources intended to support business, third sector players, workers and households with **relief schemes and grants**;
- The extension of the **freeze on dismissals to 30 June 2021** along with the **extension of the wage guarantee fund use**.

At the end of May 2021, the Italian Government approved the so-called **"Supports-bis" Decree Law** (Decree Law 73/2021), which provided for the extension of some measure supporting access to credit and liquidity, as well as incentives for business combinations and for the sale of non-performing loans:

- **Moratoria for SMEs were extended to 31 December 2021**, with prior notice to the banks of the intention to extend the moratorium on loans by 15 June, as long as the moratorium applies to the principal only. Therefore, effective as of 1 July, enterprises had to resume payment of interests on loans under moratoria;
- **Public guarantees on loans given by the Central Guarantee Fund (Fondo Centrale di Garanzia - FCG) and SACE** on new loans or renegotiated outstanding loans **were extended to 31 December 2021**, although some changes were made to the Central Guarantee Fund coverage, which will enter into force on 1 July 2021 (the public guarantee percentage **decreased** from 90% to 80% and from 100% to 90% for loans up to Euro 30,000). Lastly, for guarantees given by both the Central Guarantee Fund and SACE, the loan tenor may be extended to 10 years, subject to the authorization to be given by the European Commission, which however seems inclined to grant an extension of the tenor of guaranteed loans to 8 years;
- **A provision contained in the "Cure Italy" Decree Law was extended to 31 December 2021**, whereby deferred tax assets referring to tax losses (also not recognized) **linked to sale of NPLs** may be converted into tax credits up to a maximum amount of Euro 2 billion.

Having regard to regulatory measures, in the reporting year some measures laid down in legislative instruments and regulations introduced in previous years started to be implemented. Specifically:

- The **EBA new definition of default,** which all banks are required to apply effective as of 1 January 2021, as detailed in the 2016 guidelines and in Commission Delegated Regulation (EU) 171/2018. The new rules apply to the classification as NPLs in terms of timeliness (fine tuning the methods to classify UTP and implementing additional automatisms), objectivity (setting non-discretionary materiality thresholds, both absolute and relative different for retail and corporate banking positions) and prudence (introducing specific rules for positions to be classified back as performing – the so-called *probation period*). In accordance with the new rules, banks shall also put on record the business and legal relations of their customers in order to identify the cases in which the default of a party may have repercussions on a debtor connected to said party (the so-called contagion effect);
- **The EBA guidelines on loan origination and monitoring**, whose final version was published in May 2020, which fall into the EU priority legislation on credit risk aimed at strengthening sound lending practices. The pursued objective is to improve credit quality and to contain the building up of new non-performing exposures in the European market, in accordance with the Action plan to tackle non-performing loans in Europe adopted by the European Council in July 2017. The guidelines, effective as of 30 June 2021, introduce best practices for the management and monitoring of credit risk through the use of sound and prudent standards.
- The Implementing Technical Standards (ITS), published by the EBA on 24 June 2021, which implement the prudential provisions laid down in Regulations (EU) 876/2019 (CRR 2) and 630/2019 (Prudential Backstop). The "**prudential backstop**" introduces a new framework on minimum coverage of NPLs, which provides for deductions from the bank's Common Equity Tier 1 (CET1) of applicable amounts if minimum coverage has not been reached (the so-called minimum loss coverage) with provisions or other adjustments. The required coverage varies in accordance with the exposure vintage (time during which it remains non-performing), with whether the loans are secured or unsecured and with the type of guarantees backing the loan. Said regulatory framework, which is part of pillar 1, does not provide for any flexibility and shall apply only to non-performing exposures generated by loans originated on or after 26 April 2019. Banks have stated the amounts to be deducted under the prudential backstop in their supervisory reporting since 30 June 2021.
- The new **update on legislative and non-legislative moratoria deployed to address the crisis caused by the Covid-19 pandemic**, published on 2 December 2020 by the EBA, introducing some developments, of which the following are mentioned: (a) the term within which the bank must decide whether to grant the moratorium was extended to 31 March 2021; (b) any Covid-related repayment suspensions granted between.

- 1 October 2020 and 31 March 2021 and for which the sum of suspension months granted in order to address the Covid-19 emergency is equal to or less than 9 months may be excluded from the perimeter of potential forborne exposures. The aforementioned limit does not apply to changes to the loan repayment schedule agreed on loan contracts before 1 October 2020 (for which no modifications are necessary). Other than in these cases, banks shall assess the single positions in order to identify any possible "financial difficulty" situations with consequent classification of loans as forborne exposures (irrespective of their being performing or non-performing).
- **Some measures laid down by Regulation (EU) 2019/876 (CRR2) of 27 June 2021,** of which the following are worth specific mentioning: 1) the application of a leverage ratio minimum requirement of 3% of the Tier 1 capital, and 2) the introduction of the NSFR (i.e., the structural liquidity metric over a 12-month time horizon) which must be above 100% and reported on a quarterly basis.

ENVIRONMENTAL, SOCIAL AND (CORPORATE) GOVERNANCE (ESG)

The applicable legislation on **Environmental, Social and Governance (ESG)** rules and criteria was developed at a materially faster pace in 2020-2021 by both the European Commission and the Supervisory Authorities. The main steps along this path have been the presentation of the **European Green Deal** in December 2019 – pursuing the objective of making Europe the first continent having zero climate impact by 2050 – and the go-live of the **Next Generation EU** programme in May 2020, designed to address the pandemic crisis. The sustainable finance plan is part of a series of strategic initiatives deployed by the Commission, which, until 2024, will introduce important changes to the legislation applying to the financial system. In 2020 the ECB published its guide on climate-related and environmental risks for significant banks and, in 2019, the EBA designed its work road-map on this matter (Action Plan on sustainable finance) and is currently publishing a series of proposals. The point of arrival is 2025, when the 'EBA should publish a report on the prudential treatment of assets based on ESG factors, with the possible introduction of a "green supporting factor" to boost green investments.

In this scenario, leading banks have already started the necessary processes and integrated sustainability goals in their strategies, which often provide for the achievement of ESG targets, such as: origination of green loans intended to improve energy efficiency or to invest in green technologies, the issue of green and social bonds or the commercialization of sustainable investment or insurance products. Banks are being encouraged to integrate ESG factors in all their business areas also by rating agencies, which are starting to integrate ESG elements more and more into their rating methods.

As regards **ESG regulation**, one of the main pillars is **disclosure**. This is the first important step, as it enables stakeholders to assess the environmental risks affecting firms and their sustainable finance strategy. Specifically, transparency of information on ESG topics is based on four items:

- The **EU Taxonomy** is a tool designed to help investors in identifying economic activities that are environmentally sustainable. The regulation on the taxonomy requires any firm subject to the NFRD to disclose information on how and to what extent the firm's activities are associated with economic activities that qualify as environmentally sustainable;
- The **Non Financial Reporting Directive (NFRD)** is an EU Directive of 2014 which, since 2018, has made it mandatory for public interest companies (i.e. companies with over 500 employees) to disclose information on how they operate and on how they address social and environmental challenges. On 21 April 2021 the Direction revision was completed and the Commission adopted the proposal on the **New Corporate Sustainability Reporting Directive (CSRD),** which will require all large enterprises to report data on sustainability in accordance with common standards: the objective is to make information disclosure consistent and comparable, while applying proportionality criteria for information to be disclosed by SMEs;
- The **Sustainable Finance Disclosure Regulation (SFDR)**, which entered into force on 10 March 2021, pursues the objective of making investment products more transparent thanks to a specific approach for the classification of ESG funds, laying down transparency requirements for products and firms. Therefore, asset managers shall disclose information on the proportion of investments that are compliant with the taxonomy, for each financial product or investment fund;
- Lastly, the EBA expects that, starting from next year, within Pillar 3 large listed banks **disclose information on ESG risks and on the related risk mitigation actions**. In its report published on 23 June 2021, the EBA assesses the inclusion of environmental, social and governance risks in Pillar 2 of the banking prudential framework. Therefore, ESG factors will have an impact on all the functions in the banking business (risk management, lending policies, planning, remuneration policies, etc.).

This regulatory action includes **stress testing on climate-related risks**. The first top-down stress testing exercise carried out by the ECB involved approximately 1,600 banks accounting for 80% of the bank loans held in the Euro Area, and its results were published in September 2021; in 2022 the ECB will carry out a bottom-up stress testing exercise on climate-related risks. Climate-related risk is more general for the ECB, also in view of the revision of its monetary policy strategy; the ECB has recently announced the setting up of the *Climate Change Centre*, which should coordinate the work on climate change.

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

All-cash voluntary public tender offer made by Crédit Agricole Italia for all the shares in Credito Valtellinese

On 23 April 2021, the all-cash voluntary public tender offer made by Crédit Agricole Italia for all the shares in Credito Valtellinese S.p.A. (Creval) was successfully completed, whereby Crédit Agricole Italia became the holder of 91.17% of Creval share capital.

Moreover, after the completion of the sell-out and squeeze-out procedures, Crédit Agricole Italia now holds 100% of Creval share capital, for a total consideration of Euro 862 million. The consideration per share paid by Crédit Agricole Italia was Euro 12.27 (ex-dividend, i.e. not including the 2021 Dividend). In addition, a dividend of Euro 0.23 per share was paid on 28 April 2021 by Creval, resulting in a total consideration per share of Euro 12.50.

The tender offer is a step forward in the strategic partnership between Crédit Agricole and Creval, supported by strong industrial and cultural affinity, and in line with Crédit Agricole Italia's strategy of sustainable growth, which can rely also on the successful integration of other banks, as proved with the previous acquisitions. Crédit Agricole and Creval had strong cooperation in place also before the acquisition: Crédit Agricole Vita, the Group's Italian subsidiary operating in the life-insurance business, was the exclusive partner of Credito Valtellinese, while its Parent Company, Crédit Agricole Assurance, was one of Creval's main shareholders, with an equity investment of 9.8%.

This combination is based on a sound business plan, whereby Crédit Agricole Italia has further strengthening its competitive position as the sixth commercial banking player in the Italian market by indirect funding and has become the seventh bank by total assets and number of Customers, achieving a market share of ~5% at a national level (by number of branches), drawing on a shared culture of continuous support to the local communities.

For Crédit Agricole Italia, the acquisition of Creval is an ideal opportunity for growth in terms of geographical coverage:

- Increased critical mass in areas that are complementary and adjacent to the ones already served, strengthening local coverage of Customers;
- Considerable strengthening in Northern Italy (~70% of the proforma number of branches);
- Two-fold increase in the market share in Lombardy (from 3% to over 6%), where Credito Valtellinese operates with more than 40% of its branches, thus becoming the seventh bank in the Region, a considerable improvement in the largest and wealthiest Region in Italy and, especially, in Milan;
- Size increase in the Piedmont, Marche and Lazio Regions, as well as access to new Regions, including the most dynamic metropolitan areas in Sicily, Valle d'Aosta and Trentino.

Within the wider process for the integration into Crédit Agricole Italia of Creval and Crédit Agricole FriulAdria networks, some actions for the rationalization of the resulting network in geographical terms, in accordance with the following guidelines:

- Resolution of cases of overlapping branches generated by the integration of Creval Network, maintaining the same coverage of the communities Creval has long been operating in;
- Evolution in the geographical coverage model towards a Network consisting of fewer but larger-sized and more specialized branches, focusing on higher added value activities rather than on mere transaction execution, especially in big cities.

Most of the planned actions (88) are going to be implemented within the Crédit Agricole Italia – Creval integration in April 2022, the remaining 6 concern Creval vs Crédit Agricole FriulAdria overlapping cases and will be implemented in November 2022.

Therefore, the success of this deal has strengthened the Group's competitive position in Italy, with the creation of a stronger Italian Banking Group, which benefits from the financial strength, support, skills and range of products and services of one the largest and most successful European groups, with considerable positive impacts on the economy of the communities concerned and in the interest of all stakeholders. Specifically, the deal is going to generate advantages:

- For Customers, as they now have access to an attractive and complete range of financial solutions, including the full range of Bancassurance products and services of the Crédit Agricole Group, a leading player in Europe;
- For the human resources of Credito Valtellinese, who have become part of a financial group that is a leading player in the industry and a *top employer*;
- For shareholders, thanks to a return on their investment of more than 10% within the third year, based on cost and funding synergies only, continuing to develop the Group's *raison d'être* with a strong commitment to providing support to the Italian economy and local communities, proving once again close to the regions.

Integration process

The activities in preparation for Creval merger into Crédit Agricole Italia, which will be completed in Q2 2022, are going on as scheduled.

Thanks to the experience gained in the previous integrations, Creval distribution model is being progressively aligned with the Group one, extending the services provided and the full range of products supplied to Customers: the distribution of Amundi products started in August, distribution agreements for consumer credit and leasing products were finalized, the partnership with Crédit Agricole Assurance for distribution of life insurance products was strengthened and over 2,000 employees were trained to speed up and facilitate the Network operations. The activities for stakeholder engagement, including customers and local communities, are going on through a plan for the enhancement of the areas where the Bank operates.

Creval results were driven by the adoption of Crédit Agricole service model, with a strong business performance that kept speeding up in the months after the acquisition: between May and December asset management products for €947 million were placed and new home loans for €443 million were originated.

THE DEAL FINALIZATION

Making reference to the Offer Document, the Offer Prospectus and to all the other documents made available as required by the law, as well as to the single notices given over time regarding the Offer progress and its outcome, here it is only mentioned that the Offer was made by Crédit Agricole Italia on 23 November 2020 as an all-cash Public Tender Offer, with a unit consideration of Euro 10.50 (cum dividend, i.e. including the coupons for any distributed dividend) for each share in Creval.

With notice published on 14 April 2021, Crédit Agricole Italia increased the Offer consideration up to a maximum amount of Euro 12.50 (cum dividend) for each share concerning which the Offer was accepted, of which Euro 12.20 as a fixed consideration and Euro 0.30 (the "Additional Consideration") subject to the conditions that the Offeror would end up holding more than 90% of Credito Valtellinese share capital.

Later, on 20 April 2021, Crédit Agricole Italia decided not to subject payment of the Additional Consideration to the 90% acquisition threshold, but rather to pay a Euro 12.50 consideration (cum dividend) for each concerning which the Offer was accepted (the "Updated Consideration") irrespective of whether the 90% threshold was exceeded or not. Therefore, the acceptance period was automatically extended to 23 April 2021.

Based on the final results – which were announced to the market on 28 April 2021 – during the acceptance period (extended as specified above) the Offer was accepted for 62,232,666 shares, representing approximately 88.714% of Creval share capital with voting rights. Therefore, as the Offeror already held 1,720,791 Creval shares, representing 2.453% of its share capital, Crédit Agricole Italia ended up holding a total of 63,953,457 shares in Creval, representing 91.167% of its share capital with voting rights.

Hence, the Minimum Threshold Condition (i.e. the Offeror obtaining shares totalling at least 50% + 1 share in Creval share capital with voting rights) was met, as were the other Offer Effectiveness Conditions. Therefore, the Offer was effective and could be finalized.

Given that Crédit Agricole Italia had already stated in the Offer Document that it would not take any actions to restore sufficient floating capital to ensure regular trading of Creval shares, and given that, at the end of the Acceptance Period, Crédit Agricole Italia obtained a shareholding above 90% but below 95%, the requirements for the sell-out procedure (i.e. obligation to purchase) were met under Article 108, paragraph 2, of the Italian Consolidated Law on Finance, concerning a maximum of 6,196,237 remaining shares (the "Remaining Shares") representing 8.833% of Creval share capital.

The sell-out procedure, which was carried out from 3 May to 21 May 2021, collected requests for sale concerning a total of 1,835,136 remaining shares, representing 2.616% of Creval share capital and 29.617% of the remaining shares, in addition to another 2,398,846 shares that were purchased outside the sell-out procedure. Based on the outcome of the sell-out procedure, which were announced on 26 May 2021, Crédit Agricole Italia ended up obtaining a total of 68,187,439 shares in Creval, representing 97.203% of its share capital.

After the sell-out procedure, as it ended up obtaining over 95% of Creval share capital, Crédit Agricole Italia exercised its right to purchase under Article 111, paragraph 3, of the Italian Consolidated Law on Finance, through a specific joint procedure (the squeeze-out procedure), which, as agreed with CONSOB and Borsa Italiana, was held on 4 June 2021.

The Joint Procedure concerned 1,962,255 Creval shares still outstanding, which represented 2.797% of its share capital. The consideration provided for in the Joint Procedure was the same as paid for the shares purchased in the procedure under Article 108, paragraph 2 of the Italian Consolidated Law on Finance, i.e. €12.50 (cum dividend) for each one of the remaining shares. Therefore, after completing the Joint Procedure, Crédit Agricole Italia became the owner of 100% of Creval share capital.

It is also pointed out that Borsa Italiana, with resolution no. 8770 adopted on 27 May 2021, ordered Creval shares (ISIN: IT0005412025) to be removed from trading on the Mercato Telematico Azionario (i.e. their delisting) effective as of 4 June 2021 (the Joint Procedure execution date), after suspending them from trading on 2 and 3 June 2021. On 18 June 2021, the General Meeting of Creval Shareholders was held and appointed the new Board of Directors; the new Board held a meeting immediately after the General Meeting and appointed Filippo Zabban as its Chairman, Giampiero Maioli as its Deputy Chairman, Roberto Ghisellini as Creval General Manager and Giliane Coeurderoy as Creval Deputy General Manager.

Voluntary public tender offer made by Crédit Agricole Italia for the shares in Crédit Agricole FriulAdria

On 17 September 2021, the voluntary public tender offer made by Crédit Agricole Italia for all the remaining shares in its subsidiary Crédit Agricole FriulAdria was successfully completed, whereby Crédit Agricole Italia became the holder of 99.101% of Crédit Agricole FriulAdria share capital.

Hence, Crédit Agricole Italia intends to proceed with the merger by absorption of Crédit Agricole FriulAdria, whereby the Crédit Agricole Italia Banking Group will be able to increase its management and operational flexibility and to pursue its strategic objectives in a more agile manner. Crédit Agricole FriulAdria integration will continue in the footsteps of the ones that the Crédit Agricole Italia Banking Group carried out in the past (namely the mergers by absorption into Crédit Agricole Italia of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A., Cassa di Risparmio di San Miniato S.p.A. and Crédit Agricole Carispezia S.p.A.), as well as in the footsteps of Creval integration.

Making reference to the detailed information given in the Offer Document and to the information published over time about the Offer development and about its outcome, the deal milestones are outlined below.

After the relevant resolution was adopted by its Board of Directors on 16 June 2021, Crédit Agricole Italia informed the public and notified CONSOB, with communication under Article102 of the Italian Consolidated Law on Finance and Article 37 of CONSOB Issuer Regulation ("Communication 102") of its voluntary public tender offer for the 4,159,603 remaining ordinary shares in Crédit Agricole FriulAdria, representing 17.233% of its share capital, i.e. all the shares that Crédit Agricole Italia did not already own, excluding the 112,359 treasury shares held by Crédit Agricole FriulAdria. Indeed, Crédit Agricole Italia already owned 19,865,895 shares in Crédit Agricole FriulAdria, amounting to 82.302% of its share capital thus exercising management and coordination activities on Crédit Agricole FriulAdria as its controlling company pursuant to Article 93 of the Italian Consolidated Law on Finance.

The Offer was instrumental to the integration of Crédit Agricole FriulAdria through its merger by absorption into Crédit Agricole Italia, within the wider scope of the "Single Bank Project" provided for by the 2019-2022 Medium Term Plan. In the same scope, the Crédit Agricole Italia Banking Group is going to be reorganized subsequent to the acquisition of Credito Valtellinese, which is going to be merged by absorption in order to implement the business and integration plan based on which Crédit Agricole Italia made its public tender offer for Creval shares.

The shares in Crédit Agricole FriulAdria were admitted to trading on the "Hi-Mtf" multilateral trading facility ("Order Driven" segment) being publicly held to a considerable extent, pursuant to Article 116 of the Italian Consolidated Law on Finance and Article 2-*bis* of CONSOB Issuer Regulation. Nevertheless, although traded on the Hi-Mtf, Crédit Agricole FriulAdria shares have always featured low trading volumes and, therefore, poor liquidity. This is the reason why on 14 December 2018 a contract between Crédit Agricole Italia and Equita SIM S.p.A. entered into force under which the latter operated in order to support the liquidity of the shares; said the term of validity of said contract ended on 15 June 2021 (and it was not renewed as, in accordance to the contract itself, the liquidity supporting activities would have been discontinued after the announcement of the public tender offer). Furthermore, as Crédit Agricole Italia shares are not traded on any regulated market or on multilateral trading facility, subsequent to the merger Crédit Agricole FriulAdria shareholders would have become the owners of financial instruments that are unlisted and thus illiquid and consequently difficult to sell and representing a very small stake in the share capital of Crédit Agricole Italia.

Considering the above, consistently with its vocation as a bank always standing by the communities it operates in and as a token of its attention to the customers that are also Crédit Agricole FriulAdria shareholders, Crédit Agricole Italia decided to make the public tender offer in order to give Crédit Agricole FriulAdria shareholders an opportunity of disinvestment before the merger at a price comprising an implied premium vs. the market price, thus enabling them to immediately profit from their investment.

For each share regarding which the Offer was accepted, Crédit Agricole Italia awarded an all-cash unit consideration of up to Euro 40 to every shareholder that accepted the Offer, with said consideration consisting of a fixed component of Euro 35 with immediate payment and a deferred component of Euro 5. The deferred component shall be paid in Q3 2024 upon condition that the shareholder accepting the Offer meets the requirements set out in the Offer Document between the Offer announcement date (i.e. 16 June 2021) and 16 June 2024, on a continuous basis. The total maximum consideration included a share premium of 37.9% vs. the last share price on 11 June 2021 (i.e. the date of the last weekly auction on the 'Hi-Mtf before the Offer announcement date – on 16 June 2021 – which was Euro 29); the immediate component only included a 20.7% premium on the share last market price.

The acceptance period started on 9 August 2021 and ended on 17 September 2021 – with its end date being postponed vs. the one of 10 September 2021 originally stated in the Offer Document – after CONSOB granted the request to extend the Offer acceptance period. Consequently, the consideration immediate component was paid on 23 September 2021, rather than on 15 September, i.e. on the fourth day of open market of the end of the acceptance period.

Based on the final outcome – which was announced to the market on 21 September 2021 – during the acceptance period (extended as explained above) the offer was accepted as regards 4,054,988 shares, representing approximately 97.485% of the shares for which the offer had been made and 16.799% of Crédit Agricole FriulAdria share capital with voting rights for a total consideration (assuming that all those that accepted the offer meet the requirements for the offer consideration award) of Euro 162 million. Therefore, as Crédit Agricole Italia already owned 19,865,895 shares in Crédit Agricole FriulAdria, representing 83.302% of its share capital, Crédit Agricole Italia ended up holding a total of 23,920,883 shares in Crédit Agricole FriulAdria, representing 99.101% of its share capital.

As Crédit Agricole FriulAdria shares are not listed on any Italian regulated market, once the offer ended the following did not apply: (i) the obligation to buy the remaining shares from those so requesting under Article108, paragraph 2, of the Italian Consolidated Law on Finance in case the Offeror ends up holding, subsequent to the offer acceptance, a total stake of more than 90% but less than 95%; and (ii) the right to purchase the remaining shares under Article 111 of the Italian Consolidated Law on Finance and the purchase obligation under Article 108, paragraph 1, of the Italian Consolidated Law on Finance.

SHARE CAPITAL INCREASE

On 25 January 2022 the extraordinary General Meeting of Crédit Agricole Italia Shareholders resolved to increase its share capital by Euro 500 million through the issue of 121,951,220 shares having a nominal value of Euro 1 each to be offered in option to the shareholders at a unit price of Euro 4.10, of which Euro 1 as capital and Euro 3.10 as share premium.

The share capital increase completed the capital strengthening phase aimed at supporting Creval acquisition, which had started in 2021 with contributions for a future capital increase given by the controlling company Crédit Agricole S.A. Totalling Euro 417 million.

THE NEXT GENERATION PLAN

Within the Creval integration project, the Crédit Agricole Italia Group started a generational turnover programme having strategic extent and value, which will in a short time lead to having state-of-the-art competences and skills.

With the exit of the resources who are the oldest in age and have been on staff the longest and the concomitant entry of young resources having the knowledge and skills to “keep up with the times”, the Group will the able to continue to effectively compete in its industry, which is undergoing deep transformation, not only in technology terms.

On 1 October 2021 the Voluntary Redundancy Agreement was signed with the Trade unions. For the 800 places available, 840 people applied for voluntary redundancy. Therefore, in order to be able to accept all the applications, in December another agreement supplementing the previous one was signed.

In order for the turnover to be appropriately gradual, four timeslots in 2022 and 2023 have been set for the resources who have taken the voluntary redundancy scheme to leave.

During this period, structured retraining and professional conversion programmes will be provided aimed at facilitating the management requirements for any coverage of vacancies, also from a professional development standpoint.

STELVIO PROJECT

Within the derisking actions deployed on the NPE portfolio, in 2021 the Crédit Agricole Italia Group successfully completed disposals of non-performing loans for an aggregate gross book value of approximately Euro 1.6 billion, combining the securitization transaction called “Stelvio Project” and the disposal of single positions during the ordinary collection activities.

Specifically, the Stelvio transaction perimeter is a portfolio of about 13,500 loans classified as bad, for a gross book value of Euro 1.55 billion, 71% of which was originated by Crédit Agricole Italia, 17% by Credito Valtellinese and 12% by Crédit Agricole FriulAdria.

In December 2021 the sale agreement was signed with the special-purpose entity “Ortles21 S.r.l”.

In order to finance the purchase of the loans, on 17 December 2021, the special-purpose entity issued three tranches of ABS as listed below:

- Senior (Class A) notes, amounting to Euro 340,000,000 and equal to 18.5% of the gross collectible value of the sold loans, to which a BBB *investment grade rating was assigned* by Scope Rating, DBRS and Arc Rating and were subscribed by the Parent Company;
- Mezzanine (Class B) notes, amounting to Euro 40,000,000 and equal to 2.2% of the gross collectible value of the sold loans, without rating and subscribed by the Parent Company;
- Junior (Class J) notes, amounting to Euro 14,311,000 and equal to 0.8% of the gross collectible value of the sold loans, without rating and subscribed by the Parent Company;

The Notes are not listed on any regulated market.

On 21 December 2021, 95% of the Mezzanine notes and 95% of the Junior notes was sold to specialist investor SPF Investment Management with concomitant payment of the purchase price and subsequent derecognition of the sold loans.

As regards the Senior notes, the application for admission to the Italian State guarantee scheme on securitization of NPLs (GACS) was submitted to the Italian Ministry of the Economy and Finance.

CREVAL MERGER

On 15 December 2021, the ECB authorized the merger of Credito Valtellinese S.p.A..

REALIGNMENT OF CARRYING AMOUNTS AND TAX BASES

Under Article 110 of Italian Decree Law 104/2020, as amended by Italian Law 178/2020 and Italian Law 234/2021, Crédit Agricole Italia and Crédit Agricole FriulAdria exercised the option for the realignment of the tax bases of some property, plant and equipment assets and some intangible assets to their higher carrying amounts by paying a substitute tax. More information is given in paragraph "Significant events in the reporting period" in part A of the Note to the financial statements.

THE COVID-19 EMERGENCY

Initiatives in terms of organization and safety to protect employees and customers

The Covid-19 emergency had strong impacts also in 2021 on the Group's personnel. Therefore, specific processes and protocols were constantly updated, in order to ensure continuation of operations and to provide constant support to people.

AS IN 2020, the special task force continued its activities concerning the definition of guidelines to manage the health emergency, deploying specific communication initiatives addressed to the personnel and regarding the behaviours, rules and tools to be adopted.

The process for daily tracking, monitoring and reporting Covid cases and quarantines was kept operational, also in order to ensure fast communication with the local NHS agencies. From the pandemic outbreak to 31 December 2021 among the Group's personnel there was a total of .231 Covid cases (808 in 2021 and 256 still underway as at 31 December) and 2,391 quarantines (1,010 in 2021 and 173 still underway as at 31 December).

All the Group's premises where the personnel members positive for Covid or quarantined had been or where customers positive for Covid had been were sanitized, in order to ensure people's safety and a fully healthy workplace. From the pandemic outbreak to the reporting date, over 1,400 sanitization interventions were performed on the Group's premises (860 in 2021).

As the health emergency went on, all training continued to be made available also in an Easy Learning mode and, in order to facilitate working from home, the smart working scheme remained available to all resources on staff at Central Departments and to the Network salesforce. At the end of 2021, 2,312 Ordinary smart working contracts and 5,120 Emergency smart working contracts were in force.

Covid antibody and antigen testing campaigns were carried out, with the tests provided free of charge to all employees of complex sites.

For all the other personnel members, the agreements with UniSalute were renewed and rapid antigen tests taken when returning from summer vacations or requested on a precautionary basis by the Group's occupational physician were refunded. As at the year end, a total of over 3,500 antibody tests and over 3,900 antigen tests had been administered.

The Group's personnel members were given the opportunity to have their vaccination in June and July through the Partner Company METE srl, joining the vaccination campaign organized by the Parma Employers' Association, in order to protect the safety of all employees and to contribute to fast implementation of the Italian National Vaccination Plan.

Following the entry into force of Italian Decree 127/2021 on 15 October 2021, the Group implemented the daily check of "Green Passes" for access to all its premises and for all its employees, complying with the obligation laid down by the Italian State. At the same time, a tracking process was implemented to monitor and report the employees that did not have a Green Pass and, therefore, were not allowed to access the Group's premises.

A return-to-workplace process for "vulnerable" employees was structured with the relevant Occupational Physician, in order to ensure that all employees in said category could return to the workplace in full safety and on a voluntary basis. In 2021 a total of 85 employees returned to the workplace.

The percentage of employees physically present at the Group's complex sites was continually monitored. The allowed percentages of physically present employees were defined in accordance with the "colours" assigned to the Regions at the relevant time by the competent authorities ensuring the utmost protection of all employees. The highest percentage of physically present employees was 50%, in "white zones".

Consistently with the development in "risk colour codes" assigned to the various Regions, each time specific measures were implemented regulating movements, business travels and access to the points of sale.

In 2021 the branches remained open to the public, always ensuring the safety of employees and customers by applying the rules previously set (e.g. access procedures, mandatory use of personal protection equipment, maximum number of people inside the premises, movement restrictions, etc.).

Also in 2021 interaction with the Trade Unions and with the Workers' Representatives for Safety was constant at the meetings the organizational, management and prevention measures deployed at the relevant time to handle the health emergency were described, thus ensuring full agreement on the many matters linked with Covid-19.

Initiatives to provide support to the community

Consistently with its *raison d'être* "Working every day in the interest of our customers and society" and with the Group's Environmental, Social and Governance (ESG) objectives, in 2021 Crédit Agricole Italia continued with its tangible commitment to sustainability and social matters through several initiatives combining all the aspects of the Bank's activities.

On CrowdForLife, the Group's *crowdfunding portal*, Crédit Agricole For Future went live, the first social responsibility call of the Crédit Agricole Group in Italy intended to support projects pursuing goals in shared scopes: education, inclusion and reduction of inequalities. Thanks to the call, eleven local organizations had the opportunity to use the portal www.ca-crowdforlife.it in order to raise the necessary funds for the implementation of their respective projects. The Crédit Agricole Group in Italy pledged to support the individual projects that were selected within Crédit Agricole For Future, doubling the amount raised through donations on CrowdForLife up to 50% of the target of each fundraising campaign. Eleven local organizations were able to finance their projects by raising funds on CrowdForLife in favour of quality education, a matter that, in such a complex year as 2021, proved wide-ranging and topical.

Again addressing new needs that emerged during the pandemic, the Group also held another New Life initiative, the Group's Circular Economy project. In 2021 New Life focused on the use of circular economy as a tool to meet the new social needs generated by the Covid-19 emergency, starting from the mapping of 4 communities, namely Milan, Bologna, Vicenza and Campi Bisenzio, and developing volunteer work and urban regeneration activities, along with fundraising campaigns on CrowdForLife.

Lastly, in October 2021, the Crédit Agricole Companies in Italy and Save The Children also launched a three-year project involving 100 schools throughout Italy on the social and digital inclusion of very young people, "Digital Connections", with the objective of improving the digital skills of lower secondary school students, fighting digital educational poverty. In its first year, this initiative has involved 40 schools in 30 cities in 15 different regions and it will then be extended, over three years, to 100 schools located in disadvantaged areas or in areas offering no opportunities. Over 6,000 students, between 12 and 14 years old, and approximately 250 teachers will take part in the project, which will also include a Corporate Volunteering initiative that will go live for all the Group's personnel members interested in taking part.

PERFORMANCE OF OPERATIONS

Its performance in 2021 gives evidence of the **Crédit Agricole Italia Banking Group's** ability to generate profits, as it did in the previous years, thanks to its balanced and diversified business model. **Statutory consolidated net income** came to **Euro 607 million**, being driven also by the recognition of net badwill for €497 million, as well as by other extraordinary and non-recurring components associated with Creval acquisition. **The figure net of these elements is Euro 346 million**.

The Income Statement and Balance Sheet consolidated figures as at 31 December 2021 of the Group are not comparable to 2020 figures because, effective as of the acquisition date, namely May 2021, they report also the income contribution and the assets and liabilities of Credito Valtellinese, as well as the extraordinary components resulting from its acquisition. Nevertheless, to provide users with a better representation, the comments on the Group consolidated Income Statement and Balance Sheet data as at 31 December 2021 report –when not otherwise specified – the income components net of Creval data in order to enable smooth comparison and, consistently, the changes reported in the table concern the perimeter net of Creval.

THE PERFORMANCE OF BALANCE SHEET AGGREGATES

Reclassification of the balance sheet

In order to provide a more direct representation of the Company's equity and financial position, a summary balance sheet was prepared by suitably grouping balance-sheet items. These grouping concerned:

- Presentation of "Financial Assets/Liabilities at fair value" on a net basis;
- Presentation of "Due from/Due to banks" on a net basis;
- Inclusion of the value of "Hedging Derivatives" and of "Fair value change of financial assets in macro-hedge portfolios" in the "Other Assets/Other Liabilities" items;
- Grouping of "Property, Plant and Equipment and Intangible Assets" into a single aggregate;
- Inclusion of "Cash and cash equivalents" in the "Other Assets" residual item;
- Grouping in the "Funding from customers" item of the "Due to customers" and "Debt securities issued" items;
- Reclassification of lease liabilities from "funding from customers" and from "net due from banks/net due to banks" to "other liabilities" items;
- Grouping of specific-purpose provisions (i.e. "employee severance benefits" and "provisions for risks and charges") into a single aggregate.

The figures reported in the next pages are expressed in thousands of Euros.

Reclassified Consolidated Balance Sheet

Assets	31 Dec. 2021	31 Dec. 2020(*)	Changes	
			Absolute	%
Net financial Assets/Liabilities at fair value	196,292	47,449	148,843	
Financial assets measured at fair value through other comprehensive income (IFRS 7 para. 8 letter h))	4,115,240	3,307,045	808,195	24.4
Loans to Customers	77,799,539	58,306,963	19,492,576	33.4
Equity investments	45,151	20,483	24,668	
Property, plant and equipment and intangible assets	2,918,176	2,570,520	347,656	13.5
Tax assets	2,730,874	1,455,306	1,275,568	87.6
Other assets	2,593,639	2,101,126	492,513	23.4
Total assets	**90,398,911**	**67,808,892**	**22,590,019**	**33.3**

Liabilities	31 Dec. 2021	31 Dec. 2020(*)	Changes	
			Absolute	%
Net due to banks	3,764,293	2,842,493	921,800	32.4
Funding from Customers	74,682,621	54,959,033	19,723,588	35.9
Net financial Liabilities/Assets at fair value	-	-	-	
Tax liabilities	403,945	231,778	172,167	74.3
Other liabilities	3,384,215	2,865,717	518,498	18.1
Specific-purpose provisions	862,306	410,804	451,502	
Capital	979,283	979,235	48	0.0
Equity instruments	815,000	715,000	100,000	14.0
Reserves (net of treasury shares)	4,943,382	4,758,523	184,859	3.9
Valuation reserves	-66,213	-48,443	17,770	36.7
Equity attributable to minority interests	22,636	148,189	-125,553	-84.7
Profit (Loss) for the period	607,443	-53,437	660,880	
Total equity and net liabilities	**90,398,911**	**67,808,892**	**22,590,019**	**33.3**

(*) Current accounts and “sight” deposits with Central Banks and Banks have been reclassified from item “Due from Banks” to item “Cash and cash equivalents” in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

Reconciliation of the official and reclassified balance sheets

Assets	31 Dec. 2021	31 Dec. 2020(*)
Net financial Assets/Liabilities at fair value	**196,292**	**47,449**
20 a. Financial assets held for trading	70,778	95,231
20 b. Financial assets designated at fair value	-	-
20 c. Financial assets mandatorily measured at fair value	200,556	59,687
20. Financial liabilities held for trading	-75,042	-107,469
30. Financial liabilities designated at fair value	-	-
Financial assets measured at fair value through other comprehensive income	**4,115,240**	**3,307,045**
30. Financial assets measured at fair value through other comprehensive income	4,115,240	3,307,045
Loans to Customers	**77,799,539**	**58,306,963**
40 b. Loans to and receivables from Customers	77,799,539	58,306,963
Equity investments	**45,151**	**20,483**
70. Equity investments	45,151	20,483
Property, plant and equipment and intangible assets	**2,918,176**	**2,570,520**
90. Property, Plant and Equipment	1,291,516	951,837
100. Intangible assets	1,626,660	1,618,683
Tax assets	**2,730,874**	**1,455,306**
110. Tax assets	2,730,874	1,455,306
Other assets	**2,593,639**	**2,101,126**
10. Cash and cash equivalents	845,657	614,919
130. Other assets	890,812	317,089
50. Hedging derivatives (Assets)	634,497	1,026,602
60. Fair value change of financial assets in macro-hedge portfolios	-3,906	137,309
120. Non-current assets held for sale and discontinued operations	226,579	5,207
Total assets	**90,398,911**	**67,808,892**

(*) Current accounts and “sight” deposits with Central Banks and Banks have been reclassified from item “Due from Banks” to item “Cash and cash equivalents” in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

Liabilities	31 Dec. 2021	31 Dec. 2020(*)
Net due to banks	**3,764,293**	**2,842,493**
40 a. Due from banks	-14,468,960	-8,537,257
10 a. Due to banks	18,234,985	11,380,898
To deduct: Lease liabilities	-1,732	-1,148
Funding from Customers	**74,682,621**	**54,959,033**
10 b) Due to Customers	63,322,922	44,477,381
To deduct: Lease liabilities	-351,486	-232,796
10 c) Debt securities issued	11,711,185	10,714,448
Net financial Liabilities/Assets at fair value	-	-
20. Financial liabilities held for trading		
30. Financial liabilities designated at fair value	-	-
Tax liabilities	**403,945**	**231,778**
60. Tax liabilities	403,945	231,778
Other liabilities	**3,384,215**	**2,865,717**
10 a. Due to banks: of which lease liabilities	1,732	1,148
10 b. Due to customers: of which lease liabilities	351,486	232,796
40. Hedging derivatives (Liabilities)	1,020,311	786,631
50. Fair value change of financial liabilities in macro-hedge portfolios	166,386	465,416
80. Other liabilities	1,827,900	1,379,726
Liabilities associated with non-current assets held for sale and discontinued operations	16,400	-
Specific-purpose provisions	**862,306**	**410,804**
90. Employee severance benefits	143,625	117,404
100. Provisions for risks and charges	718,681	293,400
Capital	**979,283**	**979,235**
170. Capital	979,283	979,235
Equity instruments	**815,000**	**715,000**
140. Equity instruments	815,000	715,000
Reserves (net of treasury shares)	**4,943,382**	**4,758,523**
150. Reserves	1,825,235	1,640,675
160. Share premium reserve	3,118,147	3,117,848
180. Treasury shares (+/-)	-	-
Valuation reserves	**-66,213**	**-48,443**
120. Valuation reserves	-66,213	-48,443
Minority interests	**22,636**	**148,189**
190. Minority interests	22,636	148,189
Profit (Loss) for the period	**607,443**	**-53,437**
200. Profit (Loss) for the period	607,443	-53,437
Total liabilities and equity	**90,398,911**	**67,808,892**

(*) Current accounts and "sight" deposits with Central Banks and Banks have been reclassified from item "Due from Banks" to item "Cash and cash equivalents" in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

Balance sheet aggregates

In **2021, commercial operations performed well across all business lines**, along the trend they showed throughout the year with **productivity firmly back to its before-crisis levels.** The volumes of Customers' assets give evidence of the positive performance across all components.

In short:

- **Performing loans grew by +3% YoY** thanks to the good performance of loans to households and to businesses, with market shares increasing for both home loans and loans to the agri-food sector, which hit 6.6% and 7.5% respectively;
- **Assets under management up by +11%** YoY with funding on the increase across all asset classes, benefiting from the very good performance of new inflows that came to over €3 billion in the year;
- **Direct funding up by +3% YoY** driven by the increase in liquid savings held for protection from the crisis, as well as by new securities issued in the year.

Loans to Customers

Items	31 Dec. 2021	31 Dec. 2021 net of Creval	31 Dec. 2020	Changes	
				Absolute	%
- Current accounts	2,478,332	1,630,865	1,694,587	-63,722	-3.8
- Mortgage loans	43,121,444	33,326,120	32,098,272	1,227,848	3.8
- Invoice financing and credit facilities	16,813,861	14,720,762	14,957,137	-236,375	-1.6
- Repurchase agreements	-	-	-	-	-
- Non-performing loans	1,362,200	812,697	1,486,146	-673,449	-45.3
- Non-government securities at amortized cost	1,216,950	505,233	170,463	334,770	
Loans to Customers	**64,992,787**	**50,995,677**	**50,236,142**	**759,535**	**1.5**
Government securities measured at amortized cost	12,806,752	9,211,345	7,900,358	1,310,987	16.6
Total Loans to Customers	**77,799,539**	**60,207,022**	**58,306,963**	**1,900,059**	**3.3**

As at 31 December 2021 **loans to Customers** came to Euro 51.0 billion (Euro 65.0 billion including Creval), up by +2% YoY, thanks to the growth in home loans to individuals and loans to businesses, which benefited also from the extraordinary measures deployed by the Government, with loans guaranteed by the State amounting to Euro 3.5 billion. This item grew by +3% YoY, having regard to performing positions only, which were not affected by the effect of the securitization finalized in Q4.

"Commercial" loans (excluding non-performing loans and government securities) came to Euro 49.7 billion, increasing by Euro 0.9 billion vs. 31 December 2020 (+2%), thanks to mortgage loans (up by Euro +1.2 billion in the reporting period, i.e. by +4%), whereby the Bank provided support to households and businesses.

Home loans originated to households amounted to Euro 3.4 billion, with the finalization of approximately 29 thousand deeds (+5% vs. 2020 – outperforming the average increase at national level of +4% YoY as reported by Osservatorio Mutui Online, Italian Online *Mortgage loans Observatory*) – thanks to a renewed and competitive range of products, which was further enriched with the "*mutuo giovani*" home loan for young people as the Group's contribution to the campaign deployed by the Italian Government to facilitate young people's access to mortgage loans.

Loans amounting to Euro 2.2 billion were originated providing support to businesses, giving evidence of the role played by the Group in supporting Italy's economy, with an important contribution also as regards the extraordinary measures deployed by the Italian Government to provide support to businesses in the long-lasting emergency phase, including moratoria on loan repayments and State guarantees securing bank loans. In 2021, originated loans guaranteed by the Italian State came to Euro 1 billion, for a total of Euro 3.5 billion in loans from the entry into force of the Decree that provided for the State guarantee in April 2020. Part of the liquidity obtained by businesses, which was stable and at an advantageous price, was used to reduce short-term exposures (due on current accounts down by -5% YoY) and invoice financing -1% YoY).

Credit quality

Items	31 Dec. 2021			31 Dec. 2020		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
- Bad loans	568,934	434,063	134,871	1,486,652	1,016,811	469,841
- Unlikely to Pay	2,327,749	1,124,555	1,203,194	1,522,816	540,108	982,708
- Non-performing/past due exposures	27,336	3,201	24,135	36,652	3,055	33,597
Non-performing loans	**2,924,019**	**1,561,819**	**1,362,200**	**3,046,120**	**1,559,974**	**1,486,146**
Performing loans - stage 2	4,801,833	265,989	4,535,844	3,129,755	199,233	2,930,522
Performing loans - stage 1(*)	59,332,215	237,472	59,094,743	45,913,213	93,739	45,819,474
Performing loans	**64,134,048**	**503,461**	**63,630,587**	**49,042,968**	**292,972**	**48,749,996**
Loans to Customers	**67,058,067**	**2,065,280**	**64,992,787**	**52,089,088**	**1,852,946**	**50,236,142**
Securities measured at amortized cost	12,822,425	15,673	12,806,752	8,080,913	10,092	8,070,821
Total	**79,880,492**	**2,080,953**	**77,799,539**	**60,170,001**	**1,863,038**	**58,306,963**

(*) It includes non-government securities at amortized cost.

Items	31 Dec. 2021			31 Dec. 2020		
	Gross/total exposure	Net/total exposure	Coverage ratio	Gross/total exposure	Net/total exposure	Coverage ratio
- Bad loans	0.8%	0.2%	76.3%	2.9%	0.9%	68.4%
- Unlikely to Pay	3.5%	1.9%	48.3%	2.9%	2.0%	35.5%
- Non-performing/past due exposures	0.0%	0.0%	11.7%	0.1%	0.1%	8.3%
Non-performing loans	**4.4%**	**2.1%**	**53.4%**	**5.8%**	**3.0%**	**51.2%**
Performing loans - stage 2	7.2%	7.0%	5.5%	6.0%	5.8%	6.4%
Performing loans - stage 1	88.5%	90.9%	0.4%	88.1%	91.2%	0.20%
Performing loans	**95.6%**	**97.9%**	**0.8%**	**94.2%**	**97.0%**	**0.6%**
Total loans to customers	**100.0%**	**100.0%**	**3.1%**	**100.0%**	**100.0%**	**3.6%**

Credit quality with recognition of Purchased or Originated Credit Impaired (POCI) assets

Items	31 Dec. 2021 (POCI)			31 Dec. 2020		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
- Bad loans	415,193	280,322	134,871	1,486,652	1,016,811	469,841
- Unlikely to Pay	1,763,415	560,221	1,203,194	1,522,816	540,108	982,708
- Non-performing/past due exposures	25,401	1,266	24,135	36,652	3,055	33,597
Non-performing loans	**2,204,009**	**841,809**	**1,362,200**	**3,046,120**	**1,559,974**	**1,486,146**
Performing loans - stage 2	4,763,833	227,989	4,535,844	3,129,755	199,233	2,930,522
Performing loans - stage 1(*)	59,239,868	145,125	59,094,743	45,913,213	93,739	45,819,474
Performing loans	**64,003,701**	**373,114**	**63,630,587**	**49,042,968**	**292,972**	**48,749,996**
Loans to Customers	**66,207,710**	**1,214,923**	**64,992,787**	**52,089,088**	**1,852,946**	**50,236,142**
Securities measured at amortized cost	**12,822,425**	**15,673**	**12,806,752**	**8,080,913**	**10,092**	**8,070,821**
Total	**79,030,135**	**1,230,596**	**77,799,539**	**60,170,001**	**1,863,038**	**58,306,963**

(*) It includes non-government securities at amortized cost.

Items	31 Dec. 2021 (POCI)			31 Dec. 2020		
	Gross/total exposure	Net/total exposure	Coverage ratio	Gross/total exposure	Net/total exposure	Coverage ratio
- Bad loans	0.6%	0.2%	67.5%	2.9%	0.9%	68.4%
- Unlikely to Pay	2.7%	1.9%	31.8%	2.9%	2.0%	35.5%
- Non-performing/past due exposures	0.0%	0.0%	5.0%	0.1%	0.1%	8.3%
Non-performing loans	**3.3%**	**2.1%**	**38.2%**	**5.8%**	**3.0%**	**51.2%**
Performing loans - stage 2	7.2%	7.0%	4.8%	6.0%	5.8%	6.4%
Performing loans - stage 1	89.5%	90.9%	0.2%	88.1%	91.2%	0.20%
Performing loans	**96.7%**	**97.9%**	**0.6%**	**94.2%**	**97.0%**	**0.6%**
Total loans to customers	**100.0%**	**100.0%**	**1.8%**	**100.0%**	**100.0%**	**3.6%**

Credit quality – considering the perimeter including Creval and after the POCI model adoption – further improved, thanks also to securitization of bad loans for Euro 1.6 billion finalized in Q4 2021. The stock of gross NPLs came to Euro 2.2 billion with the weights of gross and net NPLS decreasing to 3.3% (vs. 5.8% in Dec. 2020) and to 2.1% (vs, 3.0% in Dec. 2020) respectively. The coverage ratio came to 38.2% (53.4% before the POCI model adoption, improving vs. 51.2% in 2020). Furthermore, new positions in default decreased by -29% YoY, which led to the default rate decreasing to 0.6% (vs. 1.0% in 2020).

Funding from Customers

Items	31 Dec. 2021	31 Dec. 2021 net of Creval	31 Dec. 2020	Changes	
				Absolute	%
- Deposits	1,566,594	550,857	1,336,293	-785,436	-58.8
- Current and other accounts	60,862,281	44,754,929	42,590,306	2,164,623	5.1
- Other items	542,561	319,661	317,987	1,674	0.5
Due to Customers	**62,971,436**	**45,625,447**	**44,244,586**	**1,380,861**	**3.1**
Debt securities issued	11,711,185	11,033,707	10,714,447	319,260	3.0
Total direct funding	**74,682,621**	**56,659,154**	**54,959,033**	**1,700,121**	**3.1**
Indirect funding	**93,403,923**	**82,190,715**	**75,425,320**	**6,765,395**	**9.0**
Total funding	**168,086,544**	**138,849,869**	**130,384,353**	**8,465,516**	**6.5**

Total funding, including also the contribution from Credito Valtellinese, – as the sum of direct and indirect funding – came to Euro 168 billion. Net of Creval contribution, this figure is Euro 139 billion (+6% YoY).

Direct funding came to Euro 56.7 billion (Euro 74.7 billion including Creval), up by +3% YoY, thanks to the growth in current accounts and Customers deposits, driven by the higher tendency of keeping liquid savings as protection from the crisis, as well as to the new issues of Green Covered Bonds – the first issue of this kind in Italy – and diversified resolution instruments placed with institutional investors. The issue of Green Covered Bonds for a total of Euro 500 million with 12-year maturity is consistent with the Group's green finance objectives and aimed at financing or refinancing a pool of residential mortgage loans selected based on sustainability criteria and originated for the purchase of high energy efficiency properties. The issue had the smaller spread ever recorded in any Covered Bonds of Italian issuers and gives evidence of the Group's appeal to investors.

Indirect funding

Items	31 Dec. 2021	31 Dec. 2021 net of Creval	31 Dec. 2020	Changes	
				Absolute	%
- Asset management products	24,754,018	19,735,865	17,885,483	1,850,382	10.3
- Insurance products	27,940,674	24,333,696	22,007,529	2,326,167	10.6
Total assets under management	**52,694,692**	**44,069,561**	**39,893,012**	**4,176,549**	**10.5**
Assets under administration	**40,709,231**	**38,121,154**	**35,532,308**	**2,588,846**	**7.3**
Indirect funding	**93,403,923**	**82,190,715**	**75,425,320**	**6,765,395**	**9.0**

Indirect funding increased by 9% hitting Euro 82.2 billion (Euro 93.4 billion including Creval); the growth was even more marked in **assets under management**, which came to Euro 44.1 billion (Euro 52.7 billion including Creval), up by +11% YoY thanks mainly to higher net inflows for Euro 3 million with the increase both in wealth management (+10% YoY) and in insurance products (+11% YoY).

Net interbank position

The **liquidity position**, including Creval, was more than satisfying, with the LCR coming to 277%. The Group was allotted TLTRO III loans amounting to Euro 16.5 billion.

As at 31 December 2021, the net Interbank Position reported a debt of Euro 3.8 billion resulting from the mismatch between due from banks amounting to Euro 14.4 billion[19] and due to banks amounting to Euro 18.2 billion.

Financial assets held

Items	31 Dec. 2021	31 Dec. 2021 net of Creval	31 Dec. 2020	Changes	
				Absolute	%
Financial assets and liabilities measured at fair value through profit or loss					
- Debt securities	2,451	743	95	648	
- Equity securities and units of collective investment undertakings	198,202	81,535	59,761	21,774	36.4
- Loans	-	-	-	-	
- Derivative financial instruments with positive FV	70,681	70,263	95,062	-24,799	-26.1
Total assets	**271,334**	**152,541**	**154,918**	**-2,377**	**-1.5**
- Derivative financial instruments with negative FV	75,042	74,663	107,469	-32,806	-30.5
Total liabilities	**75,042**	**74,663**	**107,469**	**-32,806**	**-30.5**
Net Total	**196,292**	**77,878**	**47,449**	**30,429**	**64.1**
Financial assets measured at fair value through other comprehensive income					
- Debt securities	3,836,727	3,223,711	3,066,208	157,503	5.1
- Equity securities	278,513	241,225	240,837	388	0.2
- Loans	-	-	-	-	
Total	**4,115,240**	**3,464,936**	**3,307,045**	**157,891**	**4.8**

As at 31 December 2021 *Financial assets measured at fair value through other comprehensive income* amounted to Euro 3.5 billion, increasing by 5% vs. 31 December 2020 in the component of government debt securities, which came to approximately Euro. 3.2 billion.

19 As of 2021 sight deposits held at banks are classified under item 10 "Cash and cash equivalents".

Government securities held

	31 Dec. 2021			31 Dec. 2021 net of Creval		
	Nominal value	Book value	Valuation reserve	Valore nominale	Valore di Bilancio	Riserva di valutazione
FVSEL						
Italian Government securities	12	15	X	11	13	X
Argentinian Government securities	47	-	X	47	-	X
Financial assets through other comprehensive income						
Italian Government securities	3,321,142	3,642,957	13,690	2,918,200	3,223,711	14,837
Financial assets carried at amortized cost						
Italian Government securities	11,537,500	12,499,666	X	8,527,000	9,211,346	X
Spanish Government securities:	278,000	296,267	-	-	-	
Portuguese Government securities	10,000	10,820	-	-	-	
Total	**15,146,701**	**16,449,725**	**13,690**	**11,445,258**	**12,435,070**	**14,837**

Property, plant and equipment and intangible assets

Specifically, "Property, plant and equipment" came to Euro 919 million (Euro 1.3 billion including Creval), down by -3% YoY, due to the recognition of depreciation and of the change in assets recognized as "right of use" (in compliance with IFRS 16) and "Intangible assets" came to Euro 1.6 billion (-2% YoY) with this figure including goodwill for Euro 1.3 billion.

Specific-purpose provisions

Voci	31 Dec. 2021	31 Dec. 2021 net of Creval	31 Dec. 2020	Changes	
				Absolute	%
Employee severance benefits	143,625	106,526	117,404	-10,878	-9.3
Provisions for risks and charges	718,682	478,010	293,400	184,610	62.9
a) commitments and guarantees given	62,105	37,096	32,103	4,993	15.6
b) post-employment and similar obligations	34,476	32,692	35,816	-3,124	-8.7
c) other provisions for risks and charges	622,101	408,222	225,481	182,741	81.0
Total specific-purpose provisions	**862,307**	**584,536**	**410,804**	**173,732**	**42.3**

Specific-purpose provisions came to Euro 585 million (Euro 862 million including Creval) up by Euro 174 million (+42%) vs. 31 December 2020, of which Euro 152 million worth of extraordinary provisioning for voluntary redundancy incentives.

Equity

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Share capital	979,283	979,235	48	-
Share premium reserve	3,118,147	3,117,848	299	-
Reserves	1,825,235	1,640,675	184,560	11.2
Equity instruments	815,000	715,000	100,000	14.0
Valuation reserves for financial assets through other comprehensive income	-12,787	4,363	-17,150	
Valuation reserves for actuarial gains (losses) relating to defined-benefit pension plans	-53,426	-52,806	620	1.2
Treasury shares	-	-	-	
Profit for the period	607,443	-53,437	660,880	
Total (book) equity	**7,278,895**	**6,350,878**	**928,017**	**14.6**

The Equity figures as at 31 December 2021 presented in the table above include Creval contribution.

As at 31 December 2021 the Group's equity, including the earnings for the period, hit Euro 7.3 billion increasing by Euro 0.9 billion (+14.6%) vs. the beginning of the year. Said increase mainly resulted from 2021 earnings, from the contribution for future share capital increase given by the French Parent Company of Euro 0.4 billion and from the issue of equity instruments (AT1) for Euro 100 million. The change reports also the distribution of 2020 earnings.

Own Funds

Categories/Values	31 Dec. 2021	31 Dec. 2020
A. Common Equity Tier 1 (CET1) prior to the application of prudential filters	6,313,987	5,629,992
of which CET1 instruments subject to transitional arrangements	-	-
B. CET1 (+/-) prudential filters	-44,516	-8,922
C. CET1 gross of elements to be deducted and of the effects of the transitional regime (A +/- B)	6,269,471	5,621,069
D. Elements to be deducted from CET1	2,281,484	1,806,664
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional arrangements	-	-
F. Total Common Equity Tier 1 (CET1) (C – D +/-E)	3,987,987	3,814,405
G. Additional Tier 1 (AT1) gross of elements to be deducted and of the effects of the transitional regime	815,482	725,089
of which AT1 instruments subject to transitional provisions	-	-
H. Elements to be deducted from AT1	-	-
I. Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 under transitional arrangements	-	-
L. Total Additional Tier 1 (AT1) (G - H +/- I)	815,482	725,089
M. Tier 2 (T2) including deductible elements and the effects of the transitional regime	1,116,505	849,756
of which T2 instruments subject to transitional arrangements	294	1,080
N. Elements to be deducted from T2	-	-
O. Transitional regime – Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 under transitional arrangements	-	-
P. Total Tier 2 (T2) (M - N +/- O)	1,116,505	849,756
Q. Total own funds (F + L + P)	**5,919,974**	**5,389,251**

Categories/Values	Non-weighted amounts		Weighted amounts/requirements	
	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
A. RISK ASSETS				
A.1 Credit and counterparty risks	105,851,951	77,424,407	30,309,491	24,152,955
1 Standardized approach	66,837,046	51,759,890	21,631,749	19,908,635
2. IRB approach	38,665,911	25,664,517	8,295,099	4,244,320
2.1 Foundation	-	-	-	-
2.2 Advanced	38,665,911	25,664,517	8,295,099	4,244,320
3. Asset-backed securities	348,994	-	382,643	-
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks			2,424,759	1,932,236
B.2 Risk of credit valuation adjustment			10,425	9,334
B.3 Regulatory risk			-	-
B.4 Market risks			656	719
1 Standardized approach			656	719
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			320,677	244,655
1. Basic indicator approach			5,786	5,674
2. Standardized approach			314,891	238,981
3. Advanced approach			-	-
B.6 Other measurement elements			-	-
B.7 Total prudential requirements			2,756,517	2,186,945
C. RISK ASSETS AND CAPITAL ADEQUACY RATIOS				
C.1 Risk-weighted assets			34,456,466	27,336,813
C.2 Common Equity Tier 1/risk-weighted assets(CET 1 capital ratio)			11.6%	14.0%
C.3 Tier 1 /Risk-weighted assets(Tier 1 capital ratio)			13.9%	16.6%
C.4 Total own funds/risk-weighted assets (Total capital ratio)			17.2%	19.7%

The figures of Own Funds and RWA presented in the tables include Creval contribution.

As at 31 December 2021 *Common Equity Tier 1* came to Euro 3,988 million, increasing vs. the figure for the previous FY (up by Euro 174 million). The increase reports the developments in the related book equity items, among which the portion of earnings retained, including the badwill resulting from Creval consolidation, as well as the contribution for future share capital increase given in 2021 by the Controlling Company Crédit Agricole S.A. Totalling Euro 417 million and intended to support the acquisition deal finalized in H1 (of which Euro 300 million paid in H1 and another Euro 117 million paid in H2 2021); furthermore, Common Equity Tier 1 benefited from the zero shortfall subsequent to the sale of bad loans finalized at the end of December 2021. Said positive effects were partially offset by the distribution of reserves of Crédit Agricole Italia, for Euro 166 million, by annual interest paid on the stock of AT1 instruments, by lower minority interests and by the increase in DTA for losses and DTA above the exemption ceiling.

In the reporting period, *Additional Tier 1* instruments for Euro 100 million and *Tier 2* instruments for Euro 80 million were issued.

Risk-weighted assets (*RWA*) came to Euro 34,456 million, increasing by approximately Euro 7,120 million vs. 31 December 2020, subsequent essentially to Creval consolidation, with the increase partially offset by the reduction in RWAs resulting from the sale of bad loans.

Following the above-reported developments the *CET1 ratio* as at 31 December 2021 came to 11.6% (14.0% as at 31 December 2020), the Tier 1 ratio to 13.9% (16.6% as at 31 December 2020) and the Total Capital ratio to 17.2% (19.7% as at 31 December 2020).

The Group's **capital strength** was proved once again, well above the 7.98% minimum prudential requirements assigned by the ECB for 2021.

PROFIT OR LOSS

Income statement reclassification

In order to represent profit or loss performance more effectively, a summary income statement has been prepared through appropriate reclassifications and in accordance with more suitable bases of presentation to report the various items on the basis of consistent operational standards.

The reclassifications concerned the following:

- The effect of the amortized cost of hedges of debt instruments has been reported under the "Net Interest Income" item rather than under "Gains (Losses) on Hedging Activities";
- "Net Profit (Loss) on trading activities", "Net Profit (Loss) on hedging activities" and "Net Profit (Loss) on financial assets and liabilities measured at fair value through profit or loss" have been reported under "Income from banking activities";
- "Profit (losses) on disposal or repurchase of securities classified as financial assets measured at amortized cost", "Profit (losses) on disposal or repurchase of: financial assets measured at fair value through other comprehensive income" and "Profit (loss) on disposal or repurchase of financial liabilities" have been reported under income from banking activities;
- "Expenses, taxes and levies recovered" have been reported as a direct decrease in "Administrative Expenses", rather than being recognized under "Other operating income/expenses";
- "Expenses for the management of non-performing loans and related recoveries" have been reclassified as "Net Adjustments of Loans";
- "Commission income for fast loan application processing" has been taken to "Net fee and commission Income" rather than being recognized under "Other operating income/expenses";
- "Net provisioning for risks and charges regarding commitments and guarantees given" have been reclassified under "Net adjustments of loans";
- "Net value adjustments for credit risk" of "securities classified as financial assets measured at amortized cost" and of "financial assets measured at fair value through other comprehensive income" have been restated under the "Net impairment of securities" item;
- "Price adjustment after the sale of equity investments" has been reported under "Other operating income/expenses" rather than being recognized under "Profit (loss) on other investments";
- The measurement of financial instruments to be mandatorily measured at fair value has been taken to item "Net adjustments of loans" , rather than being recognized under item "Income from banking activities";
- Covid-19-related rent concessions have been reported under item "depreciation of property, plant and equipment and amortization of intangible assets" rather than under item "Other operating income/expenses";
- Deposit fees and commissions have been reported under "Net interest income" rather than under "Fee and commission income";
- The impairment release on securities measured at amortized cost and on securities measured at *fair value* through other comprehensive income has been reported under item "Impairment of securities" rather than being recognized under "Profit (losses) on securities measured at amortized cost" and under "Profit (losses) on securities measured at *fair value* through other comprehensive income" respectively;
- The provision for possible expenses on sold loans has been reclassified from item "Net provisioning for risks and charges" to item "Net adjustments of loans";
- Inventory impairment under IAS 2 has been recognized under "Profit (loss) on other investments".

Versus the previous year and subsequent to Creval acquisition, the following items have been reclassified:

- The write-off of property, plant and equipment has been recognized under "Profit (loss) on other investments".
- Consolidation difference and integration expenses resulting from business combinations have been reported under a separate section of profit or loss from continuing operations.

Reclassified income statement

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Net interest income	1,130,740	975,701	155,039	15.9
Net fee and commission income	1,141,498	879,580	261,918	29.8
Dividends	11,429	10,449	980	9.4
Financial income (loss)	62,069	20,211	41,858	
Other operating income (expenses)	-4,508	7,881	-12,389	
Net operating revenues	**2,341,228**	**1,893,822**	**447,406**	**23.6**
Personnel expenses	-1,079,914	-710,810	-369,104	51.9
Administrative expenses	-444,863	-349,388	-95,475	27.3
Depreciation and amortization	-215,952	-179,684	-36,268	20.2
Operating expenses	**-1,740,729**	**-1,239,882**	**-500,847**	**40.4**
Income from operations	**600,499**	**653,940**	**-53,441**	**- 8.2**
Goodwill impairment	-	-259,611	259,611	
Net provisioning for risks and charges	-41,990	-7,973	-34,017	
Net adjustments to loans	-643,868	-413,942	-229,926	55.5
Impairment of securities	-5,810	-8,077	2,267	28.1
Profit (loss) on other investments	-15,384	65,600	-80,984	
Profit (loss) before tax from continuing operations	**-106,553**	**29,937**	**-136,490**	
Taxes on income from continuing operations	249,242	-75,150	324,392	
Profit (loss) after tax on discontinued operations	-	-	-	
Profit (loss) for the period attributable to minority interests	-929	-8,224	7,295	88.7
Creval consolidation difference (Badwill)	496,865		496,865	
Expenses for Creval acquisition/integration net of tax effect	-31,182		-31,182	
Profit for the period attributable to the Parent Company	**607,443**	**-53,437**	**660,880**	

Reconciliation of the official and reclassified income statements

	31 Dec. 2021	31 Dec. 2020
Net interest income	**1,130,740**	**975,701**
30. Net interest income	1,123,126	972,050
40. Fee and commission income: of which Deposit Fees and Commissions	5,746	1,770
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	-7	-10
230. Calit IAS gain	1,875	1,891
Net fee and commission income	**1,141,498**	**879,580**
60. Net fee and commission income	1,144,830	879,924
To deduct: Deposit fees and commissions	-5,746	-1,770
200. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	945	1,426
To deduct Fee and commission expense: of which expenses for Creval integration	1,469	-
Dividends and similar income = item 70	**11,429**	**10,449**
Financial income (loss)	**62,069**	**20,211**
80. Net profit (loss) on trading activities	30,096	21,304
90. Net profit (loss) on hedging activities	-6,979	-12,129
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	7	10
100. Profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	10,304	12,669
100. Profit (loss) on disposal or repurchase of:: b) financial assets measured at fair value through other comprehensive income	28,946	-1,270
To deduct: impairment release on securities measured at fair value through other comprehensive income	-2,077	-
100. Profit (loss) on disposal or repurchase of: c) financial liabilities	38	49
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	-2,584	-527
To deduct: b) other financial assets mandatorily measured at fair value of which measurement of financial instruments	4,318	105
Other operating income (expenses)	**-4,508**	**7,881**
200. Other operating expenses/income	824,438	286,006
250. Gains (Losses) on equity investments of which Price Adjustment for disposal of equity investments	-	9,761
To deduct: expenses recovered	-323,122	-279,522
To deduct: recovered expenses for the management of non-performing loans	-4,392	-4,349
To deduct: Commission income from Fast Loan Application Processing	-945	-1,426
To deduct: Covid-19-related rent concessions	-	-698
To deduct: Calit IAS profit	-1,875	-1,891
To deduct: Creval consolidation difference (Badwill)	-496,865	
To deduct: investment property impairment	-1,747	-
Net operating income	**2,341,228**	**1,893,822**
Personnel expenses = item 190 a)	**-1,079,914**	**-710,810**
Administrative expenses	**-444,863**	**-349,388**
190. Administrative expenses: b) other administrative expenses	-835,705	-642,061
230. Other operating expenses/income: of which expenses recovered	323,122	279,522
190. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	23,313	13,151
To deduct Administrative expenses: b) other administrative expenses: of which expenses for Creval integration	44,407	
Depreciation and amortization	**-215,952**	**-179,684**
210. Net adjustments to/recoveries on property, plant and equipment	-118,139	-85,463
200. Other operating expenses/income: of which Covid-19-related rent concessions	-	698
To deduct: impairment of property, plant and equipment inventories	388	365
To deduct: impairment of properties taken back at the expiry of lease contracts	2,570	2,500
To deduct: investment property impairment	1,747	-
To deduct: expenses for Creval integration	720	-
220. Net adjustments to/recoveries on intangible assets	-122,467	-97,784
210.+220. Net adjustments to/recoveries on property, plant and equipment and intangible assets: Creval: write-off	19,229	-

	31 Dec. 2021	31 Dec. 2020
Operating expenses	**-1,740,729**	**-1,239,882**
Income from operations	**600,499**	**653,940**
Goodwill impairment = item 270	**-**	**-259,611**
Net provisioning for risks and charges = Item 200 b) other net provisioning	**-41,990**	**-7,973**
170. Net provisioning for risks and charges; b) other net provisioning	-71,990	-7,973
To deduct: provisioning for possible expenses on sold loans	30,000	-
Net adjustments to loans	**-643,868**	**-413,942**
100. Profit (loss) on disposal or repurchase of: a) financial assets measured at amortized cost	-123,294	-7,834
To deduct profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	-10,304	-12,669
To deduct: release of provision for impairment of securities measured at amortized cost	-622	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss of b) other financial assets mandatorily measured at fair value of which measurement of financial instruments	-4,318	-105
130. Net impairment for credit risk of: a) financial assets measured at amortized cost	-452,389	-388,944
To deduct: net impairment for credit risk of: a) securities classified as financial assets measured at amortized cost	5,780	7,005
140. Profits/Losses on contract modifications without derecognition	-219	-1,367
190. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	-23,313	-13,151
To deduct: recovered expenses for the management of non-performing loans	4,392	4,349
200. Net provisioning for risks and charges: a) commitments and guarantees given	-7,011	1,274
Impairment of properties taken back at the expiry of lease contracts	-2,570	-2,500
170. Net provisioning for risks and charges; b) other net provisioning Provisioning for possible expenses on sold loans	-30,000	-
Impairment of securities	**-5,810**	**-8,077**
130. Net impairment for credit risk of: a) securities classified as financial assets measured at amortized cost	-5,780	-7,005
130. Net impairment for credit risk of: b) financial assets measured at fair value through other comprehensive income	-2,729	-1,072
To deduct: release of provision for impairment of securities measured at fair value through other comprehensive income	2,077	-
To deduct: release of provision for impairment of securities measured at amortized cost	622	-
Profit (loss) on other investments	**-15,384**	**65,600**
250. Profit (losses) on equity investments	2,917	9,646
to deduct Profits (Losses) on equity investments: of which Price Adjustment on disposal of equity investments	-	-9,761
260. Net profit (losses) from property, plant and equipment and intangible assets measured at fair value	178	-
280. Profit (losses) on disposals of investments	1,138	66,080
210. impairment of property, plant and equipment inventories	-388	-365
210.+220. Net adjustments to/recoveries on property, plant and equipment and intangible assets: Creval: write-off	-19,229	-
Profit (loss) on continuing operations before taxes	**-106,553**	**29,937**
Taxes on income from continuing operations = item 300	**249,242**	**-75,150**
300. Taxes on income from continuing operations	264,656	-75,150
To deduct: taxes on expenses for Creval integration	-15,414	
Profit for the period attributable to minority interests	**-929**	**-8,224**
200. Creval consolidation difference (Badwill)	496,865	
50. Fee and commission expense: of which expenses for Creval integration	-1,469	
190. Administrative expenses: b) other administrative expenses: of which expenses for Creval integration	-44,407	
210.+220. Net adjustments to/recoveries on property, plant and equipment and intangible assets: of which expenses for Creval integration	-720	
300. Taxes on income for the period from continuing operations: taxes on expenses for Creval integration	15,414	
Profit for the period attributable to the Parent Company	**607,443**	**-53,437**

Net operating income

Net operating income came to Euro 1,965 million (Euro 2,341 million including Creval contribution), increasing by Euro 71 million (+4%) vs. the previous year driven by fee and commission income.

Net interest income

Net interest income came to Euro 922 million (Euro 1,131 million including Creval contribution), decreasing by 5% vs. the previous year. Net interest income was still affected by the negative performance of market rates and posted a decrease (-8%) concerning intermediation with customers,, also because of the origination of loans having better risk profiles, partly offset by the lower cost of funding; the performance of net interest income was also impacted by the disposal of bad loans finalized in Q4 2021 as the Time value relating to the sold positions ceased to apply. The contribution given by business with banks increased (+96%) subsequent to the higher impact on profit or loss of the funding obtained through the ECB refinancing operations, while the decrease in market rates negatively impacted (-16%) on the net mismatch of interest on other asset and liability items and hedges.

Items	31 Dec. 2021	31 Dec. 2021 net of Creval	31 Dec. 2020	Changes	
				Absolute	%
Loans to customers measured at amortised cost	**899,682**	**707,995**	**771,792**	**-63,797**	**-8.3**
Loans to banks measured at amortised cost	**90,993**	**68,036**	**34,644**	**33,393**	**96.4**
Securities issued, financial assets and hedges	**142,064**	**145,485**	**173,499**	**-28,014**	**-16.1**
Debt securities issued	-107,533	-99,200	-96,221	2,979	3.1
Spreads on hedging derivatives	49,297	58,906	204,557	-145,651	-71.2
Financial assets held for trading	9	8	1	7	
Assets measured at fair value	85	-	-	-	
Securities measured at amortized cost	151,403	142,062	53,302	88,760	
Securities through other comprehensive income	48,803	43,709	11,860	31,849	
Other net interest income	-2,000	864	-4,234	5,098	
Total net interest income	**1,130,740**	**922,381**	**975,701**	**-53,320**	**-5.5**

Net fee and commission income

Items	31 Dec. 2021	31 Dec. 2021 net of Creval	31 Dec. 2020	Changes	
				Absolute	%
- guarantees given	9,980	7,176	6,137	1,039	16.9
- collection and payment services	72,577	53,021	49,986	3,035	6.1
- current accounts	243,983	207,279	213,535	-6,256	-2.9
- debit and credit card services	56,645	41,730	37,629	4,101	10.9
Commercial banking business	**383,185**	**309,206**	**307,287**	**1,919**	**0.6**
- securities intermediation and placement	282,754	252,824	206,646	46,178	22.3
- intermediation in foreign currencies	6,843	4,911	3,845	1,066	27.7
- asset management	11,581	6,251	6,770	-519	-7.7
- distribution of insurance products	325,571	308,679	276,222	32,457	11.8
- other intermediation/management fee and commission income	43,809	37,155	30,086	7,069	23.5
Management, intermediation and advisory services	**670,558**	**609,820**	**523,568**	**86,252**	**16.5**
Other net fee and commission income	**87,755**	**59,908**	**48,724**	**11,184**	**23.0**
Total net fee and commission income	**1,141,498**	**978,934**	**879,580**	**99,354**	**11.3**

In 2021 **net fee and commission income** came to Euro 979 million (Euro 1,141 million including Creval contribution), increasing by approximately Euro 100 million (+11% YoY). The weight of fee and commission income on total revenues hit 50% – vs. 46% in 2020 – driven by the "management, intermediation and advisory services" component, which increased by Euro 86 million (+17% YoY) consistently with the growth in placed volumes (+34%) of asset management products, in originated mortgage loans (home loans +6%) and in originated consumer loans (+32%). The "traditional banking business and other" component increased overall by +4% YoY along with the progressive waning of the effects due to the restrictions imposed on trade activities.

Dividend income

Dividend income from equity investments came to Euro 11 million, mainly regarding the stake in the Bank of Italy for Euro 9 million and the equity investment in Unipol for Euro 1.2 million, both of which classified as "Financial assets measured at fair value through other comprehensive income".

Financial income (loss)

Items	31 Dec. 2021	31 Dec. 2021 net of Creval	31 Dec. 2020	Changes	
				Absolute	%
Activities on interest rates	21,325	21,326	13,955	7,371	52.8
Stocks	-1	-1	-233	-232	-99.6
Foreign exchange	8,811	8,059	7,628	431	5.7
Commodities	-	-	3	-3	
Total profit (losses) on financial assets held for trading	**30,135**	**29,384**	**21,353**	**8,031**	**37.6**
Total profit (losses) on assets held for hedging	-6,973	-6,997	-12,119	-5,122	-42.3
Net profit (loss) on financial assets and liabilities measured at fair value	1,735	46	-423	469	
Total profit (losses) on securities measured at amortized cost	10,303	8,330	12,670	-4,340	-34.3
Total profit (losses) on securities through other comprehensive income	26,869	27,542	-1,270	28,812	
Financial income (loss)	**62,069**	**58,305**	**20,211**	**38,094**	

The **profit from financial activities** came to Euro 58 million (Euro 62 million including Creval contribution), vs, Euro 20 million in the previous year, which was achieved mainly through sale and arbitrage of securities held and through interest rate and foreign exchange hedging transactions on behalf of Customers.

Other operating income (expenses)

The balance of item "Other operating income (expenses)" was negative by Euro 6 million (-4.5 million including Creval contribution), and comprises especially expenses for "amortization of leasehold improvements" for Euro 5.1 million. The difference vs. the positive balance of Euro +8 million recognized in 2020, which reported considerable non-recurring components, such as the adjustment price regarding the sale some years ago of the equity investment in Crédit Agricole Vita (Euro 10 million) and income resulting from the settlement of the liability action against the former directors of Cassa di Risparmio di Rimini (Euro 4 million).

Operating expenses

Items	31 Dec. 2021	31 Dec. 2021 net of Creval	31 Dec. 2020	Changes	
				Absolute	%
- wages and salaries	(625,860)	(516,690)	(508,233)	8,458	1.7
- social security contributions	(172,940)	(139,064)	(135,299)	3,766	2.8
- other personnel expenses	(91,584)	(68,420)	(67,279)	1,141	1.7
- next generation plan expenses	(189,530)	(151,530)	-	151,530	
Personnel expenses	**-1,079,914**	**-875,704**	**-710,810**	**164,894**	**23.2**
- general operating expenses	(125,471)	(105,815)	(107,304)	(1,488)	-1.4
- IT services	(110,594)	(88,743)	(88,935)	(192)	-0.2
- direct and indirect taxes	(144,157)	(117,790)	(113,450)	4,340	3.8
- real estate property management	(14,177)	(11,542)	(12,558)	(1,016)	-8.1
- legal and other professional services	(21,174)	(16,410)	(20,446)	(4,036)	-19.7
- advertising and promotion expenses	(13,186)	(12,776)	(9,591)	3,185	33.2
- indirect personnel expenses	(4,422)	(3,909)	(6,071)	(2,161)	-35.6
- contributions to support the banking system	(114,962)	(97,310)	(58,027)	39,283	67.7
- other expenses	(220,149)	(211,673)	(212,527)	(854)	-0.4
- expenses and charges recovered	323,430	296,100	279,519	16,581	5.9
Administrative expenses	**-444,863**	**-369,869**	**-349,388**	**20,481**	**5.9**
- intangible assets	(111,498)	(101,564)	(97,786)	3,779	3.9
- property, plant and equipment	(104,454)	(82,040)	(81,898)	141	0.2
Depreciation and amortization	**-215,952**	**-183,604**	**-179,684**	**3,920**	**2.2**
Operating expenses	**-1,740,729**	**-1,429,177**	**-1,239,882**	**189,295**	**15.3**

Operating expenses came to Euro 1,429 million (Euro 1,741 million including Creval perimeter); the increase of Euro189 million (+15%) vs. 2020 resulted from non-recurring cost components, such as incentives for voluntary redundancy amounting to Euro 152 million and recognized in Q4 following the “Next Generation” generational turnover plan, and higher contributions to the Italian banking system of Euro 39 million (+68% YoY). Therefore, net of said non-recurring components, ordinary operating expenses amounted to Euro 1,180 million, stable vs. 2020. Ordinary **administrative expenses** came to Euro 273 million, down by 6% YoY, mainly because the higher costs to manage the health emergency no longer applied, as well as thanks to the effective cost management policy and to the network rationalization actions deployed. The **Depreciation and amortization** item came to Euro 184 million (+2% YoY) consistently with the investments provided for in the Medium Term Plan (MTP) and made in the last few years.

The cost/income ratio, net of Creval contribution and of the extraordinary components, hit 60%, improving by 2 percentage points vs. 2020.

Operating margin

Given the increase in revenues and stable operating costs, operating margin hit Euro 536 million (up by Euro +73 million vs. 2020, +10% YoY) and Euro 600 million including the profit for period made by Creval.

Net Provisioning for risks and charges

Items	31 Dec. 2021	31 Dec. 2021 net of Creval	31 Dec. 2020	Changes	
				Absolute	%
- revocatory actions	-2,521	-2,474	-914	1,560	170.7
- non-lending-related legal disputes	-5,810	-8,040	-7,034	1,006	14.3
- repayments to customers on defaulted securities	-17	-	-	-	-
- other	-33,642	-1	-25	-24	-96.0
Total specific-purpose provisions	**-41,990**	**-10,515**	**-7,973**	**2,542**	**31.9**

Provisioning for risks and charges mostly regarded provisioning for lawsuits in which the Group is the defendant and revocatory actions, and amounted to Euro 10.5 million (Euro 42 million including Creval provisions).

Net adjustments to loans

	31 Dec. 2021	31 Dec. 2021 net of Creval	31 Dec. 2020	Changes	
				Absolute	%
- Bad loans	-277,580	-246,683	-167,166	79,517	47.6
- Unlikely to Pay	-268,943	-237,129	-151,009	86,120	57.0
- Past-due loans	-2,513	-3,704	-4,471	-767	-17.2
Non-performing loans	**-549,037**	**-487,516**	**-322,646**	**164,870**	**51.1**
- Performing loans - stage 2	-6,796	-10,934	-56,397	-45,463	-80.6
- Performing loans - stage 1	-24,998	-1,787	-23,398	-21,611	-92.4
Performing loans	**-31,794**	**-12,721**	**-79,795**	**-67,074**	**-84.1**
Net impairment of loans	**-580,831**	**-500,237**	**-402,441**	**97,796**	**24.3**
Profits/Losses on contract modifications without derecognition	-219	-1,097	-1,367	-270	-19.8
Measurement of financial instruments	-4,317	-4,276	-104	4,172	
Expenses/recovered expenses for loan management	-18,919	-15,674	-8,803	6,871	78.1
Provisioning for possible expenses on sold loans	-30,000	-30,000		-30,000	
Net impairments losses for guarantees and commitments	-7,012	-5,266	1,274	-6,540	
Impairment of properties taken back at the expiry of lease contracts	-2,570	-2,570	-2,500	70	2.8
Net adjustments to loans	**-643,868**	**-559,120**	**-413,941**	**145,179**	**35.1**

Net ordinary adjustments of loans and financial assets came to Euro 242 million (Euro 289 million including Creval contribution), materially decreasing vs, the 2020 figure (-43% YoY), as the 2020 figure reported extraordinary additional writedowns following the revision of the macroeconomic scenario due to Covid-19 impacts. Further evidence of the decreasing trend in impairment was given by the lower number of new positions in default, which went down by -29% YoY, and the default rate decreasing to 0.6% (vs. 1.0% in 2020). In Q4 2021, **non-recurring adjustments totalling Euro 319 million** were recognized, of which Euro 194 million regarding effect on profit or loss of the sale of a securitized bad loans portfolio, and Euro 125 million resulting from the development in the Group's policies for the measurement of non-performing loans. Therefore, the **ordinary cost of credit** (the ratio of the adjustments for credit risk recognized in the income statement to net loans to Customers) came to **47 bps**, back to its pre-crisis levels.

In 2021 gains on disposal of investments were quite modest (Euro 0.3 million) vs. Euro 66 million recognized in 2020.

Gross profit (loss), taxes and Net income

Consequently to the above-reported developments, the Group posted a gross loss from continuing operations of Euro -107 million; however, net of the above-reported components, which are non-recurring, and net of Creval contribution, the Group made a **gross profit from continuing operations of Euro +532 million**, increasing by Euro 184 million (+53%) vs. 2020.

Taxes on income for the period – including Creval – were positive by Euro 249 million, mainly thanks to the benefits resulting from realignment of the values for tax purposes and book values of some tangible and intangible assets (overall positive by Euro 97 million), as well as thanks to deferred tax assets (DTA) of Creval under the 2020 Italian Budget Law, previously stated off-balance-sheet, with a positive effect through profit or loss amounting to Euro 100 million, net of the related conversion cost.

In Q4 the **Purchase Price Allocation (PPA) process,** required under IFRS 3 "Business combinations" was finalized regarding the acquisition of Credito Valtellinese, which was closed in Q2 2021. The difference between Creval equity book value and the acquisition price generated gross *badwill* amounting to Euro

925 million; the combined effects of *Due Diligence* and of the PPA generated an overall impact on profit or loss of Euro 428 million, which led to the recognition of net negative goodwill (*badwill)* amounting to Euro 497 million. For more exhaustive information, please see Part G - Business combinations of the Note to the financial statements.

Furthermore, in the reporting period **expenses for the acquisition and integration** of Creval were incurred totalling Euro 31 million net of tax.

The consolidated operating profit – including Creval – came to **Euro 346 million**, materially increasing vs. the previous year (+68% YoY1). Including the set of extraordinary elements due to Creval entry and net badwill resulting from the PPA finalization, the **Group reports a statutory net profit** of **Euro 607 million**.

Comprehensive income

Voci		31 Dec. 2021	31 Dec. 2020
10.	**Profit (Loss) for the period**	**608,372**	**-45,213**
	Other comprehensive income after tax not recycled to profit or loss		
20.	Equity securities designated at fair value through other comprehensive income	905	-7,617
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income	-	-
50.	Property, Plant and Equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	-704	-2,411
80.	Non-current assets held for sale and discontinued operations	14	-
90.	Share of valuation reserves on equity investments measured using the equity method	-	-
	Other comprehensive income after tax reclassified to profit or loss		
100.	Hedges of investments in foreign operations	-	
110.	Foreign exchange differences	-	
120.	Cash flow hedges	-	
130.	Hedging instruments (non-designated elements)	-	-
140.	**Financial assets (other than equity securities) measured at fair value through other comprehensive income**	**-18,220**	**24,452**
150.	Non-current assets held for sale and discontinued operations	-	-
160.	Share of valuation reserves on equity investments measured using the equity method	-	-
170.	**Total other comprehensive income after taxes**	**-18,005**	**14,424**
180.	**Comprehensive income (Item 10+170)**	**590,367**	**-30,789**
190.	Consolidated comprehensive income attributable to Minority Interests	922	8,855
200.	**Consolidated comprehensive income attributable to the Parent Company**	**589,445**	**-39,644**

Comprehensive income was lower by Euro 18 million than the profit for the period, due to negative changes in the value of the components recognized directly in equity reserves. Therefore, net of the above-reported non-recurring components of the profit for the period, comprehensive income from continuing operations came to Euro 328 million.

It is pointed out that the inclusion in comprehensive income of the item reporting “Financial assets measured at fair value through other comprehensive income” entails strong volatility that must be taken into account when analyzing the table.

Operations and profitability by business segment

As regards operations and profitability by business segment, please refer to the Note to the financial statements Part L – Segment Reporting.

STRATEGIC PLAN AND BUSINESS DEVELOPMENT LINES

STRATEGIC PLAN

In 2021, the Italian macroeconomic situation was overall favourable, albeit with uncertainty about the developments in the health emergency and inflation. Growth exceeded expectations, proving the best in the Euro Area as to forecasts, with recovery in the main economic indicators and improved consumer and business confidence, with Italy's Recovery and Resilience Plan that will provide further opportunities and the chance for Italy to resume steady and sustainable growth and with banks playing a key role as advisors and primary channel to implement the projects to be financed.

In evolution terms, the health crisis worked as an accelerator of structural trends regarding Customers' behaviours (higher digitalization combined with relationship centrality) and their needs (reconsideration of protection products, higher savings), while speeding up technological trajectories and the need to invest in the skills and managerial approach of its human capital.

In that situation, the Crédit Agricole Italia Banking Group successfully completed the three-year transformation cycle provided for in its Medium Term Plan, which had started in 2019, effectively managing the post lock-down scenario and the consequent «rebound» in the Italian macro-economic indicators. From a business perspective, good performances were achieved especially in terms of organic growth (driven by the Brand, by the Customer Recommendation Index and by digital operations) and of increase in fee and commission income, whereby the Plan targets on the synergies within the Crédit Agricole Group could be reached a year ahead of schedule. The reporting year was also characterized by the success in the Creval deal, with Creval integration going on as scheduled, as well as by the boosting of managerial transformation within the People Project and the development in the Societal/ESG project.

A short description and the main results achieved in 2021 in all the Plan streams are given below:

1. CUSTOMER PROJECT

Consistently with the Group's values, the Customer Project pursues the ambition to provide Customers with an excellent service, along with important commercial ambitions supported by constant enhancement of the synergies with the Group's product companies:

- Investing in relational and operational excellence to support organic growth, ranking among the top retail banking players in the market by Customer Recommendation Index (CRI);
- Developing a more and more dedicated and specialized model, achieving excellence in Asset Management, investing in the service to Customers and in the growth of distribution capacity;
- Accelerating the development of Non-life Bancassurance, as a distinctive element of our offer to Customers;
- Strengthening the specialization of the Corporate banking segment on products/services with high added value.

In 2021 all the main initiatives within the Customer Project were completed and the Project is now fully operational and on the way towards a model that is 100% human and 100% digital:

- Constant growth in **customer satisfaction**, thanks to dissemination and interiorization, across all levels in the Group of the plan to support relational and operational excellence driving Customer Satisfaction and of the initiatives designed for the development of new relational model;
- Increasing trend in **customer acquisition**, driven by the digital channels, mortgage loans and the Crédit Agricole brand;
- **Digital penetration** on the increase thanks to continuous improvement in the Group's Internet Banking platforms and to continuous evolution in new features of the Crédit Agricole Italia app (app rating > 4 stars);
- Development of an **model of excellence on high-value segments** (Wealth Management), thanks also to investments in cutting-edge tools (Robo Advisor and advanced Advisory Services in synergy with Amundi) and to the enhancement of the salesforce;
- Extending the range of **Non-life Bancassurance** products that can be bought in an omnichannel mode, in synergy with Crédit Agricole Assicurazioni, and actions to streamline user experience for remote selling;
- Extension to banking products of the **Off-premises distribution** model (already in operation since 2020 for Investment Services and Financial Life Insurance policies), to foster user-friendliness and time saving for Private Bankers' and Financial Advisors' Customers;

- **Support to businesses** in their post-lockdown relaunch (Liquidity Italian Decree Law) and in seizing new opportunities (Eco-Bonus). The Crédit Agricole Italia Banking Group's distinctiveness in the Account Manager-Customer relationship has been acknowledged by the market, thanks also to the success of its new tools that proved the best in class: the Supply Chain Finance platform went live with Dynamic Discounting and Confirming services, enabling to meet the needs of Customers and of all the players in a supply chain, with digital management of the invoicing cycle and working capital optimization; the new Foreign Exchange platform is also fully operational enabling Customers to directly execute spot foreign exchange transactions via Nowbanking Corporate;
- The development of **synergies with the Group's Product Factories,** achieving the 2022 objective a year ahead of schedule.

2. PEOPLE PROJECT

The main objectives of the PMT second Pillar concern the enhancement of the Group's human capital:

- Developing individual responsibility for excellence in the service to Customers, through the evolution of the leadership model;
- Reasserting the Group's distinctive culture to attract and retain the best talents and to ensure managerial culture sustainability, enhancing diversity and inclusion, female leadership and fostering generational turnover.

In 2021, the process for profound managerial and organizational transformation of the Bank continued pursuing continuous evolution in behaviours and internal models in order to be more and more attractive to customers and young talents, with important results achieved in evolving leadership styles and work approaches, welfare initiatives and inclusion policies. Specifically:

- A **generational turnover** process started, which provides for the recruitment, in the 2021-2023 time horizon, of over 500 young people having skills in line with the new competences required by the market; as at the end of 2021 about 100 young people had already been hired;
- «Inspiring change», a managerial training course went live (with over 400 managers involved), aimed at disseminating new leadership styles to foster the Crédit Agricole Italia Banking Group's **target manager profiles**;
- To improve the **feedback culture,** the "**180-degree measurement of performances"** (that is to say, managers are assessed also by their teams) continued to be tested and the **Continuous Feedback** tool went live in order for newly recruited resources to be given structured monthly feedbacks by their managers;
- **Coaching and mentoring** programmes continued providing support to resources with potential (over 100 coaching programmes started in 2021 and 260 mentoring programmes held in the last 3 years);
- An extensive training plan was implemented on the development of **digital competences**, also through *gamification* initiatives, and on **remote team management**;
- A «**New Relational Model», was designed in cooperation with** the French Parent Company Crédit Agricole S.A., to identify the set of behaviours and **good practices in the relationship with Customers**, by involving and listening to customers, consumers and resources;
- The **smart working** mode continued to be used massively in order to meet the need to work remotely caused by the health emergency and a pilot project started aimed at extending the smart working mode also to the network personnel;
- An **online training** plan was designed in order to increase ESG competences, with various targets and in various formats (e.g. webinars, Roadshows,...);
- Gender balance was ensured in new appointments of managers of the Crédit Agricole Italia Banking Group as to the number of women appointed as managers, pursuing **the reduction of the gender gap** (women accounted for 50% of the resources promoted to manager positions);
- As regards **welfare and wellbeing,** the «Family **Audit» certification** was achieved (at the end of a process that went on for over 3 years), acknowledging the commitment to deploying measures to foster work-life balance and to support the resources' wellbeing; furthermore, the **Charter of Respect** was signed as the instrument to identify and disseminate work-life balance good practices and the different behavioural/leadership and communication styles.

In addition to the challenges already envisaged in the People Project, the training engagement for **Creval** resources was also addressed, with an extensive plan to provide them with support and facilitate the merger.

3. SOCIAL RESPONSIBILITY

The ambition to develop projects and initiatives designed to do good by the community, society and the environment, fostering the attractiveness and development of the communities the Group operates in, supporting customers in their energy transition and pursuing the ambition of being a responsible player in the protection of the environment, also consistently with the commitment of the French Parent Company, one of the signatories of the Net Zero Banking Alliance.

In 2021 the Group sped up its **action to substantiate its commitment to energy transition, climate change and inclusion**. The challenge consists in progressively evolving the business model putting sustainability at the core of key choices:

- **Sustainability Governance** was designed and implemented in accordance with the guidelines issued by the Regulator:. Specifically, a sustainable development **Board Committee** was set up and vested with the task of assessing the Group's Sustainability Policies proposed by the Managerial Committee and submitting them to the BoD, as well as with the task of monitoring the preparation of the NFS; an **ESG and Sustainability Managerial Committee** chaired by the Chief Executive Officer was also set up and vested with the task of steering, promoting, approving and overseeing sustainability-related strategic plans and initiatives;
- A **Sustainability Business Unit** also went live performing coordination and service functions for the structures engaged in operational functions;
- **Initiatives were implemented fostering the adoption of a flexible management model** based on performances and digitalization, in order to ensure work-life balance to everyone (support to parenthood and care, enhancement of the Charter of Respect,…);
- The activities for the **adoption of ESG criteria in the scoring of corporations continued, as did the activities for carbon footprint measurement**, **funds were earmarked for loans** to businesses that stand out for green investments and circular economy performances, in synergy with the Group's project that involves all the entities of the Crédit Agricole Group;
- Distribution of Amundi ESG-compliant **green products** continued;
- The **Ecovadis platform continued to be systematically used to assess vendors** and sustainability policies were adopted at work (dematerialization, waste sorting);
- The **ECO-ACT platform** was fed with the 2019-2020 data **for the calculation of the Group's carbon footprint**;
- The **Energy Policy** for optimal management of properties was formalized (Green Life, the Group Management Headquarters obtained the Leed Platinum certification);

These initiatives went alongside an important programme for the **transformation of the operational machine,** directed by a Digital Factory (which started in 2019) for the revision of the Bank's processes with impacts on Customers:

- **Redesign** of **key operational processes** from a digital perspective, in order to transform account managers' operational time in commercial time for Customers;
- **Industrialization/digitalization of lending processes** to manage loans with an anticipatory approach;
- **Omnichannel** integration of services fostering innovation and digitalization.

In 2021, important initiatives were carried out, continuing the projects already underway in 2020:

- The **revision of the distribution model** continued pursuing potential-based geographical coverage, with fewer and larger Branches (~150 optimization actions completed since the start of the plan), equipped with advanced tools enabling automation of transactions;
- **"Le Village Triveneto"** was opened (following Le Village by CA hubs already in operation in Milan and Parma);
- The Group signed a **strategic partnership agreement with Tim and Accenture** for the digital transformation of its technological infrastructure.

Furthermore, works started to **design the 2022-2025 Medium Term Plan,** which will also be based on the 3 pillars of the present MTP, informed by the **Group's Raison d'Être** focused on customers, people and the community, with the objective of continuing on its way towards innovation and digital growth, while remaining at the forefront of actions to tackle social issues, to support sustainability and to invest in future generations.

BUSINESS DEVELOPMENT LINES

In 2021, the Crédit Agricole Italia Banking Group continued to strengthen its universal customer-focused banking model, with special attention to the needs of the community, given also the persistence of the Covid-19 health emergency. Having regard to the Retail segment, in order to stand by its customers, the Bank operates along the following directions:

- **Relational excellence** based on deep knowledge of customers, which can provide them with bespoke experiences also remotely, and driven by the implementation of initiatives designed to improve behaviours and the approach to customers;
- **Strengthening remote selling processes**, with more services that Customers can use autonomously via home banking and making digital tools available to manage the relationships with the Bank remotely;
- **Customer digitalization and online acquisition** by streamlining and dematerializing the process for current account online opening, thus improving the user experience;
- **CRM tools to support contact with customers in the best possible manner** directly interacting with them via relational/service e-mails or SMS texts and responding to their needs and indications, also through instant feedback tools.

Customer Base development

The Group implemented a set of initiatives aimed at enhancing its overall growth capacity, steadying its customer base increase over time through acquisition and retention actions. Thanks to this approach the development in the Group's customer base improved, with higher acquisition rate than in the previous years and lower churn rate. Specifically, in 2021 these activities followed 4 main directions:

- **Supporting the Network in its activities to increase the customer base**, through specific initiatives for geographical penetration (e.g. enhancing business in former UBI geographies of operation);
- **Supporting the Network in the activities to increase the customer base,** with resources specifically assigned to this task within the Regional Departments (Acquisition Coordinators) and the Financial Advisors Channel;
- **Developing Customer acquisition by strengthening the range of products and services** supplied and keeping a set of bespoke products for the different stages in the life of Customers: School/University, Savings Plans (focus on the acquisition of affluents that are not borrowers), Decumulation/Generational bridge (focus on heirs);
- **Extending operations to new markets, such as the Third Sector,** establishing partnership agreements with the Committees, employees and volunteers of the Italian Red Cross and Italian Association for the Donation of Organs, Tissues and Cells (A.I.D.O.) of Lombardy;
- **Preventing customer attrition through the industrialization of the retention process** with contact campaigns and bespoke offers/earmarked funds, as well as with investments in data survey/analysis methods (e.g. instant feedback new statistical models).

Customer Satisfaction and Relational Excellence

Since the Customer Satisfaction Business Unit was set up in October 2019, the ambition to reach Relational Excellence has been pursued every day with a series of initiatives targeting continuous improvement in customer experience and thus overall customer satisfaction with the Group.

In 2021, the main challenges in Customer Satisfaction concerned the profound changes in their interaction with the Bank, as well as the different expectations that emerged. The scenario gave evidence of the strategic importance of designing a relational model based on profound knowledge of customers and able to ensure bespoke experiences also remotely.

In 2021, the Customer Satisfaction BU continued to work in a structured manner on customer satisfaction, achieving good performance consistently with those in 2020. The Crédit Agricole Italia Banking Group succeeded in improving its customer recommendation index vs. the previous year in all commercial channels. The appreciation shown by customers for the Group and the growth in customer recommendation are supported with targeted initiatives pursuing a multichannel relational approach of excellence.

To speed up the transformations underway and to support continuous improvement in customer experience, work stated to create a new relational model.

The main levers triggered to implement this project are:

- **Training/behavioural plan**, to disseminate the best behaviours for an approach to customers fit to enhance all aspects of the relationship;
- **Omnichannel Relational Model**, in which, starting from Crédit Agricole S.A. guidelines, the relational practices to be deployed in Italy have been designed;
- Implementation of a **communication plan profiled** on the different customer targets;
- Enhancement of the efficiency of the **complaint management process**, in order to reduce the time to response and the overall customer experience.

Furthermore, the work to mitigate irritants continued in 2021 with a special focus on the main problems identified in Complaints and Grievances: Successions, PSD2, c/a closure, c/a online opening and Mortgage loans. The evolution plan to mitigate 2019 and 2020 irritants also went on, with high attention to the number of missed calls at branches and ATM availability.

The achieved results featured growth in the Retail (Family, Affluent and Small Business), Financial Advisors and Private Bnkg channels.

The relation with the Account Manager proved again a strong point, thanks to good response to requests made by customers, who expressed particular appreciation for the Crédit Agricole Group because of the support it provides in case of difficulties. The advice provided, with the possibility to autonomously make transactions and remotely interact with the **Account Manager** contributed to the perception of an innovative and modern bank.

Digital strategy and omnichannel mode integration

The Group's customers have been showing appreciation for and confidence in its way towards innovation, which has been substantiating in its increased ability to provide services remotely. The strategy is mainly based on the following directions:

- **Strengthening of digital acquisition through current accounts**, via campaigns in partnership first with American Express and, in April and December, with Mastercard, offering a full digital product and a payment product. The onboarding process after the account opening was optimized with contact campaigns carried out by the Network, supplemented with over 40 DEM campaigns and other digital touchpoints; furthermore, a process for online transactions on securities accounts was implemented enabling customers to invest autonomously. Constant attention was given to the improvement of the online account opening process, in which further technological innovations will be implemented thanks to the go-live of "Video Selfie" identity verification, an enabling factor in order to reduce the time to account opening and to increase conversion rates and, therefore, acquisition volumes;
- **Enhancement of online acquisition of mortgage loans on the young people target** (under 36) as of July with a new offer and a specific landing page with strong reference to the recently introduced State guarantee on first home mortgage loans and tax benefits for the target (Italia Support Decree-bis) while renewing the user experience of the simulator on the website. In April, digital acquisition activities were extended also to new high-value segments (Small Businesses, Craft Businesses, Sole Traders and Agrifood businesses) via online lead generation and then recontacting by the Network for product finalization at branches;
- **Individuals/Small Businesses new platform:** the new CA app went live, thanks to which the gap vs. other competitors could be filled and Crédit Agricole Italia ranked among the most innovative players in the market. In H1 2021, it was enriched with new Payment features enabling road tax payments, payments to the public administration (Pago PA) and enabling SMEs to pay electronic bank receipt (RIBA) and negotiable instruments. Furthermore, in early 2021, Mobile Collaboration went live, one of the most competitive apps in the banking market, in terms of both managed products (Funds and Securities) and User Experience for Customers. The home banking app was supplemented with the feature to apply for Agos personal loans and for American Express credit cards;
- In a more and more innovative market, the Group seized **new opportunities in Open Banking with Plick**, a resident Fintech startup in Le Village by CA Milano (one of the Group's incubators of start-ups). Plick is an innovative digital payment tool, whereby money can be transferred ensuring a smart, safe and traceable user experience, using simply the payee's mobile phone number in the list of contacts or e-mail address. Again drawing on the Fintech ecosystem and in order to introduce new digital services to customers, the App was supplemented with the Digital Piggy Bank, a tool intended to introduce users to savings management, through a partnership with Gimme5.

Customer Service evolution

In 2021, the Customer Service went on with its development project to provide support to Customers in synergy with the Group branches. New activities started, such as internet banking assistance, a specific commercial action on liquidity, proactively contacting small business customers and, consistently with the evolution in the Family service model, the activity to cover customers not already contacted by Account Managers. In the reporting year, the Small Business centers in Naples and Rome were strengthened and a new one was opened in San Miniato. The activity of listening to and managing customers' requests (inbound and customer care) strongly increased in 2021. The activities to support online acquisition also increased (management of requests and applications for online account opening and for mortgage loans from the web), giving evidence of the digital channel being more and more attractive to customers. Furthermore, proactively contacting customers (outbound customer service) was a priority also in 2021, providing support to the branches.

Mortgage loans

The Group kept its good positioning thanks to its complete range of products and continuous support given to its customers. In 2021, business development and further improvement in customer satisfaction were pursued with the following drivers:

- **Product innovation**, the special offer reserved to young people went live, in order to provide them with support in achieving their independence and making full use of the incentives provided for by Italian Support Decree-Bis in favour of people under 36 years old (tax exemptions, extension of the Consap state guarantee to mortgage loans with LTV>80%). The special offer was launched with:
  - A press campaign on national and local newspapers;
  - A dedicated portal with a wide information section, chat bot and support by phone, as well as the possibility to obtain a bespoke quotation online;
  - Young people were also given the possibility to start mortgage loan repayment up to 12 months after contract signing, as well as to keep flexibility options throughout the mortgage loan life.
- **Process optimization**, the activities to improve the process and simplify the necessary documents were intensified, involving Work Groups consisting of members from both central departments and the network, in addition to the approval by the Investment Committee of resources for digitalization and innovation of the platforms.

Wealth Management

As in 2020, the pandemic crisis continued to have global economic and social impacts, but in 2021 vaccines became available and opened the way to go back to almost pre-pandemic normality. 2021 was also a landmark year in tackling climate change and ESG investments became more and more central in finance. Savings of Italian households continuously increased, with higher and higher liquidity on current accounts. In this scenario, the Group worked to identify solutions able to foster investments in order to protect wealth value over time, with distinctive orientation and positioning as regards ESG proposals. As regards ESG factors, a training programme for the certification as ESG Advisors by EFPA (the leading professional standards setting body for financial advisors and planners) was held involving the Account Managers of Retail Bnkg Affluent customers. The certification enabled our account managers to acquire a full-range view of the ESG topic, strengthening their knowledge in the environmental, social and governance scope, which is becoming more and more necessary and useful to provide financial advisory and planning services, in order to meet the needs and expectations of our customers.

Yet another priority consisted in the multichannel mode and digitalization, in close cooperation with the Digital Department, extending the range of provided services in response to the digital transition, such as off-premises distribution, the extension of services provided via Web Collaboration, and the tools available both on the App and through Home Banking.

Special efforts were undertaken for the implementation of the new Wealth Management Advisory Service model, which focuses on analyzing and meeting Customer's needs. The service went live on a pilot set of account managers. The service enables to provide not only financial but also wealth management advisory services, including on real estate and generational succession. Other releases have been scheduled in the coming months to complete the service.

The “2021 Annual Product Plan” was prepared identifying new investment proposals that are consistent with the needs and behavioural assessment/profiling of Customers, with some new products worth mentioning, such as:

- **Creation of CA Selection,** a new SICAV (investment company with variable capital) intended to host the delegations of third-party companies identified as the best in class – which went live in November;
- **The launch of Amundi ELTIF AgrItaly Individual Saving Plan**, a non-reserved closed-end fund, which was placed from October to December and invests in agrifood products of excellence, both from Italy and from leading European countries that can boast certified products acknowledged worldwide;
- **The creation of 2 new themed lines** in the Top Private Portfolio Management schemes (in addition to the already existing lines), with management dele3gation to Crédit Agricole Indosuez Wealth (Italy) S.p.A.;
- **The creation of the “fast” DCA on Amundi sections**, where the DCA plan duration is set at a minimum of 3 moths, in order to penetrate financial markets in short-term horizons, seizing opportunities of temporary declines(as an alternative to traditional lump-sum investment plans);
- **CA Smart Advisory**, a robo-advisor service mainly intended for the Households segment, with underlying portfolio management overseen by Amundi and ESG-connoted with investment in ETF.

Small Business

In 2021, activities were still impacted by the negative effects of the Covid-19 pandemic in many economic sectors, with material signs of recovery in H2 2021. The Crédit Agricole Italia Group continued to provide its customers with support, not only through the initiatives deployed by the banking system, but also through specific and tailor-made initiatives:

- **Support provided to Firms that stand out for Green and Circular Economy investments** with projects targeting environmental sustainability, through funds earmarked for this purpose;
- Go-live of advisory services and assistance to businesses in the scope of Italy’s Recovery and Resilience Plan;
- **Development in loans through a set of funds earmarked for specific purposes** (e.g. Preauthorized loans) to provide support to customers and communities;
- **Commercial initiatives targeting high-potential customer segments** (e.g. Craft Businesses and Sole Traders**, and the Agrifood sector** (e.g. Advance payment of subsidies under the Common Agricultural Policy and e-commerce in the Wine supply chain);
- **Initiatives for the optimization of customers’ liquidity** through conversion to asset management and addendum;
- **The process for customer digital acquisition became fully operational** on both the Small Business and Agrifood segments via a landing page;
- **Strengthening and continuous commercial activity on innovative products in the market** (e.g. Superbonus 110% and revolving pledge on wine);
- **Full operation of the Special Network sub-segment of the Small Business segment**, in order to ensure specialist management focusing on those Customers that show credit problems;
- **Use and dissemination of Atoka**, a marketing intelligence tool whereby qualitative and quantitative information on all Italian firms can be obtained.

Development of synergies between business lines

- **Bancassurance**: Bancassurance continues to play a leading role in the Group development and business in this sector is pursue in partnership with the insurance entities of the Group, namely Crédit Agricole Creditor Insurance, Crédit Agricole Assicurazioni and Crédit Agricole Vita. In 2021, the non-life insurance business markedly grew, with higher gross premium income. The main action lines followed in 2021 concerned the following scopes:
  - **Evolution of the selling process**, by enabling Financial Advisors and Private Bankers **to sell non-life products via off-premises distribution,** with signing via Home banking (July 2021), go-live of direct debit to current accounts for MV Liability policy renewals via Home Banking (July 2021) and new positioning of the products on home banking simplifying the user experience for product purchases (November 2021);
  - **Generation of new sale opportunities with effective and profiled promotional actions**: the **new format of “Meteo dei rischi” (Risk weather forecast) initiatives** went live, i.e. targeted seasonal campaigns supported by cashback reward promotion and specific communication plan;
  - **Improved performance of the branch procedure and service level monitoring**: a Bank/Insurance Company Technical Operation Committee was set up and tasked with the identification and resolution of the main troubles experienced by the Network;

  - **Optimization of the contact plan**, supported by **cutting-edge campaigns** based on behaviours and needs expressed by customers (Omnichannel Customer Journey), in order to test the service model effectiveness and the integration between channels;
  - **Strengthening competencies through specific training**: the first behavioural training master programme was held, with assistance provided by the external firm IAMA, aimed at strengthening the managerial competencies of the team of Non-Life Bancassurance Specialists.
- **Consumer Credit**: consumer credit continues to play a key role among the Group's development axes, through the partnership with AGOS. After shrinking in 2020 because of the pandemic in 2021 the non-life business markedly expanded, exceeding the market recovery. The main action lines followed in 2021 concerned the following scopes:
  - **The Bee Future initiative went live**, in cooperation with 3Bee (a resident startup at Le Village by CA Milano) and AGOS, pursuing the Group's green objectives and raising awareness about ESG values;
  - **Optimization of the contact plan for the Network**, with the support of advanced campaigns based on behaviours and needs expressed by Customers (Customer Journey), also identifying more specific clusters;
  - **AGOS loans started to be distributed by the Creval Network in October**, with training provided to Creval resources and focus on the new communities involving AGOS specialists;
  - **Campaign to promote Green mobility**, to incentivize and reward sustainable choices made by our Customers, alongside the State incentives for the restart after the pandemic;
  - **Evolution of the selling process**, the home banking Online Channel went live with a profiled range of AGOS products being proposed, with the support of recursive communication actions (e-mail messages to customers, Banners and Pop-ups on digital devices).

PRIVATE BANKING CHANNEL

In 2021, the Private Banking structure of the Crédit Agricole Italia Group proved again a key partner standing by its Customers in protecting and effectively managing personal and company assets; it constantly invested on **fundamental drivers, such as Customer satisfaction, the professional development of its personnel and the evolution of the service model**.

Having specific regard to the **service model evolution**, thanks to an in-depth benchmark analysis of the data on the target market and the main competitors, the following action strategic axes were identified and developed pursuing the ultimate objective of strengthening distinctiveness in the relationship with Customers leveraging on being part of the Crédit Agricole Group:

1. **Organizational model evolution:** it featured the creation, strengthening and evolution of specific roles supporting the activities of Private Bnkg Markets and the enhancement of their efficiency always pursuing better and better management of Customers:
   - The team of **Private Banking Commercial Coordinators** was completed and vested with coordination and liaison between Private Banking Markets and the Private Banking Central Department of Crédit Agricole Italia, supporting the development of specific geographical areas, the achievement of business objectives and oversight of performances. The Commercial Coordinators also work alongside Market Heads and Private Bankers in managing high-standing Customers and participate in the de3velopment of the Channel evolution projects.
   - The team of **Private Banking Financial Advisors** was strengthened; it consists of specialists supporting commercial awareness and socialization and entertainment activities, who work alongside Private Bankers at the periodic meetings with Customers, assist them in preparing proposals for investment, financial instruments, insurance products and "Model Portfolios" that are tailor-made on Customers' expectations and needs and in the analysis of existing portfolios. The Private Banking Financial Advisors also perform analyses on the financial instruments placed with Private Banking Customers and analyses on the trends and developments in financial markets and macroeconomic data, as well as benchmarking analyses.
2. **Customer Coverage evolution:** The Crédit Agricole Italia Group's Private Banking new service model stands out for the interaction between various players that synergically cooperate to improve and enhance the Bank/Customer relationship, thanks to joint planning of the meetings with Customers, which is constantly monitored with piloting tools. In managing Customers, Private Bankers work with a team of experts, who go with them to meetings with Customers, which, on the one hand, increases the perceived competence that is the result of belonging to a leading Group such as Crédit Agricole and, on the other hand, enables the Private 1Bankers of the Crédit Agricole Italia Group to establish even more firmly their role as full-range advisors and guide for their Customers.

3. **Stronger range of products and services**

   The Private Banking structure can rely on a complete range of products and services, built with an open architecture approach. The approach to wealth management is based on understanding the needs, objectives, risk appetite and behavioural profile of each Customer, in order to propose bespoke and consistent solutions, constantly monitoring the overall portfolio risk.

   The range of products and services includes asset management, UCITS, insurance products, transaction services, advanced financial advisory services (Valore Plus Solution) and support in non-financial matters (e.g. legal and tax matters relating to wealth planning needs)

   The main developments in 2021 as regards the range of Private Banking products and services were:

   - Bespoke collective investment schemes, in cooperation with Amundi SGR and Soprarno (Amundi Buy & Watch US High Yield, Amundi Private Finanza Digitale 2025, Amundi Private Age of China, Soprarno Total Return focus Asia), focusing on specific investment themes (e.g. thematic investing and emerging market investing);
   - Bespoke issues of CACIB Certificates, with different types of structure and underlying assets;
   - Placement of an AIF that invests in illiquid financial instruments with the purpose of promoting the development of Italian/European SMEs, with long-term time horizon (Amundi ELTIF Agritaly Individual Saving Plan).

4. **Stronger Channel and training programmes:**

   - In 2021, **recruiting,** both internal and external, was intensified, in order to strengthen the main strategic hubs and to improve the market positioning of the Crédit Agricole Italia Group's Private Banking Channel;
   - The **development of new competencies and skills** has always been a priority for the Crédit Agricole Italia Group's Private Banking Channel and in 2021 it became even more important due to the complexity of the economic scenario, which made the management and protection of savings also more complex. Responding to that need, the Crédit Agricole Italia Group's Private Banking Channel developed, in cooperation with the Personnel Training Service, **training programmes designed, to strengthen, on the one hand, understanding of needs and, on the other hand, the ability to identify the best solutions to meet Customers' needs and expectations**;
   - Within the development of Private Bankers' specialist competencies and skills, the training programme that had started in 2019 and focused on the needs of customer entrepreneurs went on: we started **from the management of generational turnover at family-owned enterprises and succession planning** and, in 2021, we dealt with the matter of **business and personal discontinuity of Customer entrepreneurs**;
   - **"Customers at the centre":** was the title of the training programme that led our Private Bankers on the path towards the development of their role increasingly as the main interlocutor of a hub of relations, to be a partner of choice for Customers to address their needs and projects, not only financial ones.

In 2021, a landmark was also the enhancement of the cooperation project with Indosuez Wealth Management (the "Aliante Project") aimed at optimizing the synergies within the Crédit Agricole Group, in order to improve its positioning in the Italian wealth management market, strengthening the commercial interaction between the two entities and extending the range of investment products and services that can be proposed to Customers.

Group synergies have always been one of the main strengths of the Crédit Agricole Italia Group's Private Banking Channel and, giving further evidence of this, in 2021 the Channel was one of the winners of the Private Banking Awards as "Top International Private Banking ", thanks to its renewed service model, which has emphasized and enhanced the synergies and cooperation with the companies of the Crédit Agricole Group (Crédit Agricole Indosuez Wealth Management Italia, Amundi Sgr, Crédit Agricole Vita and Crédit Agricole Assicurazioni).

In 2021, the releases were completed for the "CA per te: la consulenza dinamica" off-premises distribution process, a fully paperless and high operational efficiency digital process, targeting the Customers of the Private Banking and Financial Advisors Channels.

Thanks to these latest implementations, account managers can:

- Supply Customers with the products governed by the Italian Consolidated Law on Banking (e.g. C/A, Debit and Credit cards) and perform the related after-sake activities;
- Promote and place assets under administration (Government securities, Stocks, Bonds, ETF, Certificates,..), assets under management (Funds, SICAV, portfolio management products, Life and Non-life insurance policies;

- Open accounts (e.g. current accounts, securities accounts, administering regulatory questionnaires,..) for new customers with advanced methods (fully digital process);
- Acquire customers' identity documents "live".

The model is fully compliant with all applicable legislation and regulatory requirements and it supported by an internal controls system structured over several levels, in line with the Group's Internal control framework, in order to identify, correct and prevent any anomalies in operations through specific controls.

The two main drivers that boosted digital innovation in the Crédit Agricole Group's Private Banking Channel were:

1. **The Improvement in the Customer Journey and User Experience** streamlining interaction with Private Bankers for advisory services and making it more user-friendly.
2. **Enhancing the efficiency of Private Bankers' activities**, in order for them to dedicate more time to advisory services and commercial development.

Other significant initiatives in the year concerned:

- Increasing trend vs. the previous year in DOXA surveys on the satisfaction of Private Banking Customers, which gave once again evidence that our Private Bankers are the main drivers of promotion, especially in terms of competence, trust and personal relationship;
- Organization of events for Customers, made compliant with the safety measures in force at the relevant time (e.g. Festival Verdi, exhibitions, Champions roadshow, Le Village by CA in Parma and Milan..);
- Intensified communication activities, in terms of both internal communication through Skype-calls with the network and through digital workshops and seminars, in cooperation with Advisory Private and the leading international Asset Managers; and in terms of external communication with relational DEMs and monthly newsletters with financial contents sent to Customers.

CORPORATE BANKING CHANNEL

In 2021 the Corporate Banking Channel played an important role in supporting the business recovery of corporations, thanks to strong focus on customers and to the proposed innovative solutions that generated higher confidence and strength. The innovative and sustainable approach, along with traditional products, contributed to strengthen the partnership with customers and fostered a new way of doing sustainable business with important social and environmental benefits.

The Corporate Banking Channel extended its range of products and services implementing new digital solutions and enhancing its business through several initiatives and actions, such as:

- **Development of a supply-chain approach,** thanks to the extension of the range of distinctive and high added value services provided through the Group's Supply Chain Finance Platform, which enables to meet the needs of all the players in a given supply chain, with digital management of the invoicing cycle and working capital optimization;
- **A team responsible for Italy's Recovery and Resilience Plan scope defining** a business model for a differentiated, specialist and advisory approach across the entire corporate perimeter, based on the cooperation with Warrant Hub, and the creation of a cross-channel commercial team;
- **Ecobonus-related support** with a team set up for this purpose and a point of contact in each Corporate Banking Area, who provides support to Account Managers in their relations with corporations, as regards both the applicable legislation and business;
- **Focus on digitalization** with the go-live of the new Foreign Exchange platform, implementing a new method (digital via the Internet) for the provision of foreign exchange trading services, the extension to all the commercial network of the Sistema Esperto Stand Alone 4.0 platform, which provides account managers with more sector insight, benchmarking between competitors and forward-looking analyses. The purpose of all the above is to achieve an evolved and bespoke relationship with customers, along with the Sales Navigator LinkedIn solution that facilitates contact with prospects and makes the Group communication more effective;
- Cooperation with Le Village by CA: the three innovation hubs in Milan, Parma and Padua (recently opened) support the growth of startups and of the network of local businesses that are strong in innovation;
- Support provided to enterprises: with new loans guaranteed by the Central Guarantee Fund, the "Garanzia Italia" agreement with SACE and with arrangements for suspension and postponement of loan repayments;
- The use of instruments and agreements with financial institutions in order to develop products and to foster access to credit by SMEs (EIB, European Investment Fund (EIF) allocation, the agreement between the Italian Banking Association and Cassa Depositi e Prestiti on "Capital Equipment Allocation", Guarantees provided by SACE and by the Italian State Guaranty Fund for SMEs);

- Constant focus on Customers and on Customer Experience, as proved by the growing trend in the Customer Recommendation Index for three years, in order to further increase the Group promotion and the number of its promoters thanks to a proactive relationship and to the distinctive features of the Crédit Agricole Group;
- The organization of initiatives (e.g. "Coffee with Enterprises", internationalization workshops, Supply Chain Finance workshops), which involve Customers for retention purposes and in order to address together especially interesting matters, such as the management of financial risks, internationalization, leases, liquidity management solutions and generational turnover;
- Participation in the "Meet the Champions" initiative, which, through on-the-road meetings with firms that proved the best performers in the year, enabled to network with Italian players of excellence, both already customers and prospects, providing them with support and making all the Crédit Agricole Group's potential available to them;
- Support to internationalization and exporting activities with the services designed for Italian enterprises that want to expand their business, thanks to the Specialists Network, to the International Desk and to trade agreements, as well as to the Group being an international player;
- "ITACA (ITAlian Corporate Ambition)", an initiative focusing on a range of products and services developed in synergy with CACIB for the Mid-Corporate segment, which, thanks also to the fact that said products and services are advanced and specialist-grade, promoted synergies within the international perimeter of the Group in the interest of the highest-level Corporate Banking customers.

PERSONNEL

The Covid-19 emergency had strong impacts also in 2021 on the Group's personnel. Therefore, specific processes and protocols were constantly updated, in order to ensure continuation of operations and to provide constant support to people.

For more exhaustive information, please see paragraph COVID-19 EMERGENCY.

Organizational and safety initiatives to protect employees and customers

In terms of number, resources on the Group employee ledger as at 31 December 2021 were **13,096,** who are broken down by entity here below:

RESOURCES ON THE EMPLOYEE LEDGER	31 Dec. 2021
Crédit Agricole Italia	7,639
Creval	3,451
Crédit Agricole FriulAdria	1,360
Crédit Agricole Group Solutions	588
Crédit Agricole Leasing Italia	58
Total Resources of the Crédit Agricole Italia Banking Group	**13,096**

In the reporting year, at the Group level, net of contracts transferred/acquired, 365 resources were recruited vs. the exit of 540 resources.

New hires were assigned by over 70% to the Network and to specialist channels. Recent graduates accounted for 75% of total new hires, consistently with our Group's values. On the other hand, the "Quota 100" retirement scheme accounted for about 50% of redundancies.

Personnel consists by **98.7%** of employees with permanent employment contracts, while, in terms of gender, women account for **48%** of total resources.

The Group operates in 14 Regions of Italy, while keeping strong roots in the Emilia-Romagna, Lombardy, Friuli Venezia Giulia, Veneto and Sicily Regions where over 73% of the Group personnel works.

The employees' average age is 47 years and 6 months (of which in years – Senior Managers 54 – Junior Managers 50 – Professional Areas 44) whereas average seniority in service is 19 years and 4 months (of which in years – Senior Managers 17 – Junior Managers 22 – Professional Areas 17).

In 2021, the Group went on with the implementation of its 2022 Medium Term Plan (MTP), which is based on three pillars: Customer Project, People Project and Social Responsibility Project. More specifically, the objectives to be achieved within the People Project concerned the development of individual **responsibility** and of collective strength to provide customers with a service of excellence, the reassertion of a distinctive culture to attract, involve and retain talents and to ensure the sustainability of our managerial culture and the dissemination of initiatives designed to reassert that "**inclusion**" and "**gender diversity**" are truly core for us.

Consistently with the Medium Term Plan and with the Group's strong focus on the "People Project", high investments were made in training of resources at all levels within the Group, strengthening and supplementing the training systems, both in person and remote, through the Digital Academy. Indeed, over 52 thousand man-days of training were provided involving **99%** of the personnel, thus substantiating that training, provided through different channels and in more and more involving formats, is one of the key drivers for the Group development. Specifically, several managerial training initiatives were organized on effectiveness in people management and development, on the relationship with customers and on Sustainability and Diversity&Inclusion topics.

As regards the actions aimed at the growth and enhancement of people, initiatives continued in order to ensure crosswise and interfunctional development of the Bank's young talents.

Moreover, again at Group level, the second step was completed in the project for surveying the competences and skills of all Personnel (Alisei). In the reporting year, some internal communication initiatives were carried out aimed at fostering open and direct dialogue, as well as at promoting awareness and change.

As in the last few years, also in 2021, the Crédit Agricole Italian Group was certified as a **Top Employers** company. The annual survey carried out by the Top Employers Institute certifies the best companies in the world in the HR scope, those that provide excellent work conditions, that train and develop talents at all corporate levels and that make constant efforts to improve and optimize their Best Practices in the field of Human Resources.

Equal opportunities and Inclusion

As regards **Diversity&Inclusion,** in 2021,the Group kept strong focus on **gender inclusion**, which it has been addressing for over ten years with several actions already deployed, such as:

- Its partnership with **Valore D**: an association that promotes gender balance and inclusive culture in organizations, Valore D gives us support in designing inclusive new organizational models through the provision of annual training programmes for all organizational levels, cross-company mentorship programmes and D&I events;
- The signing of the "**Manifesto per l'occupazione Femminile**" (Women Employment Manifesto), a programme document conceived by the association and pursuing the objective of enhancing female talent in businesses;
- The adoption of the '**Inclusion Impact Index**, developed by Valore D as a tool to measure inclusion policies, which also enables benchmarking vs. the market;
- Subscription, as the first Italian Banking Group, to the "**Women in Banking**" **Charter**, which was promoted by the Italian Banking Association (ABI) to enhance gender diversity as a decisive factor driving sustainable development and growth;
- The **Agreement against gender violence** signed with the Trade Unions;
- The adoption of the "**Charter of Respect**";
- Subscription to the **ABI Protocol** providing for easy loan repayment terms to women that are victims of gender-based violence.

The Group's commitment to '**gender inclusion** substantiated in an even more organic manner in 2021, with the adoption of a three-year plan providing for tangible actions and organized on 3 streams that concern:

- *Change Management*, to promote diverse behavioural and leadership styles;
- *Work-Life Balance*, to foster respect for work-life balance;
- *Equity & Pay Gap*, to ensure equal pay for equal work and equal merit, irrespective of gender.

Next Generation Plan

Within the Creval integration project, the Crédit Agricole Italia Group started a generational turnover programme having strategic extent and value, which will in a short time lead to having state-of-the-art competences and skills.

With the exit of the resources who are the oldest in age and have been on staff the longest and the concomitant entry of young resources having the knowledge and skills to "keep up with the times", the Group will the able to continue to effectively compete in its industry, which is undergoing deep transformation, not only in technology terms.

Based on the outcome of the management and organizational analyses as useful to achieve the Plan objectives, the Group proposed that a voluntary redundancy schemes offering incentives be implemented for up to a total of 1,000 resources, with concomitant hiring of 500 recent graduates.

For the voluntary redundancy scheme with incentives, as done with the previous schemes implemented in 2012 and 2016 and similarly to industry ones, the following tools were deployed in the Group:

- Voluntary redundancy incentives applying to all those that meet the pension requirements to qualify for the Italian General Compulsory Insurance (AGO) benefits; this solutions may apply to a maximum of 200 people;
- Qualifying for the extraordinary benefits given by the solidarity fund for banking sector employees; this solution may apply to those that will qualify for pension in the period between H2 2022 and 2027.

On 1 October 2021 the Voluntary Redundancy Agreement was signed with the Trade unions. For the 800 places available, 840 people applied for voluntary redundancy. Therefore, in order to be able to accept all the applications, another agreement supplementing the previous one was signed.

In order for the turnover to be appropriately gradual, four timeslots in 2022 and 2023 have been set for the resources who have taken the voluntary redundancy scheme to leave.

During this period, structured retraining and professional conversion programmes will be provided aimed at facilitating the management requirements for any coverage of vacancies, also from a professional development standpoint.

As regards the recruitment of new human capital, a strategic and forward-looking initiative, it was decided to proceed with a very ambitious selection pathway, whereby the Group can identify and recruit the best resources available on the market, in terms of both technical knowledge and personal characteristics, so that the Group can look at the future from a long-term perspective, starting the appropriate innovation processes:

- Selecting, from Italian universities, talented young people who can prove they have specific capacities, such as flexibility, entrepreneurship, digital orientation, customer orientation and relational skills; implementing an onboarding process whereby the selected young people can acquire appropriate knowledge of the Bank and of the Group, can express and convey their energy and innovation boost, while benefiting from their colleagues' experience and operational backgrounds, fostering professional development paths that are crosswise and flexible;
- Giving special attention to gender, and inclusivity topics, consistently with the Business Plan guidelines.
- Periodically verifying and monitoring the performance of the resources onboarding and integration process, consistently with the Plan objectives.

Remuneration Policies

The guidelines and directions for the Group remuneration policy are set by the Parent Company Crédit Agricole in order to ensure harmonized and consistent management at a global level; said guidelines and directions are then adopted by the Crédit Agricole Italia Banking Group, which adjusts them to its own reference scope, also in compliance with the Italian applicable legislation, and submits them to the Remuneration Committee, to the Board of Directors of each Entity (for Crédit Agricole Italia on 24 March 2021) and, then, to the single General Meetings of Shareholders of the Banks of the Group for final approval (for Crédit Agricole Italia on 28 April 2021).

The remuneration policies of the Crédit Agricole Italia Banking Group have been designed to create value and to pursue sustainable growth; they aim at attracting, motivating and retaining personnel, as the Group believes that a culture based on merit, fairness, competitiveness and abidance by the rules is a pillar and a driver of a positive sense of identity, which is essential for medium and long term prosperity. The remuneration policies are different in accordance with the reference target personnel, both as regards corporate governance processes and as regards the remuneration systems and instruments used, and, also in accordance with the specific requirements of the Italian supervisory regulations, they are based on the following principles:

- The remuneration policies of the Crédit Agricole Italia Banking Group have been designed to create value and to pursue sustainable growth; they aim at attracting, motivating and retaining personnel, as the Group believes that a culture based on merit, fairness, competitiveness and abidance by the rules is a pillar and a driver of a positive sense of identity, which is essential for medium and long term prosperity. The remuneration policies are different in accordance with the reference target personnel, both as regards corporate governance processes and as regards the remuneration systems and instruments used, and, also in accordance with the specific requirements of the Italian supervisory regulations, they are based on the following principles;
- Acknowledgement of merit, appropriately rewarding personal contributions expressed as performances, behaviours and enacted values. Individual contributions are measured in several ways and at several levels, through assessment processes that are structured also in order to ensure fairness – internal and external – of treatment. The remuneration policies also aim at acknowledging and rewarding team work and sense of belonging. Merit-based and fair remuneration policies also ensure good attraction and retention levels. Specifically, fixed remuneration increases via specific merit-based initiatives, in close correlation with the responsibility level managed or achieved.

  with the capacity to replicate the results consistently over time (performance stability) and with the development of distinctive competencies. Merit-based initiatives are promotions (the person is given a higher position) and increases in remuneration, which may regard the fixed or the variable component (the latter is linked to profitability indicators, appropriately adjusted for risk, as well as to the set capital and liquidity gates), or both.
- Focus on risk and compliance with the legislation, consistently with the Group's Risk Appetite Framework (RAF) and risk governance and management policies, including NPL management strategies, setting the preliminary conditions for access to incentive systems and determining conditions and limits, in order for the total amount of remuneration variable components does not affect capitalization levels and is appropriate for the risks taken. The remuneration policy implements a conservative and far-sighted approach ensuring that a strong capital base is always maintained and has been designed in order to foster full compliance with all applicable legislation and regulations and with the Articles of Association, the Code of Ethics and the Code of Conduct. It must take into account the cost and level of capital and liquidity necessary to meet the activities undertaken and must be structured in order to prevent incentives that conflict with the entity's interests, from a long-term perspective.

  In awarding variable remuneration, including the use of malus and clawback arrangements, the policies are consistent with a conservative path towards the achievement of fully-loaded capital requirements (including the combined buffer requirement) and with the SREP outcomes.

  The remuneration policies and practices are also designed with special attention to credit risk management, with the aim to prevent any conflicts of interests. Specifically, for identified staff engaged in loan origination, management and monitoring, the remuneration policies do not provide for any incentive to taking risks breaching the tolerance threshold and are aligned with the Group's long-term strategy, objectives and interests. The remuneration policies also provide for suitable measures to manage conflicts of interests, in order to protect consumers from any damage caused by the remuneration of sales personnel. To these ends, the process to measure performances and risks in order to determine the variable remuneration of the staff engaged in loan origination comprises appropriate credit quality metrics that are consistent with the entity's credit risk appetite.

  In general, the remuneration policies of the Crédit Agricole Italia Banking Group are designed to prevent that its personnel's performances be assessed with methods that are incompatible with the duty to act in the best interest of customers; furthermore, they are informed by diligence, transparency and fairness in business relations with customers, strict control on legal and reputational risks, customer protection and retention, abidance by the code of ethics and the code of conduct. Specifically, the Crédit Agricole Italia Banking Group adopts remuneration policies that are not based exclusively on business objectives and that do encourage or incentivize its personnel to recommend any financial instrument to Retail Customers, if the investment firm can offer a different instrument that is more suitable for the Customer's needs or to sell or place products that are not adequate to the Customers' financial needs.
- Affordability of the remuneration and incentive systems, setting a relationship between labour cost and performances expected and achieved, in order for that relationship to ensure essential "self-funding" of the variable remuneration systems, affordability and income and financial equilibrium in the short, medium and long term, as well as to be consistent with the target market.

- Competitiveness through constant reference to market standards, also with the support of tools designed to analyse and measure work positions by specialized companies providing reference benchmarks for each type of position, company size and market, in order to attract and retain the best managerial and professional resources in the market.
- Gender neutrality, ensuring that, with equal activities performed and equal professional content of operations, all personnel members have the same remuneration level, also in terms of the conditions for its awarding and payment, in order to pursue the utmost equality of all personnel members. Consistently with this principle, in 2019 the "Charter of Respect" was published, which protects gender diversity and respect for all, while promoting an approach among based on cooperation, human relationship and dialogue. Furthermore, the Group has chosen to fully pursue its strategies for female talent enhancement and equal opportunities signing the ABI-promoted Charter of women in banking. The ABI Charter promotes the values of gender diversity and inclusion, at all stages and levels in work relationships.
- Consistency with the climate and environmental (risk),approach, contributing, by deferring and defining performance criteria, to promoting a long-term approach for the management of climate and environmental risks, in line with the Group's risk appetite and strategy. In order to encourage behaviours that are consistent with said approach, the variable remuneration is Of the Crédit Agricole Italia Banking Group linked also to the achievement of those objectives, by setting qualitative objectives in the incentive system for employees.
- Alignment with the ESG objectives of the Crédit Agricole Italia Banking Group, in order to prevent conflicts of interest in corporate decision-making, to support the achievement of an appropriate risk culture ,to take into account the Group's long-term interests and foster behaviours consistent with the approach to ESG risks, which must be gradually encouraged in the internal governance arrangements.

The remuneration policies of the Crédit Agricole Italia Banking Group for 2021, which were prepared in agreement with the Parent Company Crédit Agricole S.A., are compliant with the regulatory provisions contained in the 25th update of Bank of Italy Circular no. 285/2013, published on 23 October 2018. More specifically, the Group's Remuneration Policies are compliant with regulatory aspects, including those concerning: the obligations lying with "Identified Staff", the definition of the "Top Staff" perimeter, payout and paymix rules, the variable remuneration structure, the need to strengthen the link between the Risk Appetite Framework ("R.A.F.") and the incentive systems, the provisions regarding golden parachutes, non-competition agreements and agreements for prior notice extension, the malus and clawback clauses and the self-assessment process to determine the "identified staff". Furthermore, the Group's 2021 Remuneration Policies implemented some new developments in the EU applicable legislation, specifically Directive 2019/878/EU (CRD V), such as the introduction of gender neutrality principles, consistency with the climate and environmental (risk) approach and alignment with the Group's ESG objectives, while also updating the "materiality threshold" for variable remuneration deferral.

The Group' Remuneration Policies were designed having due regard to the communications issued by the Supervisory Authorities in 2020 recommending that, until 30 September 2021, financial institutions paid close attention to designing and applying their remuneration policies and especially to any impact that such policies may have on the institution's ability to maintain a sound capital base, adopting a conservative and far-sighted stance; like dividend distribution policies, the policy on variable remuneration may indeed have a material negative impact on an institution's capital base.

In 2021, the EU and national competent authorities continued to implement and update the legislation applying to remuneration, which started with the publication of Directive 2019/878EU. Mentioned above It is worth pointing out that, on 24 November 2021, the Bank of Italy published the 37th update of its Circular no. 285/2013 laying down provisions that shall be assessed and transposed in the Remuneration Policies for the coming years.

In compliance with the Bank of Italy regulation implementing the EBA Guidelines, the document on Remuneration Policies of the Crédit Agricole Italia Banking Group is available on its website, along with the disclosure given in the Investor Relations section.

Internal Customer Satisfaction and Climate Survey

The Internal Customer Satisfaction (ICS) process has been in force for several years now and, since 2018, it has been carried out in cooperation with Doxa, as the one for the Customer Recommendation Index (CRI).

The ICS is a tool designed to survey, verify and measure the perception by the different Group corporate structures, in their capacity as Internal Customers, of the services they receive from other structures.

The process key targets are:
- To increase the Group's ability to generate effective team work between its various structures;
- To contribute to the creation of a corporate culture that is more and more attentive to the needs of all Customers, also internal ones;
- To make processes and relationships between the various structures better flowing and more efficient.

Since 2019, the survey, which was previously addressed to Function Holders only, has been extended to all Personnel on staff at Central Departments of the participating structures, in order to:
- Provide colleagues with yet another opportunity to voice their opinion;
- Make assessment even more objective;
- Build a strong assessment culture in the Firm.

The survey results have both an absolute and a relative value, as a measurement, in following surveys, of the improvement/worsening rate of internal customer satisfaction.

After the surveys, the Human Resources Department participates in the meetings where the various functions holders are briefed on the survey outcomes and provides support to any structures that want to have specific exchanges with their internal customers, in order to foster continuous improvement. Thanks to the aforementioned occasions, HR could encourage and incentivize that all personnel be informed of the survey outcomes and increase the awareness of the importance of individual responsibility and empowerment.

For the survey on 2021, the panel of assessors belonging to the Network is going to be extended, in order to provide this target with yet another opportunity to be listened to by the Firm.

Again in 2021, the Crédit Agricole Italia Banking Group participated in the Engagement and Recommendation Index (ERI) climate survey, which involves all the entities of the Crédit Agricole Group, started in 2016 and was adopted in Italy in 2017.

The 2021 survey, in which 86% of the Crédit Agricole Italia Banking Group's personnel took part, reported an overall increase in the personnel's engagement. In the year-on-year comparison, the Crédit Agricole Italia Banking Group results increased across all the surveyed categories. Considerable improvement was assessed in the results on the areas that showed problems in the previous year, such as the perception of products' and services' competitiveness vs. the market, bottom up communication and the communication of changes in the Firm.

FINANCE

The directions followed by the Crédit Agricole Italia Banking Group concerning financial balances and management rest on three main guidelines:
- The management of interest rate risk;
- The management of liquidity risk;
- Capital management.

In accordance with the policies set by Crédit Agricole S.A., the Crédit Agricole Italia Banking Group, through the Finance Department, adopted a model to determine the "cumulative gap", measured using different metrics for the various financial statement items.

Consistently with the past, the governance of interest rate risk aimed at conservative asset-liability management by hedging the Group's cumulative exposure by Bank.

As regards liquidity, the implemented refinancing strategies continued to pursue source diversification, with alternative funding sources consisting in the Covered Bonds market, access to EIB funds and to targeted longer-term refinancing operations (TLTRO-III).

In 2021, diversification of funding sources through the Covered Bond market continued at a steady pace: in March 2021, the Group went again to the market with the first Italian issue of Green Covered Bonds, with maturity of 12 years, for an amount of Euro 500 million.

As regards Targeted Longer-Term Refinancing Operations,(TLTRO), in March 2021the Parent Company Crédit Agricole Italia participated in TLTRO-III.

Having regard to capital management, in December 2021 Crédit Agricole Italia issued Additional Tier1 (AT1) instruments totalling Euro 100 million and Tier 2 instruments totalling Euro 80 million.

Lastly, again in December 2021, Crédit Agricole Italia made three issues of Senior Non Preferred bonds for total of Euro 610 million (one for Euro 110 million, with 5-year maturity two issues for Euro 250 million each, with 6-year maturity), which were fully subscribed by Crédit Agricole S.A., after the bonds for Euro 850 million issued in 2019 and 2020.

Said directions are going to be progressively applied to the entire consolidation perimeter, taking into account Creval acquisition in the reporting year and its merger, which has been scheduled in Q1 2022.

The Board of Directors of the Parent Company Crédit Agricole Italia exercises control and coordination of financial activities, which also require the Board's approval.

Benchmark Rate Reform

The Benchmark Rate Reform, which went live in Europe with the entry into force, on 1 January 2018, of the Benchmarks Regulation (BMR, namely Regulation (EU) 2016/1011), is part of a framework aimed at strengthening the reliability and integrity of benchmarks (especially the so-called "critical benchmarks", such as EURIBOR, LIBOR, EONIA) used as a reference for financial instruments and financial contracts. Following the EURIBOR and LIBOR manipulation scandals, measures were deployed to strengthen the methods for determining interbank rates and to stabilize the regulatory framework. Therefore, the BMR provides for obligations lying with supervised entities in Europe (administrators/providers of benchmarks, contributors and users.

In that regard, on 2 October 2019, the €STR was published for the first time. In Europe, this new benchmark rate is going to fully replace EONIA at the beginning of 2022. Likewise, the United Kingdom authorities announced that most LIBOR settings will no longer be published or will be no longer representative at the end of December 2021 (or at the end of June 2023 for some USD LIBOR settings). Specifically, said benchmarks will be replaced with alternative risk-free rates (or RFRs) one for each currency.

Crédit Agricole S.A. launched the Benchmarks Project, implemented also in the Crédit Agricole Italia Banking Group, to coordinate the benchmark transition at all levels in the Group and to ensure compliance with the BMR.

The Project comprises specific streams aimed at identifying and analyzing the impacts generated by the Benchmark Rate Reform; specifically, exposures and contracts linked to benchmark indices that may or will be replaced were mapped and the appropriate initiatives started to ensure smooth transition.

The main benchmarks the Crédit Agricole Italia Banking Group is exposed to – EURIBOR, EONIA and LIBOR – are some of the "critical benchmarks" defined by the BMR.

For more exhaustive information, please see Part A – Accounting Policies of the Note to the Financial Statements.

The Crédit Agricole Italia Banking Group is working to assist its Customers, ensuring smooth transition for the products sold.

RISK MANAGEMENT

Objectives and policies on risk taking, management and hedging

1.1 SUMMARY OF THE SYSTEM, PERIMETER AND ROLES

The Crédit Agricole Italia Banking Group attaches great importance to the measurement, management and control of risks, in order to achieve sustainable growth in a political-economic scenario, such as the present one, featuring high complexity and evolving rapidly.

Within the Crédit Agricole Italia Banking Group, the Parent Company Crédit Agricole Italia is responsible for overall steering, managing and controlling risks for the whole Group, triggering operational action plans that allow reliable control on all risk situations. In turn, the system set by Crédit Agricole Italia is based on the Supervisory regulations and on the directions set by Credit Agricole S.A. concerning its subsidiaries The Risk Management and Permanent Controls Department (Italian acronym DRPC) performs risk management and control activities for all the Companies of the Crédit Agricole Italia Banking Group.

The founding principles informing all activities for risk management and control are the following:
- Clear identification of risk-taking responsibilities;
- Measurement and control systems that are compliant with the Supervisory guidelines and consistent with the solutions more frequently adopted at an international level;
- Organizational separation between operating and control functions.

The perimeter of detected, monitored and integrated risks (taking account of diversification advantages) in the economic capital includes:
- Credit and counterparty risks; this category also includes concentration risk;
- Market risk of the Trading Book;
- Price risk of the Banking Book;
- Interest rate risk of the Banking Book;
- Liquidity risk;
- Foreign exchange risk of the Banking Book;
- Operational risk.

The Crédit Agricole Italia Banking Group updates, normally on a yearly basis, its Risk Strategy, which sets the levels of risk (credit, financial, market and operational risks) which the Group deems appropriate to its development strategy. Based on the Strategy, which is submitted to the Risk Committee of Crédit Agricole S.A. for its approval, global limits and alert thresholds are set and are appropriately supplemented with operational limits that are specific to each single Entity in the Group. This system, setting limits and/or alert thresholds, is submitted to the Boards of Directors of the Parent Company Crédit Agricole Italia S.p.A. and of the single Entities of the Group for their approval.

The Group's main Committee overseeing the specific risk scopes is the Risk and Internal Control Committee, which coordinates the structures that are the holders of control functions (Internal Audit, Compliance and Risk Management and Permanent Controls), as well as the set of internal control arrangements, in compliance with the procedures adopted by the Crédit Agricole Italia Banking Group. The Risk and Internal Control Committee is responsible for examining and approving risk management guidelines, giving its opinion on the specific Risk Policies to be approved by the Board of Directors and for deciding on any proposals submitted by operational work teams that handle the specific problems generated by the different risks.

In accordance with their respective responsibilities, the roles and department engaged in control functions sit also on other management Committees, including the New Activities and New Products Committee (Italian acronym NAP), the ALM Committee, the Investment Committee, the Loan Committee, the NPE Committee and the Performing Loan Monitoring Committee.

Lastly, the Departments engaged in control functions participate in and report to the Audit Committee for Internal Control; this is a Board Committee set up by the Parent Company's Board of Directors in order to have support in ensuring the effectiveness of the internal control system, pursuant to the "Supervisory provisions concerning banks' organization and corporate governance" issued by the Bank of Italy on 4 March 2008, which recommend that Board Committees be set up within entities that are large-sized or feature high complexity.

The Audit Committee for Internal Control also verifies whether the incentive system implemented by the Crédit Agricole Italia Banking Group is consistent with the applicable legislation and regulations.

1.2 RISK APPETITE FRAMEWORK

The Group's Risk Appetite Framework (RAF) expresses the approach and risk level that the Group is willing to take, as regards each type of risk. The Group's risk appetite has been determined based especially on its financial policy and on its risk management policy and is expressed through:
- A selective and responsible funding policy within a conservative lending policy that is set down in the Risk Strategy, consistently with the corporate social responsibility policy and with the system of decision-making powers in force;
- Orientation towards a low risk profile on all main financial risks, with specific focus on limiting the exposure to market risk;
- Strict oversight on exposure to operational risk;

- Orientation towards a low Information Technology (IT) risk profile;
- A system of controls aimed at mitigating noncompliance risk (identified and monitored); accurate measurement of risk-weighted assets;
- Integrated management of the Group's assets and liabilities.
- Careful mapping of all material or emerging risks that may generate impacts on the Group.

The Risk Appetite Framework structure consists in activities for the monitoring and control of risks, in order to ensure that they are managed, driving continuous development and improvement of the methods and models for their measurement.

To this end, the Crédit Agricole Italia Banking Group uses methods, measurement standards and risk control tools that are consistent throughout the Group and adequate to the type and extent of the risks taken, involving and informing the corporate bodies of the subsidiaries about the choices made as regards risk management procedures and policies.

Within the Risk Appetite Framework, limits and alert thresholds are set on Solvency, Liquidity, Asset Quality and Profitability main ratios/indicators, which are fit to verify the affordability of the Group's Budget and MTP on a continuous basis, as well as to identify the first alerts in case such ratios/indicators worsen, in order for all corrective actions to be triggered and to return to normal operation.

During the health crisis caused by the Covid-19 pandemic, the Crédit Agricole Italia Banking Group monitored some RAF and Risk Strategy indicators more frequently with "ad hoc" reporting to the Controlling Company Crédit Agricole S.A. And to the *Organismo di Vigilanza* (body engaged in offence prevention required by Italian Legislative Decree 231/2001) in order to promptly detect any worsening in the key indicators for the Group.

Moreover, the Group's risk appetite is also expressed by controlling qualitative risks, inherent in its strategy and operations, in order to pursue sustainable development and effective management of risks.

The Risk Appetite Framework plays a pivotal role in the definition of the Governance framework, since it includes the business model and the strategic plan, the risk appetite, tolerance thresholds, risk limits, risk governance policies and the reference processes required to define and implement them.

In 2021, the set of documents regarding the Group's Risk Appetite Framework was updated; specifically, in terms of Governance, the following items were revised:
- The RAF Policy, which defines the RAF scope of application, the process to determine and monitor the thresholds, in order to ensure consistency between the Group's operations, complexity and sizes;
- The Policy on Material Transactions ("*Operazioni di Maggior Rilievo*", or with the Italian acronym OMR), which sets forth the methodological approach and the operational aspects of the MRT management process, including the related identification criteria in order to ensure full compliance with the applicable legislation;
- The Stress Test Policy in accordance with Crédit Agricole S.A. guidelines. The Policy sets forth the annual Stress Test programme of the Group, the Governance and the responsibilities of the various players involved and any improvement areas/points scheduled in the year;
- The Risk Appetite Statement ("RAS"), which sets forth the Risk Management and Governance process and the roles played by the Group's bodies engaged in management and control functions and the map of material risks. This document also reports the quantitative ratios/indicators expressing the main risks the Group is exposed to, along with exhaustive description of the logic behind the determination of RAF thresholds and limits. For qualitative risks, the document sets forth the control processes and mitigation tools implemented by the Group.

In 2021, the Crédit Agricole Italia Banking Group carried out the usual process for the identification of material risks, in accordance with the layout received from the Controlling Company Crédit Agricole S.A., and consistently with information given in the ICAAP document and in the Internal Control Annual Report (ICAR or with the Italian acronym RACI); 17 material risks were identified, falling into the credit risk, financial risks, strategic risk, operational risks and noncompliance risks macro-categories. Lastly, the Crédit Agricole Italia Banking Group and Agricole SA have always paid close attention to climate and environmental issues and, in 2021 climate risk, in its sub-categories of physical risk and energy transition, was included in the Group's Risk Map, as done in 2020. Given the materiality of climate and environmental risks and to ensure full compliance with supervisory expectations laid down by the ECB in its Guide on climate-related and environmental risks, the Group designed a multi-year action plan, in order to contribute to the plan prepared by its Controlling Company Crédit Agricole

S.A. to gradually integrate climate-related and environmental risks in the existing risk framework. In 2021, the Crédit Agricole Italia Banking Group mapped climate-related risks through, first, a materiality screening step, aimed at identifying the climate and environmental risk factors to which the Group is exposed; then the material exposures that were found sensitive to climate and environmental risk factors were measured, considering the impacts of physical and transition risks on the loan portfolio and on the properties pledged as collateral taking into account the geographical and area-related information for the measurement of physical risks and the economic sectors of belonging, as well as the features of the properties for quantifying the transition risk.

In general terms, the Risk Appetite Framework of the Crédit Agricole Italia Banking Group is structured as follows:

- Risk Appetite (risk objective or risk appetite): level of risk (overall and by type) that the Group is willing to take in order to pursue its strategic objectives;
- Risk Tolerance (tolerance threshold): maximum allowed deviation from the Risk Appetite; the tolerance threshold has been set in order to ensure that, in all cases, the Group has sufficient margins to operate, also in stress scenarios, within its risk capacity;
- Risk Capacity (maximum risk that can be taken): the maximum level or risk that the Group is technically able to take without violating any regulatory requirements or other restrictions laid down by its Shareholders or by the Supervisory Authority;
- Risk Profile: the risk actually taken, as measured at a given point in time;
- Risk Limits: the structuring of risk objectives into alert thresholds and operational limits, set in accordance with the proportionality principle, by types of risk, business units and/or lines, product lines, types of Customers.

The Group's risk profile is monitored and submitted, with specific periodic reports, to the Risk and Internal Control Committee (RICC or with the Italian acronym CRCI) and to the Boards of Directors of the Parent Company Crédit Agricole Italia and of the other Entities of the Group, as well as to the Controlling Company Crédit Agricole S.A..

In case the Tolerance and Capacity levels of the RAF ratios/indicators are exceeded, an escalation process is provided for, which has been designed to involve the corporate roles responsible for defining the corrective actions needed to return to the normal risk levels; this process is called "RAF Recovery Plan" and is revised and updated at least on a yearly basis.

In 2021, the Risk Appetite Framework continued to be strengthened, with the inclusion of indicators regarding mortgage loans and of specific alert thresholds for their monitoring.

2. RISK MANAGEMENT AND HEDGING

Credit Risk

To ensure adequate control of Credit Risk, in accordance with the guidelines issued by the Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group's internal lending processes are defined and set towards:

- The achievement of sustainable objectives that are consistent with its risk appetite and with the Group's value creation expectations, while ensuring support and proximity to the needs of the productive system, households and of the real economy;
- Portfolio diversification, by limiting and constantly monitoring the concentration of exposures by counterparty/group, economic activity sector or geographical area;
- Adequate selection of the borrower economic groups and single borrowers, through in-depth creditworthiness analyses, aimed at developing and drive business with the most creditworthy Customers, as well as to anticipate and curb insolvency risks.

Lending processes are designed and regulated in order to identify the criteria for risk taking and management, the activities to implement for the proper application of such criteria, the units responsible for carrying out the above activities and the procedures and tools supporting them. The process steps are structured and the responsibilities are assigned in order to pursue set objectives in terms of overall effectiveness and efficiency.

The loan portfolio quality is systematically monitored, both as the whole portfolio and in terms of its composition, in accordance with the risk measurement parameters adopted (Internal Rating systems, early warnings and other performance anomaly indicators), both point in time by designing and applying the operational procedures and processes that govern all the phases in the management of the individual lending relations, in order to ensure preventive management of default risk.

Given the impact of the crisis caused by the Covid-19 pandemic, specific criteria were defined for the identification of the portfolio to be subjected to enhanced monitoring on a priority basis – also with new review processes supplementing ordinary ones – in order to guide the implementation of the appropriate management actions consistently with the situation of the single positions. Having specific regard to the counterparties benefiting from moratoria, the analyses aim at assessing whether there are periodic flows that are adequate to ensure the loan repayment once the suspension measure ends, with an anticipation logic acting before the expiry of the relief measure.

The organizational structure, procedures and tools supporting the processes for the management of watch-list exposures, i.e. showing anomalies, ensure prompt triggering of appropriate actions to restore them to performing or, should the circumstances prevent the business relationship from continuing in a performing status, to classify the position in the most appropriate category to collect the credit claim.

The mitigation of credit risk is pursued by entering into ancillary agreements or by adopting adequate tools and techniques designed to mitigate this risk. whose rules and processes are exhaustively reported within the internal normative framework.

Having specific regard to the acquisition and management of guarantees, the focus in on monitoring rules and procedures, on the fact that requirements laid down by the industry legislation continued to be met (legal certainty, prompt realization and value consistency with the exposure).

IRB/Basel II advanced approach

For determining its capital requirement for credit risk, the Crédit Agricole Italia Banking Group has been using (since December 2013) internal ratings with an Internal Rating Based – Advanced approach (PD and LGD internal models) for the Banks Crédit Agricole Italia and Crédit Agricole FriulAdria, regarding “Retail Loan Exposures” – the so-called “Retail Portfolio”.

The exposures coming from the subsidiary Crédit Agricole Carispezia, which was merged by absorption into Crédit Agricole Italia in 2019, are still being rated with the standardized approach, pending the new validation of the AIRB models for the Retail Portfolio by the ECB.

The present choice of treating all exposures referring to the subsidiary Crédit Agricole Leasing (hereinafter referred to as CALIT) on a Permanent Partial Use (PPU) basis has been made considering the immateriality of the portfolio size and the specificities of CALIT core business within the Crédit Agricole Italia Banking Group as a whole.

The risk measurement system is fully integrated in the decision-making processes and in the management of corporate operations: the rating system has long played an essential role in loan origination, risk management, internal allocation of capital and in the Bank governance functions, as well as in contributing to ensure risk prevention and mitigation. In order to ensure that lending processes and credit risk measurement are homogeneous, the internal models are used by all the Entities of the Crédit Agricole Italia Banking Group (that is to say, Crédit Agricole Italia, Crédit Agricole FriulAdria and Crédit Agricole Leasing Italia).

The above-described risk measurement: system is also subject to constant monitoring and updating by the Model Development Service of the Crédit Agricole Italia Banking Group. In 2020, an Application Package for Material Model Change was sent to the ECB concerning the Retail rating models and the extension of the advanced approach use to former Carispezia exposures; following the submittal of the Application Package, Crédit Agricole Italia underwent an Internal Model Investigation (IMI) in H1 2021 and, as at the reporting date, it had not yet been informed by the ECB of the IMI outcomes. At the same time, subsequent to the acquisition of the former CREVAL portfolio, parameter updating/recalibration activities have been scheduled and will entail the review of Retail internal rating models in 2022 and the submittal to the ECB of a change application concerning the use of IRB models on the Corporate BNKG portfolio (which is currently managed with the standardized approach).

The rating systems are used within the main phases in the lending value chain. With specific reference to loan origination and monitoring, the management use of the rating system results in:

- Lending policies – the set lending policies govern the procedures through which the Banks and the Companies of the Crédit Agricole Italia Banking Group originate loans and manage credit risk;
- Loan origination: creditworthiness assessment upon origination of the first loan and upon review of/change in credit lines, as well as for determination of decision-making powers concerning loan origination;
- Loan monitoring – the use of the performance-measuring PD, combined with other variables, for performance monitoring, in order to detect and correct non-performing positions before they are classified as defaulted;
- Collective impairment - the new IFRS9 entered into force on 1 January 2018 and introduced a new approach to calculate collective impairment of performing loans, using appropriately adjusted Basel metrics (PD and "point in time" LGD) to determine the provisioning value (ECL - Expected Credit Loss) and the Loss Given Default (LGD) is to be estimated taking into account also a downturn in the business cycle (downturn LGD);
- Bank reporting – the use of the risk measures produced by the Bank's reporting model.

Said full integration in the loan management processes allows the creation and development of internal models that support the measurement of creditworthiness and can be used to assess, with statistical objectivity, the probability that the counterparties default.

The calculation of capital requirements using internal rating-based approaches ensures optimal management of the regulatory capital, as it enables to perform a "weighted" analysis of the loan portfolio and "aware" development in loans considering the risks taken and, thus, better planning of loans and of credit risk over the medium-/long-term.

Lastly, more effective detection and measurement of risks ensures better disclosure and subsequent enhanced transparency in reporting, which is a key element to meet the requirements of the Group's various Stakeholders.

Interest Rate Risk and Price Risk of the Banking Book

The measurement, management and control of financial balance (ALM) concern both modelled and non-modelled positions of the Banking Book. The Banking Book consists of typical positions in the Group's business operations, which are lending and funding without trading objectives. Therefore, interest rate risk is measured with reference to all on-balance-sheet and off-balance-sheet transactions, excluding the supervisory trading book.

The Governance model adopted by the Crédit Agricole Italia Banking Group assigns the responsibility for the measurement and management of interest rate risk to the CFO, who, through the Finance Department of Crédit Agricole Italia, performs centralized management of this risk at Group level and for the single Entities of the Group, in accordance with the guidelines set down by Crédit Agricole S.A..

The Risk and Permanent Controls Department of Crédit Agricole Italia is responsible for independent control of the interest rate risk management system, by verifying its compliance with the risk measurement model.

In 2021, the hedging of interest rate risk continued using derivatives, namely Interest Rate Swaps. The hedged items mainly were:

- Fixed-rate securities recognized as assets (micro-hedging);
- Covered Bonds issued (micro-hedging);
- Interest rate gaps shown by the internal model, handled with macro-hedging transactions (macro hedging of current accounts, funding and mortgage loans).

As regards the Crédit Agricole Italia Banking Group, the investment portfolio, comprising the HTC and HTCS business models and held for Liquidity Coverage Ratio (LCR) purposes and to support net interest income, mainly consists of Italian Government Securities with modest average duration, for amounts that have been set down by the Risk Committee of the Crédit Agricole Group and approved by the Boards of Directors of the Parent Company and of its Subsidiaries. The securities held by Crédit Agricole Italia and Crédit Agricole FriulAdria classified as HTC and HTCS are hedged against interest rate risk, while the securities held by Creval will be hedged as of the merger date, as agreed with the Risk Committee of the Crédit Agricole Group.

The assets at *fair value* comprise securities and units of funds whose management model provides for their sale should the opportunity arise.

The limits applying to the investment portfolio are defined on the basis of the type of instruments that can be held and are expressed with reference to the maximum nominal value that can be held by each bank of the Group.

Furthermore, the Crédit Agricole Italia Banking Group has implemented a system of limits and alert thresholds, consistently with the directions set by the Crédit Agricole SA, based on stress scenarios affecting asset prices.

The Risk and Permanent Controls Department of Crédit Agricole Italia is responsible for independent control of the system for Banking Book price risk management, by verifying its compliance with the stress testing method set down by Crédit Agricole S.A.

In accordance with the guidelines issued by Crédit Agricole S.A. and with the applicable prudential regulations, the framework system for market risk is reviewed normally on a yearly basis within the Risk Strategy and is approved by the Board of Directors and by the Risk and Internal Control Committee.

The model for market risk management and governance has been applied to the entire consolidation perimeter.

Liquidity risk

For Banks, liquidity risk, both short-term and medium-/long-term, is the risk of not being able to promptly meet their payment commitments, due to the fact that they cannot obtain funding on the market (funding liquidity risk) and cannot sell their assets on the market (market liquidity risk).

The Governance model adopted by the Crédit Agricole Italia Banking Group assigns the responsibility for the measurement and management of liquidity risk to the CFO, who, through the Finance Department of Crédit Agricole Italia, performs centralized management of this risk at Group level, in accordance with the guidelines set down by Crédit Agricole S.A..

The Risk Management and Permanent Controls Department is tasked with the monitoring of liquidity risk, again in accordance with the guidelines set down by the Crédit Agricole S.A. Group.

The management of short-term liquidity, that is to say, the management of events impacting on the liquidity position of the Crédit Agricole Italia Banking Group in a time horizon from over-night to 12 months, has the main objective of maintaining the Group's ability to meet its recurring and non-recurring payment commitments, minimizing the relevant costs.

In order to monitor short-term liquidity management, the Crédit Agricole Italia Banking Group has implemented a system of limits in accordance with the provisions set down by the Crédit Agricole S.A. Group, which is based on stress scenarios in order to ensure surplus liquidity on various time horizons and in increasingly severe scenarios.

The stress assumptions used cover idiosyncratic crises, systemic crises and global crises. Specifically, a short-term interbank refinancing limit (LCT – *Limite Court Terme*) has been set, which aims at limiting short-term funding on the market over a one-year time horizon in a market featuring stress conditions.

In regulatory terms, the short-term liquidity risk threshold is the Liquidity Coverage Ratio (LCR), which, as at 31 December 2021 and as the Group LCR, came to 277.18%, once again well above the regulatory requirements. It is pointed out that, since 1 January 2018, the minimum requirement, on an individual basis, is 100%.

Medium-/long-term liquidity management entails the identification of alert thresholds and limits by determining the *Position en Ressources Stables* (Stable Resources Position, PRS), the *Coefficient en Ressources Stables* (Net Stable Funding Ratio CRS) and *Concentration des tombées de dette MLT* (a concentration limit to MLT maturities). They aim at ensuring the Group's balance between stable resources (medium-/long-term market resources, funding from Customers, own funds) and long-term uses (non-current assets, loans to Customers and liquidity reserves), as well as at limiting concentration of maturities within medium-/long-term funding. Positive levels of the Stable Resources Position (PRS) and of the Net Stable Funding Ratio (CRS) substantiate the Group's ability to support its assets during a crisis and, by monitoring the medium-/long-term due register, a balance can be kept between the maturities of resources and long-term uses.

In regulatory terms, since June 2021 longer term liquidity risk has been monitored using the Net Stable Funding Ratio (NSFR). The ratio, which shall be higher than100%, has the Available Stable Funding (ASF) figure as the numerator and the Required Stable Funding (RSF) figure as the denominator. As at 31 December 2021 the Group NSFR came to 141.52%.

Market risk of the Trading Book

Market risk results from the exposures on the Supervisory Trading Book. The entities of the Crédit Agricole Italia Banking Group do not typically engage in proprietary trading on financial markets and, therefore, the trading book mainly comprises residual positions from placing and trading financial Instruments on behalf of third parties. This is the reason why trading activities are to be deemed instrumental to and aimed at meeting customers' requirements.

The entities of the Crédit Agricole Italia Banking Group are subject to specific regulatory requirements that prohibit any proprietary speculative trading. Specifically, the entities in the consolidation perimeter are subject to the US Volcker Rule (*Dodd-Frank Wall Street Reform and Consumer Protection Act* as updated) and to the "*Loi de séparation et de régulation des activités bancaires*" (French Law no. 2013-672). To control implementation of the aforementioned legislation, a Local Correspondent (the Local Officer in charge of the Volcker Rule) has been appointed within the Finance Department, who is responsible for ensuring full compliance of the operations of the entities of the Crédit Agricole Italia Banking Group with the aforementioned legislation.

Following the Volcker reform in 2020, the Crédit Agricole Italia Banking Group has been classified as an entity *Totally Outside the US (TOUS)*; the entities that have no branches in the USA and do not engaged in direct operations in the US territory are exempted from the obligation to perform the specific controls previously required under the Volcker Rule, thus simplifying the programme for compliance with it.

The sale of derivative products to ordinary Customers by the banking entities of Group outside regulated markets (i.e. the sale of OTC derivatives) is made through a specialist team and for the only purpose of meeting Customers' operational requirements. Intermediated derivatives are hedged with back-to-back mirror transactions, in order to immunize position risk Furthermore, ISDA netting agreements with the relevant Credit Support Annexes (CSA) are signed for the exchange of collateral with the Financial Institutions the Group mainly operates with, in order to mitigate its exposure to counterparty risk.

Since 2017, the main counterparty of all new transactions has been CACIB, a financial company belonging to the Crédit Agricole Group.

In accordance with the guidelines issued by Crédit Agricole S.A. and with the applicable prudential regulations, the framework system for market risk is applied to the entire consolidation perimeter, is reviewed normally on a yearly basis within the Risk Strategy and is approved by the Boards of Directors of the Parent Company and of the individual entities.

Operational Risks

The definition of operational risk adopted by the Group is the one given in the document "Basel II - International Convergence of Capital Measurement and Capital Standards" prepared by the Basel Committee on Banking Supervision, which reads "Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". This definition includes legal risk, which covers but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

The Risk Management and Permanent Controls Department is the holder of the operational risk management function for the Group as a whole and is responsible for ensuring that the overall management framework is complete and consistent. Through prompt perception of information, collection of operational events and implementation of mitigation actions, it ensures to General Management and to the Boards of Directors that regulatory and organizational control, as required by this type or risk, is in place and effective.

In this regard, the Risk Management and Permanent Controls Department proactively participates in the most important corporate projects, especially those with high organizational impact, in order to provide its contribution, from the earliest phases, for consistent and complete preparation of the mechanisms for the management of the risks that are inherent in each project.

The Risk Management and Permanent Controls Department (Italian acronym DRPC) performs risk management and control activities for all the Companies of the Crédit Agricole Italia Banking Group, including Crédit Agricole Leasing Italia and Crédit Agricole Group Solutions.

The management of operational risks requires sharing and proactivity by all corporate structures; therefore, in order be at all times fully aware of the risk issues associated with the different corporate processes, specialist control roles operate both within the Risk Management and Permanent Controls Department and within the structures engaged in operational functions and specifically:

- Operational Risk Manager (ORM or with the Italian acronym MRO), who is responsible for reporting on potential risks and actual risk events arising in the various operating corporate structures and for coordinating the implementation of permanent controls;
- Control by the Risk Management and Permanent Controls Department on Critical or Important Functions;
- MRSI (*Manager des Risques SI*), person in charge, within the Risk Management and Permanent Controls Department, of monitoring and control of IT risks on the Information System, on Physical security and on the Business Continuity Plan (BCP);
- CISO (Chief Information Security Officer), who is responsible for the security of corporate information;
- Information Security Manager (ISM): who is responsible for the implementation and management of the Information System operational security;
- Business Continuity Manager (BCM), who is responsible for the Group's Business Continuity Plan;
- Persons in charge of Controls, within the Distribution Network structures, with the task of performing 2nd degree 1st level permanent controls.

Risk control is also ensured through arrangements and tools designed for appropriate monitoring and management of mitigation/improvement actions, including:

- The Risk and Internal Control Committee, which is described above;
- The system for reporting internal controls on the Network, in order to report any non-compliance situations;
- Improvement Work Groups, meetings with the Branches that showed problems in the outcomes of permanent controls, of inspections carried out by the Internal Audit Department and in other verifications; during said meetings, together with the coordination structures Branches report to (Regional Departments), the problems detected are analyzed and an action plan for improvement is prepared.

The activities that are outsourced and contracted out to external vendors are always governed by a service agreement that, in addition to regulating the provision of the service, lays down a system of controls on the set qualitative and quantitative levels. In accordance with the various scopes, internal owners are identified within the Bank's structures, who report to the competent Departments of the Parent Company on the general reliability of the contract relationship.

Lastly, special controls are triggered where the outsourced activities can be defined as "critical/important functions" (CIF or with the Italian acronym FEI), pursuant to Bank of Italy–CONSOB (Italian Securities and Exchange Commission) joint regulation and to Bank of Italy Circular No. 285/2013; in this regard, the main corporate regulatory reference framework is a specific Regulation that implements the Group policy, transposes the applicable Supervisory provisions and organically defines the system of required controls.

RISKS AND UNCERTAINTIES

The Risk monitoring, management and control policies continue to be key principles on which Banks will have to measure themselves both against each other and against domestic and international markets.

Making references to other parts of the Note to the financial statements for more exhaustive examination of the risks and uncertainties to which the Crédit Agricole Italia Banking Group is exposed (along with the techniques) for their mitigation), it cannot but be once again said that the Group and its Management pay constant and close attention to this matter.

Indeed, the Bank's governance bodies are fully aware that sustainable development and growth do require also effective analysis of the risks which the Crédit Agricole Italia Banking Group is exposed to and of the relating uncertainties, in terms of impacts that may be generated on the Group's financial position, cash flows and performance; effective management and mitigation of said risks to acceptably low levels are another crucial requirement for sustainable growth, also in order to protect savings (and, with them, Customers' confidence) on the one hand, and loans (healthy drivers of growth) on the other.

the Crédit Agricole Italia Banking Group uses risk control methods, measurement standards and tools that are consistent throughout the Crédit Agricole Group as a whole and appropriate for the type and size of the risks taken.

Nearly two years after the outbreak of the Covid-19 pandemic, its impacts and effects on public health, economic activity and trade continue to affect the present and forward-looking scenario in which the Group operates and will operate.

In 2021 the macroeconomic scenario gave positive signs, with strong growth driven by the termination of containment measures and the spreading of vaccination campaigns, which took trade back at its pre-pandemic levels. In H2, the spreading of new variants of the virus (Delta and Omicron) and tensions in commodity procurement caused investments and production to slow down and contributed to the global increase in inflation.

Albeit in a complex scenario still featuring profound uncertainties, the analyses performed by the governance bodies based on the information currently available gave evidence to conclude that the Crédit Agricole Italia Banking Group will be able to address the risks and uncertainties generated by the situation.

The Crédit Agricole Italia Banking Group can rely on its proven capital quality and strength to control risks and to respond to the challenges that the economic recovery after the pandemic will pose to the banking system.

The sound and prudent management that has always informed the Group operations also aims at ensuring strong development through strategies that pursue sustainable growth.

As said in the macroeconomic scenario paragraph, the development in the geopolitical tensions that led to the military invasion of Ukraine by Russia is an uncertainty factor for the Group. Any assessment of the consequences on the economy materially depends on how the situation will evolve; therefore, all the scenarios designed and described for 2022 will have to be reviewed and will be subject to changes that, for the time being, cannot be quantified.

3. INTERNAL CONTROLS SYSTEM

The Crédit Agricole Italia Banking Group has progressively upgraded its internal control system to the applicable Supervisory provisions (Bank of Italy Circular No. 285/2013) and to the model implemented by the Controlling Company Crédit Agricole S.A.; therefore, it implements a system aimed at:

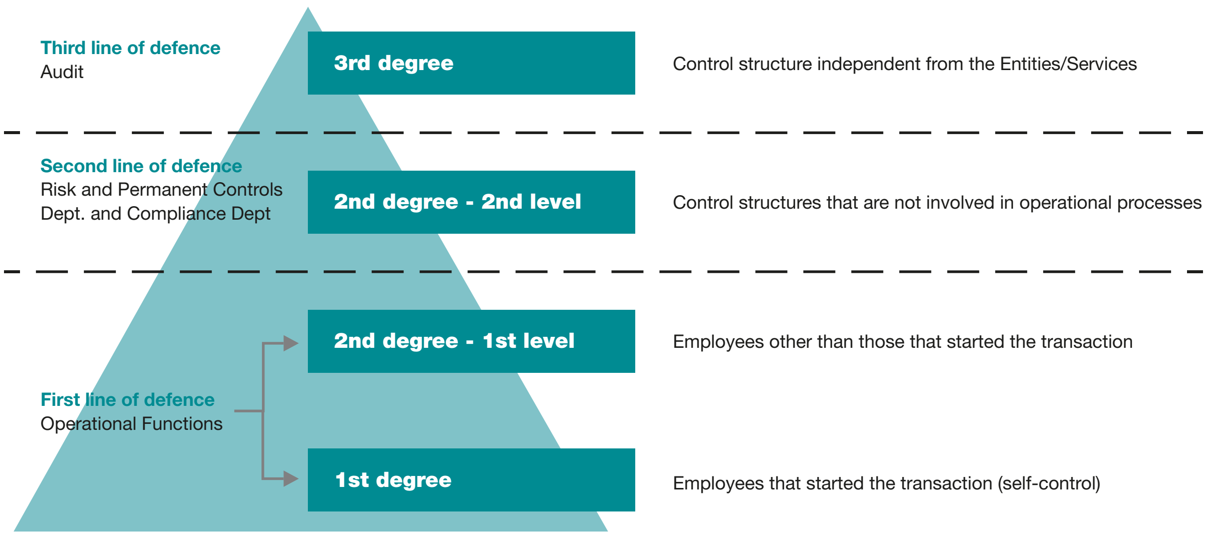
- Constant control of risks;
- Adequacy of the control activities to its organizational structure;
- Ensuring reliability, accuracy and promptness of reporting.

The internal control system provides for the involvement of the Collective Bodies, of the roles and structures engaged in control functions, of the "*Organismo di Vigilanza*" (Body in charge of offence prevention -AML, Terrorism Financing, etc. - provided for by the Italian Law), of the Independent Auditors, of the Top Management of the Group' Companies and of all Staff members.

Risks are analyzed and monitored in accordance with Group rules and standards, which provide for verification of abidance by the regulatory terms, of the reliability of process and their exercise, security and compliance.

The controls system provides for the use of an Internal Control Framework that implements the directions given by the Parent Company Crédit Agricole S.A., which require compliance with the expectations of the French Supervisory Authority ACPR set out in the document "*Arrêté du 3 novembre 2014 relatif au contrôle interne des entreprises du secteur de la banque, des services de paiement et des services d'investissement*".

The Internal Control Framework of the Crédit Agricole Italia Banking Group is implemented with the three defence lines set out in the chart below:



- First line of defence:
  - 1st degree controls: performed continuously, at the start of any transaction and throughout the process for its validation, by the employees that carry it out and by the persons they report to on a solid line, or performed by the automated systems for transaction processing;
  - 2nd degree – level 1 controls: performed by employees other than those that started the transaction;
- Second line of defence:
  - 2nd degree – level 2 controls: performed by the specialist structures engaged in last-level permanent controls, independent from structures and roles with business executive functions.

1- and 2.1-degree controls aim at identifying, correcting and preventing any irregularities or anomalies in operations. 2.2-degree controls may be performed also based on the evidence found within lower-degree controls and, therefore, they may express also outcomes of lower -degree controls.

- Third line of defence:
  - 3rd degree periodic controls performed by the Internal Audit Department.

The updating of the system of normative instruments is also constantly focused on and, in addition to the upgrading to the regulations already implemented, also entails a coverage extension through specific policies that are in force for the Group as a whole.

The structures and roles engaged in 2nd-degree/2nd-level (2.2) and 3rd-degree controls report to the Boards of Directors of the single Companies on:

- Activities carried out;
- Main risks detected;
- Identification and implementation of the mitigation mechanisms and the effects of their implementation.

AUDIT

The Internal Audit Department is independent from any and all operational, executive and decision-making structures or roles that entail risk-taking.

The Head of the Internal Audit Department (Chief Audit Executive CAE) reports on a solid line to the Bank's Board of Directors, whereas the Internal Audit Department (*Inspection Générale Groupe*) of the Parent Company Crédit Agricole S.A. is tasked with the oversight and coordination of Internal Audit activities. The

Chief Executive Officer ensures management oversight and actual availability of the operational levers and of the appropriate financial and human resources for the Department's effective operation.

Concomitantly, the Internal Audit mandate vests the Board of Directors of the Parent Company Crédit Agricole Italia and, as relevant, the Boards of Directors of its Subsidiaries, with the responsibility for approving the annual and forward-looking audit plans, as well as for appointing to office and terminating the appointment of the CAE; the Internal Audit mandate also provides for the CAE to submit the main conclusions reached in the Department's activity, the progress in the internal audit plan and in the implementation of the requested corrective actions to the aforementioned Bodies.

The Internal Audit Department:

- Assesses, based on a forward-looking plan, whether the overall internal controls system operates effectively and whether it is fit to ensure:
  - The effectiveness and efficiency of the corporate processes as implemented;
  - The protection of the value of Group's assets;
  - Protection from losses;
  - The reliability and integrity of accounting and management data;
  - Compliance of operations with both the policies set down by the corporate governance bodies, with all internal normative instruments and with the applicable legislation;
- Performs periodic review and controls on the processes and on the organizational units of all the Companies of the Crédit Agricole Italia Banking Group, as well as on Outsourced Critical or Important Functions, through constant and independent supervision on the regular course of operations, in order to prevent or detect any behaviours or situations that are irregular and/or risky; it provides the Top Officers, the Corporate Bodies and the French Parent Company Crédit Agricole S.A. with prompt and regular reporting on the activities carried out.

OTHER INFORMATION

ISSUE OF SENIOR NON-PREFERRED BONDS

In December 2021, Crédit Agricole Italia made three issues of Senior Non Preferred bonds for total of Euro 610 million (one for Euro 110 million, with 5-year maturity two issues for Euro 250 million each, with 6-year maturity), which were fully subscribed by Crédit Agricole S.A., after the bonds for Euro 850 million issued in 2019 and 2020.

COVERED BONDS

In March 2021, giving yet further evidence of its commitment to the environment, the Crédit Agricole Italia Banking Group made the first Italian issue of Green Covered Bonds intended to finance or refinance a pool of residential mortgage loans that were selected based on sustainability criteria and originated for the purchase of highly energy efficient properties. The issued bonds totalled Euro 500 million and 12-year maturity (maturing in 2033).

IT OUTSOURCING

In 2021 the project for the outsourcing of the Group's IT infrastructure started; its purpose is to support the Crédit Agricole Italia Banking Group in its technological innovation process demanded by the market scenario, while improving operational performances and contributing to the achievement of medium and long term cost advantages. Overall, the outsourcing arrangement covers *facility management* services of the department IT environment, the supply, management and maintenance of workstations and connectivity, as well as the maintenance of ATMs and Totems at branches.

The contract, which has a medium/long-term perspective, will enable to speed up the capacity to develop innovative digital services and to respond, in a fast and flexible manner, to the new market scenarios. The cross-industry architecture of the outsourcing arrangement between players operating in telecommunication and financial services represents a one-of-a-kind and innovative approach to achieve digital transformation and effective management of the Firm's technological centers.

The programme, which became operational in H2 2021, will lead to the migration of the present server farms located in Parma and Settimo Milanese to datacenters that are certified as Tier 4, i.e. top security, in accordance with the relevant international standards and have been designed with the *green* approach that is one of the Group's distinctive features.

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

The qualitative and quantitative analysis of the transactions made in the year with parties falling within the definition of related party as given by the "Regulation on Transactions with Associated Persons" of the Crédit Agricole Italia Banking Group", which was adopted in July 2018 and updated as of 1 July 2021, is reported in Part H of the Note to the Financial Statements, to which reference is made.

DISCLOSURE ON ATYPICAL AND/OR UNUSUAL TRANSACTIONS

The analysis of any atypical and/or unusual transactions, in accordance with the definition given in CONSOB Regulation 11971/99, is reported in Part H of the Note to the Financial Statements, to which reference is made. In the year, no atypical or unusual transactions were carried out whose size or features might have jeopardized or affected the protection of corporate assets and the interests of shareholders.

RESEARCH AND DEVELOPMENT

For information on research and development activities, please see other parts of this Report, specifically the chapter on the Strategic Plan and Business Development Lines as regards the creation of new products and services for Customers.

TREASURY SHARES

The Parent Company Crédit Agricole Italia does not hold treasury shares. No company of the Group holds shares in the Parent Company. For more information on equity, please see the note to the financial statements.

PERFORMANCE OF THE CONSOLIDATED COMPANIES

THE PERFORMANCE OF CRÉDIT AGRICOLE FRIULADRIA OPERATIONS

Credit Agricole FriulAdria is subject to management and coordination exercised by Crédit Agricole Italia.

In 2021, following the success of the voluntary public tender offer made by CA Italia for all the shares in CA FriulAdria it did not already held, CA Italia's equity investment increased from 82.05% to over 99%.

In **2021, commercial operations performed well across all business lines**, along the trend they showed throughout the year with **productivity firmly back to its before-crisis levels.** The volumes of Customers' assets give evidence of the positive performance across all components.

- **Performing loans up by +3% YoY** thanks to the development in loans to households and to businesses.;
- **Assets under management up by +11%**YoY with funding on the increase across all asset classes, benefiting from the very good performance of new inflows;
- **Direct funding up by +4% YoY** driven by the increase in liquid savings held for protection from the crisis, as well as by new securities issued in the year.

In FY 2021 the Bank made net income of Euro 57.5 million, increasing by Euro 6.2 million vs. 2020 (+12%), despite the negative impact of non-recurring effects amounting to approximately Euro 9 million.

He reporting year, the business and organizational effort drove strong recovery in fee and commission income (up by +12%), which mitigated the decrease in net interest income (down by -11%) caused by market rates continuing to be negative.

Thanks to effective control, ordinary operating costs decreased to Euro 174 million (-1% YoY) despite the increase in operating volumes. The cost/income ratio hit 57.9%, improving by 1 percentage point vs. 2020.

Furthermore, in the reporting period non-recurring costs for personnel were recognized amounting to Euro19.8 million and resulting from the implementation of the "Next Generation" generational turnover plan and from higher contributions to the banking system up by Euro 2.2 million (+25%).

Income from operations came to Euro 95 million, down by -17% YoY; net of the non-recurring components it would increase by 2%.

Net recurring value adjustments of loans and financial assets came to Euro 16.9 million, considerably decreasing vs. 2020 (-55% YoY). The cost of credit came to 21 bps vs. 48 bps in 2020 and 34 bps in 2019. It is pointed out that, in Q4 2021, non-recurring adjustments were recognized totalling Euro 27.6 million resulting from the recognition through profit and loss of the sale of portfolio of bad loans (as to Euro 187 million) and from additional adjustments subsequent to the developments in the NPL measurement policies within the wider derisking process started by the Group, thanks to which the weight of gross non-performing loans on total loans decreased to 2.1% vs. 4.6% as at the end of 2020) and the weight of net non-performing loans to 1.1% (vs 2.0% in 2020).

Profit (loss) before tax from continuing operations hit Euro 50.8 million and – net of the non-recurring events reported above – would be Euro 109.8 million, up by Euro 22.6 million YoY (+26%).

Current taxes and deferred tax assets and liabilities posted a positive balance of Euro 6.8 million including positive effects for Euro 23.5 million resulting from the exercise of the option for tax realignment of property, plant and equipment and intangible assets under Article 110 of Italian Decree Law 104/2020.

The book value of equity came to Euro 770 million: it increased vs. 31 December 2020 by Euro 56 million mainly due to the allocation to reserve of the 2020 earnings.

As at 31 December 2021, the Bank's personnel consisted of 1,360 people. The distribution network consists of 159 Retail Banking Branches, 16 Small Business Centers, 6 Private Banking Markets, 8 Corporate Banking Markets and 59 Financial Advisors.

THE PERFORMANCE OF CRÉDIT AGRICOLE GROUP SOLUTIONS OPERATIONS

Crédit Agricole Group Solutions was incorporated in 2015 with the purpose of improving the Group's operational efficiency and increasing the quality of the services provided in the ITC, operational processes, logical and physical security, and property management scopes.

For this reason, all the Group's structures operating in the aforementioned scopes were centralized in the Consortium, with the objective of identifying new synergies for the Group's entities.

In the reporting period, Crédit Agricole Group Solutions ensured the provision of ordinary services to the Banks, thus ensuring also regular functioning of the operational machine, and provided targeted and specialist services to some non-banking entities of the Group.

Operating expenses came to Euro 319 million increasing by Euro 22 million (+7%) vs. 2020, with the increase mainly concerning administrative and personnel expenses.

HR costs hit Euro 64.6 million, increasing by Euro 8.6 million vs. 2020, mainly resulting from the non-recurring provision for the new Voluntary Redundancy scheme (Euro 7 million); furthermore, expenses for secondments were higher than in 2020.

Administrative expenses came to Euro 172.5 million and essentially consisted of the costs incurred for the provision of services by the Consortium to the other entities of the Group. This item increased by approximately Euro 10 million vs. the previous year, mainly due to non-recurring expenses incurred to prepare for Creval IT migration, which has been scheduled for 2022, amounting to Euro 17.9 million, especially for the upgrading, strengthening and efficiency enhancement of own and outsourced infrastructure. Conversely, non-recurring costs to manage the Covid-19 health emergency decreased by approximately Euro 6 million vs. 2020 (Euro 8 million vs. Euro 14 million in 2020). Net of non-recurring expenses, recurring IT expenses increased due to the increase in Application Management Maintenance costs under the MTP, which was offset by lower recurring expenses for Purchasing and Logistics and Security.

Depreciation and amortization came to Euro 81.8 million, increasing by Euro 2.9 million (4%) vs. the previous year; the increase resulted from the implementation of the IT investment plan to support the business for the achievement of the MTP objectives, and. For the considerable portion of Euro 1.2 million, it resulted from investments made in order to prepare for Creval IT migration.

Since the Consortium operates on a not-for-profit basis, all expenses borne for service provision were fully reallocated to the Consortium members and, consequently, the Income Statement for 2021 broke even.

THE PERFORMANCE OF CRÉDIT AGRICOLE LEASING ITALIA (CALIT) OPERATIONS

After being materially hit by the repercussions of the health emergency in 2020 (volumes down by -19% and the number of contracts down by -22%), in 2021 the Italian leasing market posted a considerable YoY growth, in terms of both volumes (up by +29%) and number of contracts (up by(+15%), going essentially back to its pre-pandemic levels (vs. 2019: Volumes up by +5% and number of contracts down by -11%) (source Assilea).

In this very competitive scenario, Crédit Agricole Leasing Italia succeeded in maximizing the opportunities resulting from its belonging to the Crédit Agricole Group and in working every day in the interest of its customers and society as it proposed the most efficient lease solutions to meet its customers' needs also in terms of seizing the opportunities offered by the economy support measure (tax credits and "Sabatini TER", incentives that could be obtained by customers with lease transactions, and EIB funds for Italian SMEs), and with stronger and stronger focus on environmental sustainability.

In October 2021, after capillary training, CALIT products started to be distributed by Credito Valtellinese Network.

The vendor leasing business continued to be developed, in order to supplement the traditional and prevailing banking channel with a new distribution channel that can strengthen the relationships with the best Corporate Customers of the Group (selecting vendors on a priority basis among them) and to generate acquisition and cross-selling opportunities for the Group. In that scope, cooperation started with Agos, with a pilot stage that went live in June 2021.

In the reporting period, the Company's business performance comprised new production volumes for Euro 925 million, increasing by 37% vs. 2020 (+45% vs. 2019), improving, again in 2021, its all-time best results achieved in 2020, and 5,751 new contracts signed (up by +60% YoY, by +44% vs. 2019).

In 2021, the weight of the vendor channel increased, coming to 17% of total volumes (vs. 12% in 2020) and to 22% of the number of contracts (17% in 2020).

The equipment and motor vehicles core segments accounted for 83% of the Company's 2021 new production in terms of volumes (71% and 12%, respectively), further growing vs. 72% in 2020; real estate accounted for 14% (vs. 20% in 2020) with lower weights of rail, air and naval (1%) and renewable energy (3%), a sector where the Company proved again the leading player by financed asset volumes (source: Assilea).

Gross loans came to Euro 2.3 billion, with a YoY increase in performing ones, coming to Euro 2.13 billion (up by Euro +223 million, i.e. +11.7% YoY) and a decrease in non-performing ones that came to Euro 146 million (down by Euro 43 million, i.e.-+22.6%). The weight of non-performing loans came to 6.4%, decreasing vs. 2020 (-2.6%) and constantly below the market figure by more than 50% (14.6% - the latest available figure is as at 30 September 2020).

In terms of profit or loss, in FY 2021 the Company reports a net profit of Euro 4.8 million, appreciably higher than the 2020 figure, thanks to the combined positive effect of higher revenues and lower adjustments of loans.

Net operating income came to Euro 34 million, up by +7.3% YoY, driven by net interest income (Euro 28.9 million, up by +9.4% YoY), with the twofold positive effect of higher intermediation volumes and higher average return on the portfolio (interest rate effect), and of net fee and commission income, which came to over twice their 2020 amount (Euro 2.8 million vs. 1.2 million). The aggregate of other operating income and expenses came to Euro 2.3 million, with higher recurring revenues typical of lease transactions (Euro 3.5 million vs. Euro 3.1 million), gains on early termination of contracts, stable YoY, and higher expenses incurred for the recovery, restoration and sale of formerly leased assets (Euro 3.7 million increasing by Euro 1.9 million YoY).

General expenses came to Euro 14.1 million, increasing by +16.9% YoY (+9.8% net of the non-recurring amount of Euro 0.7 million allocate to the provision for Voluntary Redundancy) and comprised outsourced activities (linked to the higher number of new lease contracts signed, up by +60% YoY), increase in human resources (+3 people) and depreciation and amortization that increased YoY because of the higher investments made in the industrialization and digitalization of the operating machine.

The Cost/Income ratio came to 39.3% (net of the non-recurring cost for the Voluntary Redundancy provision).

Income from operations came to Euro 19.9 million (up by +1.5% YoY and by +5.1% YoY net of the non-recurring cost for the Voluntary Redundancy provision).

The cost of risk came to Euro 13 million, decreasing by -32% YoY, mostly consisting of the cost of credit, which came to Euro 12.3 million down by -12% YoY, with considerably lower impairment flows (-79% YoY),the important deleveraging on the NPE stock (management and recovery through ordinary procedures) and constant increase in the coverage ratios (NPE coverage ratio at 41.2%, up by +5.8% YoY).

As regards Capital Ratios, the CET 1 Capital ratio came to 6.02% and the Total Capital ratio to 7.44% (vs. minimum regulatory requirements of 4.50% and 6.00%, respectively.

THE PERFORMANCE OF CREVAL OPERATIONS

With the successful completion of its Public Tender Offer on 23 April 2021, Credit Agricole Italia acquired 100% of Creval share capital.

Therefore, on 1 May 2021, Creval became part, to all effects and purposes, of the Crédit Agricole Italia Banking Group.

Therefore, Creval 2021 profit and loss figures were affected by the switching to the accounting policies of the Parent Company, resulting in a loss of Euro 234.6 million.

Excluding the effects of the change in the measurement bases and the arrangements/decisions for integration purposes, Credito Valtellinese would have reported a profit of Euro 70 million.

Net of said non-recurring components, Creval operations went on in 2021, achieving good revenues, thanks also to effective integration in its operating and commercial machine of Crédit Agricole Italia business models.

Net of the non-recurring components, which mostly impacted on operating costs and on profit(loss) from financing activities, income from operations was stable vs. the previous year, with income from operations driven by increasing fee and commission income (up by +5% YoY) and decreasing administrative expenses (down by -1% YoY) thanks to effective cost management.

Net of the impacts from the classification and measurement of its performing and non-performing loans in accordance with the bases of measurement and standards used by the Parent Company, the cost of credit also improved to 0.72% from 0.78% in 2020.

As to total funding, in 2021 loans to customers decreased (-12% YoY), whereas funding from customers markedly increased (+3% YoY) as did assets under management (+10% YoY).

The activities in preparation for Creval merger into Crédit Agricole Italia, which will be completed in Q2 2022, went going on as scheduled.

STATEMENT OF RECONCILIATION OF THE PARENT COMPANY EQUITY AND PROFIT (LOSS) AND CONSOLIDATED EQUITY AND PROFIT (LOSS) FOR THE PERIOD

	31 Dec. 2021	
	Shareholders' equity	Profit o/w: for the period
Parent Company's balances	6,803,997	-71,836
Effect of consolidation of subsidiaries	474,898	182,414
Effect of the equity method accounting of significant equity investments		-
Dividends received in the period		
Negative difference on Creval consolidation		496,865
Other changes		
Consolidated balances	**7,278,895**	**607,443**

OUTLOOK

The macroeconomic growth posted in 2021 is being affected by the geopolitical events that occurred in February 2022 and culminated in the invasion of the territory of Ukraine by the army of the Russian Federation and Belarus, after the Russian Government recognized the independence of the Donbass separatist region. The invasion was condemned by the European Union Member States, by the United States of America and by all NATO Member Countries and triggered several economic sanctions against Russia and later also against Belarus, which have generated severe impacts on some sectors, such as the bans on exports of technologies, prohibition to engage with Russian state-owned enterprises, strategic entities and oil&gas producers, as well as the bar from SWIFT of Russian banks. The sanctions generated an immediate crisis in the Russian financial system and subsequent strong depreciation of the Russian currency, sovereign rating downgrading, serious risks of failure for Russian banks and plunging of the market prices of securities issued by Russian companies. The negative effects of the sanctions are already impacting on Western economies with uncertainty about the macroeconomic scenario, whose duration depends largely on the unforeseeable duration of the wart. The upward trend in energy and commodity prices , already underway before the Russia-Ukraine war, worsened, generating serious repercussions on economic growth in Europe and in Italy, with the ECB revising down its GDP growth expectations vs. the figures announced at the end of 2021.

In this scenario, which is very complex and uncertain due to the extent of the involved economic sectors and to the unforeseeable duration of the crisis, the Crédit Agricole Italia Banking Group's exposures to Russian and Ukrainian banks are utterly negligible, amounting to Euro 14 million, i.e. 0.02% of total on-balance-sheet and off-balance-sheet loans. Conversely, quite a different story is the extent of possible indirect economic implications that may affect the Group's customers resulting from this continuously evolving situation. For the time being, any forecast would be premature and point-in-time updates will be communicated to the market when the macroeconomic scenario stabilizes.

The events and consequent actions are being constantly monitored by specific Crisis Committees, which were set up at the very outbreak of the war, and in close coordination with the Parent Company Crédit Agricole S.A..

SIGNIFICANT EVENTS OCCURRED AFTER THE REPORTING DATE

As regards the Crédit Agricole Italia Banking Group, it is reported that, from 31 December 2021 to the date of approval of this Report, no events occurred which could generate significant changes in the structure of the Crédit Agricole Italia Banking Group and in its profit (loss) for 2021.

As specified in paragraph "Significant events in the reporting period", on 25 January 2022 the Extraordinary General Meeting of Crédit Agricole Italia Shareholders resolved a share capital increase of Euro 500 million.

For more exhaustive information, please see Part A, Section 4 of the Note to the Financial Statements.

It is pointed out that the events fully classify as "*non adjusting events*" under IAS 10, i.e. events that do not result in adjustment to the financial statements, as they regard situations arisen after the reporting date.

MACROECONOMIC AND BANKING OUTLOOK FOR 2022

MACROECONOMIC SCENARIO[20]

After its large momentum in 2021, growth in the most industrialized economies is expected to continue robust albeit at a slower pace, as inflation is expected to increase, once again driven by energy prices (especially the price of natural gas, which is expected to remain high in the coming months) and by procurement disruption. Despite the inflation outlook being very uncertain, some optimism nevertheless remains in deeming its increasing trend modest, also thanks to gradual rebalancing, in the medium-long term, between demand and supply, as economic expansion will be more linear (after its exceptional recovery vs. 2020) and given the favourable scenario in terms of capacity to address any further pandemic waves and Covid-19 new variants, thanks to widespread vaccination, by now in its completion stage. In 2022, the Gross World Product (GWP) is expected to grow by +4.3% (vs. +5.8% in 2021), at a faster pace in developing economies (+4.6%) that in developed ones (+3.9%).

20 Sources: ECO, Macroeconomic scenario 2022-2023 (December 2021); Prometeia Brief: Italy in the global economy (No. 1, January 2021).

According to forecasts:

- In the **United States,** economic growth is expected to slow down, albeit moderately, with the GDP expected to increase by about +3.8% (after a remarkable growth of +5.6% in 2021), and then to go gradually back to its long-term pace: this progressive deceleration results mainly from the modest stimulus given by the budgetary policy, as the Bipartisan Infrastructure Investments and Jobs Plan and the last pillar of the Build Back Better Plan will deploy less resources than in 2021 (and the resources will also be spread over a longer time horizon) and will be financed with tax increases. On the other hand, growth remains strong, thanks also to high private consumption; to this effect, an important role is played by the savings that households set aside during the pandemic and the expectation that propensity to save will go back to its pre-crisis levels (around 8%). Nonetheless, also in this situation the inflation scenario remain a crucial variable in the forecasts for 2022 (+4.8%), as, should it persistently exceed expectations, i.e. For over six months, it might materially impact on household consumption, because of purchasing power erosion, and prove prejudicial to growth strength;
- The health crisis widened the differences between **emerging Countries** and enhanced their fragmentation, with the effects of cyclic shocks that have become structural and long-term ones, especially in the least developed economies. In a time when health is the predominating factor, the uneven progress in vaccination is contributing to growth curve distortion, especially as regards the Countries that are farther behind. In terms of inflation and macroeconomic performance, 2022 is expected to comprise two different scenarios: on the one hand, H1 is expected to feature price increases (still driven by electricity, natural gas and water), the US monetary policy normalization, further increases in the risk profile of high-debt economies (Latin America, Eastern Europe), which will grow at a slower pace; conversely, H2 may feature slow realignment between demand and supply, with inflation increasing at a slower pace and general recovery in confidence. In **China**, producer prices remaining high and foreign trade contracting will almost certainly cause the current account surplus to shrink and the GDP growth rate to slow down to +4.9%. The extension of the government strategy deploying severe restrictions to control the pandemic impacts on private consumption performance, especially in terms of services (transports, tourism, catering), but will also result in the inflation increase being kept under control (+2,.% in 2022). Inflation will be a persistent problem for **India**, whose economic growth (+7.6%), driven by the strong recovery in agriculture (thanks also to a favourable monsoon season) and by the US economy, will be hit by the pressure from soaring commodity prices and, consequently, higher producer prices, which will be passed on to consumers via higher prices. The Central Bank of India is expected to deploy interest rate increases in order to contain the increase in inflation, keeping it in the 2-6% target range. In **Russia**, one of the Countries with the lowest average vaccination rate, the pandemic is still thwarting economic growth (expected at +2.7%), which will in all likelihood remain modest, especially due to domestic demand being reined in by restrictive measures, and all this despite the increase in oil prices and the low unemployment rate. Conversely, the inflation rate is expected to decrease to +5.8% (vs. al +6.3% in 2021), thanks not only to the contraction in demand, but also to the policy deployed by the Central Bank, namely keeping interest rates at very high levels, in order to support real rates;
- In the **United Kingdom**, the estimated GDP growth in 2022 is +4.8% and, albeit slowing down, gives evidence of its strength, thanks to the capability of households and businesses to adapt to the restrictive measures and to the work conditions associated therewith. Nevertheless, on the other hand, the arrival of the Omicron variant should once more impact on the expenditure for services, while the canalization towards demand for goods will boost the already high inflationary pressure, expected at +4.8%. As to monetary policy, any increase in interest rates, being justified by the economic performance and by inflation, are deemed unlikely, at least for time being, and may be postponed to H2 2022.

EURO AREA

The 2022 outlook for the ’**Euro Areas** Countries still depends on the developments in the health crisis and on the measures deployed by governments to contain any recrudescence of the virus. The forecasted GDP growth is +4.4%, slowing down vs. 2021, when it came to +5.2%, especially because of the exogenous inflationary shock that Europe is facing, which has its more direct release in the persistent weakness of aggregate demand, also consistent with the more than modest increase in wages.

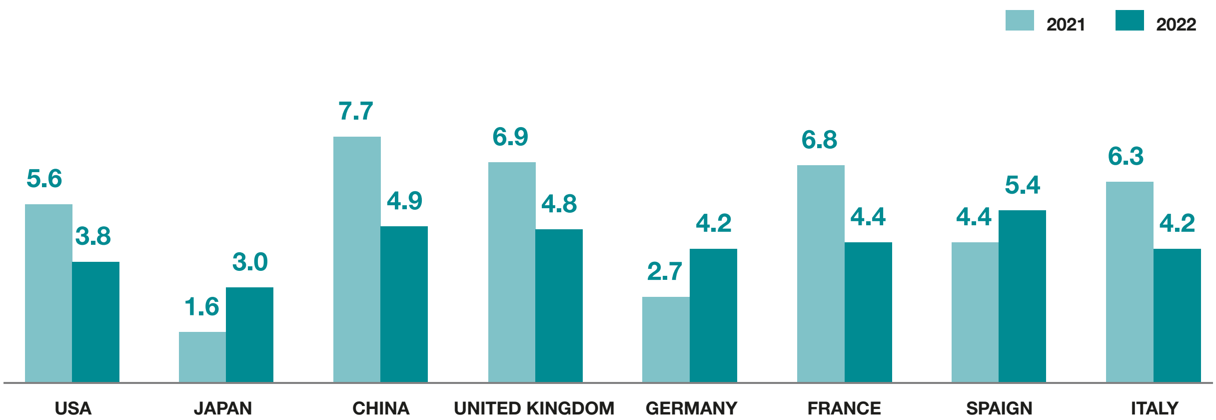
Also in 2022, recovery will be driven by the fiscal policy, with the GDP expected by the European Commission (2.4%) to grow by one percentage point vs. 2021 (1.5%), as well as by the normalisation of international value chains, which should support supply recovery. The Draft Budgetary Plans, which were submitted by the various Member States in October 2021, confirmed the tapering of emergency measures and relaunch of the expenses driving economic growth, also through the implementation of National Recovery and Resilience Plans.

The forecasts for the main economies in the Euro Area are given below:

- **in Germany**, the GDP is expected to grow by 4.2% in 2022, vs. 2.7% in 2021. The growth in the German economy, although the one that posted the smallest recovery in 2021, is driven by investment in productive activities, with the expected easing of constraints to the supply of commodities and semi-finished products, as well as by private consumption, supported by the favourable labour market conditions and by the resumption of activities in the service sector;

- In **France**, the GDP is expected to grow by +4.4%, slowing down vs. 2021 (+6.8%). Domestic demand is expected to continue to be strong driver, still benefiting from the progress in vaccination: as regards businesses, the SME confidence indicators started to increase (in Q4 2021), while the fiscal policy and accumulated savings will drive household consumption, despite inflationary pressure;
- In **Spain**, another Country where economic growth should speed up vs. the end of 2021, the GDP is expected to grow by +5.4%. Reopening in the service sector drives private consumption; nonetheless, the fact that inflation is higher than the EU average and the unemployment rate and the business insolvency rate make it likely that the GDP will go back to its pre-crisis level not before 2023.

GDP: % YoY change



Source: ECO, Macroeconomic scenario 2022-2023 (December 2021).

THE ITALIAN ECONOMY

Albeit slowing down in Q4 2021, the Italian economy is expected to continue to grow at quite a lively pace in 2022, with the GDP increase rate firmly above the 4% threshold (estimated at + 4.1%[21]), driven by substantial growth in consumption (given also the sizeable savings accumulated by households in the last two years) and progressive momentum in business investments. Nevertheless, two factors may negatively affect this performance: the development in the health situation, given that the Omicron variant behaviour is impossible to predict, may weaken recovery in the first months of 2022; the inflationary pressure, which was initially deemed temporary, may hinder the recovery in private consumption, should the general increase in prices last longer than a few months. Inflation remains mainly linked to energy expenditure: the surges in oil prices (+78% in 2021) and in the price of natural gas (+480% in 2021) will continue to generate impacts, as they contribute to the average annual increase in prices (expected to hit + 3.8% vs. +1.9% rat the end of 2021), but the carry-over effect is expected to lessen starting as early as in spring 2022. Assuming that the reduction in prices seen in oil, commodity and international transport markets in the last few weeks continues, the prices of the most volatile components should normalize; furthermore, the pass-through from commodity prices quoted on regulated markets to domestic prices should remain quite modest, as there are many factors that must be monitored.

Recovery in household consumption (estimated at +4.8% in 2022[22]) e driven by an expansionary budgetary policy, albeit support measures, which were specifically deployed to address the pandemic scenario, have already started to be tapered. The government tends to favour economic growth recovery and, to do so, it will postpone reduction in its fiscal deficit to the years after 2024: indeed, the current Budget Law provides for an increase in net debt (1.2% in 2022, 1.4% on average in 2023-2024). The reduction in the debt-to-GDP

21 Source: European Commission, Economic Forecast for Italy (February 2022).

22 Source: ISTAT (the Italian National Institute of Statistics) Italy's economic outlook 2021-2022 (December 2021).

ratio remains a critical issue, especially as it increased by over 20 points in 2020; however, its recent decrease in 2021 allows some optimism about the achievement of the pre-crisis levels by the end of the decade.

Especially as regards the stimulus to investments in productive activities (the expectations is +7.5%), the additional string to Italy's bow consists in the NGEU funds (within the National Recovery and Resilience Plan), of which Italy is one of the largest beneficiaries, so much so that, in the light of the achieved goals, the Italian government has applied for payment of the first tranche amounting to Euro 24.1 billion. It has been estimated that the investments using the NGEU funds will contribute to the GDP growth by around 0.4%, over the plan time horizon. A key factor for the implementation of Italy's Recovery and Resilience Plan is the development in the political balance: indeed, signs of any lack of determination to govern the Recovery and Resilience Plan process may have impacts on the markets and on the BTP-Bund spread, which is expected to be stable around 130 basis points in 2022.

The labour market gave positive signs: in Q3 2021, the number of worked hours went back to the pre-pandemic figure and the unemployment rate progressively decreased, coming to 9.2% in November. Employment opportunities have remained favourable, thanks to the increase in the percentage of individuals that started to work in the 3 previous months (which came to 4.2%, a figure that is very close to the Euro Area average), and considering the new all-time high number of vacancies (1.8%). Therefore, recovery in production pace is expected to go alongside with an increase in Full Time Equivalents (FTE), which will be strong also in 2022 (+4.1%, in line with the GDP growth), with an increase in the number of employed people and with the unemployment rate keeping essentially stable (9.3% the expected figure).

THE BANKING SCENARIO

The improved economic situation, thanks also to vaccination succeeding in curbing the virus spread, and the good growth outlook of the Italian economy give a favourable environment for banks' profitability.

Lending to households strengthened, thanks mainly to the increase in consumption and in the residential property sector, whereas loans to businesses are expected to slow down, due also to the progressive use of the cash accumulated in deposit accounts. Nonetheless, lending will be driven by the need to finance the allied industries of the enterprises that will receive Next Generation EU funds, which will need funding earlier than the State payments. The scenario remain favourable for asset management thanks to the reallocation of the excess liquidity accumulated by households to higher-return products as a response to uncertainty.

Credit riskiness is expected to increase again in 2022, albeit by a lesser extent than during the past crises, subsequent to the end of relief measures and restarting to pay back loans backed by State guarantees, which benefited from the pre-amortization regime, resulting in impairment rates but slightly higher than 2020 ones. The impact of support measures on the quality of exposure remains nonetheless very difficult to assess *ex ante*, thus being a randomness elements in forecasts.

Economic recovery and the start of normalisation have been fostering the turnaround in net interest income, although with the traditional banking business profitability that will still be penalized by the difficulty in increasing net interest income from customers as the money market rates remain negative, while funding needs through medium and long term sources will increase (especially issues of bonds for MREL purposes). Net interest income will benefit from the liquidity obtained from the ECB with TLTRO-III (remunerated at 1% until June 2022 if lending targets are reached) and thus a still low cost of funding, while the contribution of security portfolios will be partially higher thanks to the progressively higher yield of Government securities. Fee and commission income will remain the main driver of the net banking income, thanks to further improvement in revenues from indirect funding, in line with the performance of total funding, benefiting also from the distribution of ESG products, as well as from the contribution given by fees and commissions for distribution of protection insurance products.

In operational context, cost management strategies remain a still important lever to support profitability. With the downsizing of the physical network, which would enable gradual alignment in terms of branches with the EU average, overhead expenses and personnel cost will especially be reduced, thanks also to generational turnover actions. However, expense savings will be partially offset by new hires with crosswise and IT competencies and skills, as well as by higher investments in technology, as necessary to upgrade IT security and service models to the digital transition, which has been sped up by the behaviours resulting from the pandemic.

A driver of profitability recovery is the creation of economies of scales through consolidation, a process that continued in 2021 and that would seem also supported by new approach of the supervisor to M&A, pending the implementation of a EU regulatory framework that removes the obstacles to cross-border consolidation.

The cost of risk is expected to increase by about 100 basis points in 2022 subsequent to the higher number of loans becoming non-performing, along with non-recurring adjustments associated with the increase in NPL disposals in the market. However, the Supervisory Authorities' attention on credit risks remains high regarding the possible increase in the loan impairment rate, especially at the end of the moratoria deployed by governments.

The banking sector is facing the post-Covid-19 scenario with a stronger financial position, which however can be supported with retained earnings. The results of the stress tests, which were published at the end of July 2021, give evidence of the industry general resilience, with capitalization that, despite the higher severity of the adverse scenario vs. the previous exercises, is expected to remain, at the end of the stress period, over 10% for significant Italian banks, widely above the regulatory limits. That result was due to a better starting point and to the actions deployed in the last few years to keep risks and costs under control.

Besides managing non-performing loans, the digital transition and the acquisition of new competencies, another important challenge for the industry, will be making products and services, as well as support activities, fit for an operating context in which sustainability is becoming of core importance. Indeed, banks are starting to make important investments in the ESG scope and in the aspects liked to climate risks, with the applicable regulations that are continuing to develop and market players showing increasing attention of said scope. In this process, the next landmark will be the supervisory climate risk stress test that the ECB will conduct in 2022, which will give a first snapshot of the position of the leading Italian banks in terms of climate risks. Furthermore, climate risk may have a direct impact on capital by 2025, when the EBA will publish its decision on the inclusion of asset sustainability assessments in the prudential framework.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE - INFORMATION PURSUANT TO ARTICLE 123-BIS PARAGRAPH 2, LETTER B) OF ITALIAN LEGISLATIVE DECREE 58/98 (THE ITALIAN CONSOLIDATED ACT ON FINANCE - TUF)

INTERNAL CONTROL SYSTEM

The Crédit Agricole Italia Banking Group has set its internal controls system in compliance with the model of the Controlling Company Crédit Agricole S.A. and with the Supervisory regulations (Bank of Italy Circular 285/2013).

The Group has an internal controls system in place aimed at managing risks and at ensuring constant adequacy of the control activities to its organizational structure, as well as at ensuring reliability, accuracy and promptness of reporting.

The Internal Controls System consists of the set of rules, functions, structures, resources, processes and procedures that have been designed to ensure, in compliance with sound and conservative management principles, the achievement of the following objectives:

- Verifying that the set corporate strategies and policies are properly implemented;
- Keeping risks within the limits set in the Risk Appetite Framework;
- Safeguarding the value of assets and protecting from losses;
- Effectiveness and efficiency of the corporate processes as implemented;
- Reliability and security of corporate information and IT procedures;
- Preventing the risk that the entities of the Group may be involved, also unintentionally, in unlawful activities (with specific regard to money/laundering, usury and terrorism financing);
- Compliance of corporate operations with the applicable legislation and supervisory regulations, as well as with the internal policies, regulations and procedures.

The internal control system provides for the involvement of the Top Management, of the Collective Bodies, of the *Organismo di Vigilanza* (Body in charge of offence prevention – AML, Terrorism Financing, etc. – provided for by the Italian Law), of the structures engaged in control functions, of all Staff members and of the Independent Auditors.

Risks are analyzed and monitored in accordance with Group rules and standards, which provide for verification of abidance by the regulatory terms, of the reliability of process and their exercise, security and compliance.

As pointed out in the paragraph on risk management, the internal controls system is based on both permanent control and periodic control mechanisms.

To further strengthen the internal controls system and in compliance with the regulations issued by the Bank of Italy, the “Group Rules on internal whistleblowing systems)” have been formalized and made available to the Group-s employees to report events or behaviours that could violate the legislation governing the banking business, as well as any other irregular conduct they may become aware of. The whistleblowing system ensures that the identity of the reporting person remain confidential, thus ruling out the risk of retaliations, unfair or discriminatory behaviours.

Furthermore, the Group has specifically identified methods for coordination and cooperation between the roles and structures engaged in control functions and has implemented such methods in order to pursue an effectively integrated system of controls and to ensure adequate governance of all risks the Group is exposed to. In accordance with their respective responsibilities, the roles and structures engaged in control functions monitor the components of the Internal Controls System, as does the Group’s Risk and Internal Control Committee, with the objective of strengthening interfunctional coordination and cooperation mechanisms related to the internal controls system and to foster the integration of the risk management process.

In this regard, the roles and structures engaged in control functions implement appropriate coordination and cooperation mechanisms, crosswise the various phases in the risk management process:

- Use of a shared language that is consistent with the Controlling Company’s methods;
- Implementation of detection and measurement approaches and tools;

- Definition of risk reporting models;
- Setting of coordination meetings to plan activities;
- Establishing exchange information flows;
- Agreeing on the identification of corrective actions.

The updating of the system of normative instruments is also constantly focused on and, in addition to the upgrading to the regulations already implemented, also entails a coverage extension through specific policies that are in force for the Group as a whole.

The structures and roles engaged in 2nd level and 3rd level controls report to the Board of Directors and to Crédit Agricole S.A. on:

- Activities carried out;
- Main risks detected;
- Identification and implementation of the mitigation mechanisms and the effects of their implementation.

The main elements of the internal controls system are described below, also setting forth the structuring of the controls on financial reporting (as regards the activities of the Manager in charge and the statutory audit of the accounts), corporate roles and structures engaged in control functions, as defined in the Supervisory Provisions on the system of controls (risk control, regulatory compliance, internal audit, anti-money-laundering and validation) and the offence prevention models.

CORPORATE GOVERNANCE BODIES

In line with the features of the Crédit Agricole Italia Banking Group, in the traditional governance model of all the entities of the Group, the Board of Directors plays a key role in achieving an effective and efficient system for the management and control of risks.

Specifically, the body engaged in strategic oversight functions has implemented organizational models and operating and control mechanisms that are adequate to and complying with the applicable regulations and with corporate strategies.

The Boards of Directors of the subsidiaries implement the risk policies providing for the management and the mitigation of risks as approved by the Board of Directors of the Parent Company; moreover, the Boards of Directors of the Group Banks determine the responsibilities of the corporate structures and departments, in order for the respective duties and tasks to be clearly assigned and for potential conflicts of interest to be prevented.

The Audit Committee for Internal Control, which is composed of Independent Directors, has the function to provide the Board of Directors with advice and proposals on the management of risks, of the accounting information system and on the internal controls system, in order to ensure an efficient and effective control system; it reports on a regular basis to the Board on these topics, expressing its opinions and assessments, and promptly triggering, where necessary, the appropriate corrective actions in case shortfalls or irregularities are detected.

In a specific document attached to the Annual Report and Financial Statements, both separate and consolidated, and to the condensed Half-year Financial Report, the Chief Executive Officer, together with the Manager in Charge, shall state that the administrative and accounting procedures used for financial reporting, both on a separate and consolidated basis, have been actually applied and are adequate for effective and reliable financial reporting.

CONTROL FUNCTIONS

The organization of the Crédit Agricole Italia Banking Group includes three main structures that are engaged in control functions and are independent; within their scope of action and in accordance with their functions, these structures ensure constant control on all corporate operations and on the risks generated by such operations:

- The Risk Management and Permanent Controls Department (which includes the Validation Unit) and the Compliance Department, which are responsible for second degree – second level controls;
- The Internal Audit Department, which is responsible for third-degree controls.

Moreover, in accordance with the provisions of Article 154-*bis* of the Italian Consolidated Act on Finance, the Manager in Charge has the task of monitoring and overseeing the internal controls system relating to accounting and financial reporting.

RISK MANAGEMENT AND PERMANENT CONTROLS DEPARTMENT

The Risk Management and Permanent Controls Department (Italian acronym DRPC) of the Crédit Agricole Italia Banking Group, which is engaged in the Function of Risk Management and Permanent Controls, is independent of any and all departments and roles engaged in management and decision-making functions that entail risk-taking: indeed, its organizational placement provides for its reporting on a dotted line directly to the Chief Executive Officer of the Crédit Agricole Italia Banking Group and for its solid-line reporting to the Group Risk Management and Permanent Controls Department (DRG – *Direction des Risques et contrôles permanents Groupe*) of the Parent Company Crédit Agricole S.A..

As regards control of structural and operational consistency, as reported before, the Risk Management and Permanent Controls Department carries out the management and control of risks for all the Companies of the Crédit Agricole Italia Banking Group.

The Risk Management and Permanent Controls Department ensures that the relevant risks are monitored and oversees the relevant controls, through specialist structures that operate within the Department itself and are dedicated to the following scopes:

- Credit risks, including:
  - Concentration risks;
  - Counterparty risks;
- Market and financial risks;
- Operational risks, specifically including:
  - Insurance Coverage risks;
  - Information and Communication Technology (ICT) Risk (Information System and Security of Information Systems);
  - Risks concerning the Business Continuity Plan (BCP);
  - Physical Security;
  - Risks concerning the provision of “Critical and Important Functions (CIF or with the Italian acronym FEI)”, which the Parent Company Crédit Agricole S.A. calls “Provision of Outsourced Essential Services (PSEE)”.

The Validation Unit activities have the objective of providing independent verification of:

- Tools;
- Technical organizational mechanisms;
- The system of the controls implemented for risk measurement, for the calculation of the minimum regulatory capital requirements, in order to verify their consistency over time with the regulatory provisions applicable for the use of advanced approaches.

The Risk Management and Permanent Controls Department of the Crédit Agricole Italia Banking Group contributes to the definition and implementation of risk management policies. Specifically, within its scope of operation, it:

- Coordinates and leads the process for the definition of the Risk Appetite Framework and, once a year or more frequently where required by new scenarios and/or new needs, it proposes the Risk Capacity limits, the Risk Tolerance thresholds and the Risk Appetite (the risk appetite is set by the CFO Finance and Financial Reporting Governance);
- Contributes to the definition of the regulation on Performing Loans and of lending policies, validating their contents;
- Contributes to the definition of the regulation on Non-Performing Loans and of the related management and provisioning policies, validating their contents;
- Gives its opinion on the main risk-taking instances.

The Risk Management and Permanent Controls Department is responsible also for the Group risk reporting. These reports are prepared on a monthly or quarterly basis and are submitted on a quarterly basis to the

Boards of Directors of the single Companies. The reporting produced by this Department covers, among other things, the following:

- The quality of new production of loans in the different economic sectors and customer segments;
- The outcomes of the quarterly controls on Performing and Non-Performing loans chosen on a sample basis;
- The adequacy of the recovery and management processes, as well as of coverage of Non-Performing loans;
- Compliance with the limits laid down within the Risk Strategy and the RAF, in order to present the performance of the key risk indicators for more effective and prompter preparation of the action plans required to mitigate, prevent or avoid risk factors.

INTERNAL AUDIT DEPARTMENT

The Internal Audit Department of Crédit Agricole Italia is independent from any operational structure or role of the Bank and of its subsidiaries.

In order to ensure the appropriate independence in exercising the Function, the Head of the Department (Chief Audit Executive or CAE) reports on a solid line to the Bank's Board of Directors. The independence of the Internal Audit Department is ensures also by the role of the Chief Executive Officer, who ensures management oversight and actual availability of the operational levers and of the appropriate financial and human resources for the Department's effective operation.

The Internal Audit Department (*Inspection Générale Groupe*) of the French Parent Company Crédit Agricole S.A. is responsible for steering and coordinating the activities of the Department; therefore, it defines the implementation guidelines for harmonized application in all the Companies of the Group (without prejudice to full compliance with the local legislation) of the audit model, methods and tools.

The CAE is appointed by the Board of Directors of the company, after obtaining the opinion of the Board of Auditors; his or her appointment may be terminated with the same methods and explicit reason.

The CAE is entitled to contract, independently and with no limitation, the Governance Bodies of the companies of the Group to report material information and sits on the Risk and Internal Control Committee.

The CAE also submits the Audit Plan to the Board of Directors of Crédit Agricole Italia, to the Internal Control Audit Committee of Crédit Agricole Italia, to the Board of Auditors, to the Chief Executive Officer of Crédit Agricole Italia, to the General Managers and to the Governance Bodies of the subsidiary companies.

In accordance with the supervisory expectations, the Internal Audit Department performs the internal audit and review functions for the Crédit Agricole Italia Banking Group, in order to detect any breaches or violations of procedures and of the applicable legislation and regulations, as well as to periodically assess the completeness, adequacy, proper operation (in terms of efficiency and effectiveness) and the reliability of the internal controls system and of the information system, at frequencies set based on the nature and severity of risks.

Specifically, based on a multiyear work plan:

- It ensures the performance of controls aimed at verifying:
  - Proper running of operations by the Group's entities;
  - The effectiveness and efficiency of the corporate processes as implemented;
  - The protection of the value of Group's assets;
  - Protection from losses;
  - The reliability and integrity of accounting and management data;
  - Compliance of operations with both the policies set down by the corporate governance bodies, with all internal normative instruments and with the applicable legislation.

Performs periodic review and controls on the processes and on the organizational units of all the Companies of the Crédit Agricole Italia Banking Group, as well as on Outsourced Critical or Important Functions, through constant and independent supervision on the regular course of operations, in order to prevent or detect any behaviours or situations that are irregular and/or risky.

Provides the Top Management, the Corporate Bodies and the French Parent Company Crédit Agricole S.A. with prompt and systematic reporting on the conditions of the controls system and on the outcomes of the activities carried out; Supports the Organismo di Vigilanza (body engaged in offence prevention required by Italian Legislative Decree 231/2001) in ensuring constant and independent surveillance action on proper running of operations and processes and in supervising compliance with and adequacy of the rules contained in Model 231.

The Department also provides support and assistance to other corporate structures (advisory activities), the nature and extent of which are agreed with the strictures concerned and which aim at improving governance, risk management and organization control processes, with no decision-making responsibility lying with the Internal Audit Department.

Following its verification and review activities, in case any areas for improvement have been detected, the Internal Audit Department issues recommendations and carries out analyses and monitoring on the identified mitigation actions, with special regard to the RAF, to the risk management process and to the tools to measure and control risks.

The Chief Audit Executive reports to the competent Bodies on the main outcomes of the performed activities, on the progress in the Audit Plan implementation and in the implementation of the requested corrective actions (recommendations) as well as on the evolution of the available resources.

The progress in the implementation of any recommendations issued is reported on every six months to the Board of Directors, to the Board of Auditors, to the Audit Committee for Internal Control, to the Top Management and to the Internal Audit Department of the French Parent Company Crédit Agricole S.A.

In case any activities that are material for the proper operations of the internal controls system are outsourced, the Internal Audit Department has the power to access also the activities carried out by any outsourcers.

The Internal Audit Department operates with staff that has the appropriate knowledge, expertise and skills, in accordance with the best practices and with the International Standards for the Professional Practice of Internal Auditing, as well as with the methods implemented by the Internal Audit Department of the French Parent Company Crédit Agricole S.A.

In performing its tasks, the Department uses structured risk assessment methods, consistently with those of the French Parent Company, in order to identify any points of attention and the main new risk factors.

In accordance with risk assessment outcomes and with the subsequent priorities, as well as with any specific requests for in-depth review made by Corporate Governance Bodies, by the Internal Audit Department of the French Parent Company and by the Top Management, the Internal Audit Department prepares an Annual Audit Plan, in agreement with the French Parent Company, based on which it operates during the year, as well as a multi-year Plan, which is submitted to the Internal Control Audit Committee and to the Board of Directors for its approval.

Lastly, on a yearly basis and jointly with the other Corporate Structures engaged in control functions, the Internal Audit Department sends the Report on the activities it carried out in the year to the Supervisory Authority (Integrated Report of the Holders of Control Functions).

COMPLIANCE DEPARTMENT

The Compliance Department is part of the internal controls system as a second-level function and is responsible for preventing the risk of judicial penalties or fines, of significant financial losses or reputational damage caused by any violation of the applicable legislation.

The Group Compliance Department reports on a solid line to the *Direction de la Conformité* of Crédit Agricole SA and on a dotted line to the Chief Executive Officer of Crédit Agricole Italia.

The Compliance Department has the mission of controlling and managing noncompliance risks, by continuously identifying the legislation and regulations that apply to the Group, as well as by measuring and assessing their impact on the corporate processes and procedures and by defining the relevant prevention and control policies in the perimeter it is responsible for. Specifically, its objective is to ensure centrality of customers' interests, the prevention of offences pursuant to Italian Legislative Decree 231/01, the prevention of risks associated with money-laundering and terrorism financing, the prevention of risks regarding market abuse, the protection of personal data pursuant to the applicable legislation, the prevention and mitigation of corruption and fraud risks, the protection of the Group's Companies, employees and top officers against risks of penalties, financial losses and reputational damage, also through advisory services and assistance, risk control and compliance with internal regulations and external legislation on ICT (ICT compliance) pursuant to Bank of Italy Circular no. 285 of 17 December 2013, as well as with any applicable legislation for which specialist control is not already in place.

On a yearly basis, the Compliance Department submits its assessment of the exposure to non-compliance risk to the Boards of Directors of the Group Companies and provides them with reporting on the activities performed, specifically concerning the verifications made and the related outcome, as well as the measures implemented and/or planned to remedy any shortcomings, along with the annual compliance plan.

Furthermore, the Compliance Department provides the Top Management with support and advice in order to prevent conducts that could lead to penalties, generate losses or cause significant damage to the company's reputation. In this scope, compliance activities also contribute to increase the Company's value to the benefit of all stakeholders.

MANAGER IN CHARGE

Pursuant to aforementioned Article 154-*bis*, in a specific document attached to the Annual Report and Financial Statements, to the Annual Report and Consolidated Financial Statements and to the Half-yearly Condensed Financial Report, jointly with the Chief Executive Officer, the Manager in Charge shall state:

- The adequacy and actual application of the administrative and accounting procedures;
- The consistency of the corporate and accounting documents with the records in the corporate boos and with the accounts;
- That the above Reports and Financial Statements are fit to provide a true and correct representation of the financial and cash flow position, as well as of the performance of the Bank and of the Group.

The Manager in charge shall also state that the Management Report includes a reliable analysis of the performance and profit (loss) from operations, as well as of the situation of the Bank and of the Group, and the description of the main risks and uncertainties to which they are exposed.

FINANCIAL REPORTING PROCESS - EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS (PURSUANT TO ARTICLE 123-BIS PARAGRAPH 2, LETTER B) OF THE ITALIAN CONSOLIDATED ACT ON FINANCE (TUF)

The "main features of the existing risk management and internal control systems regarding the financial reporting process" are given below, pursuant to Article 123-*bis* paragraph 2, letter b) of the Italian Consolidated Law on Finance (TUF). The Internal Control System on corporate reporting is the process that, involving several corporate structures, gives reasonable assurance on the reliability of financial reporting, the reliability of accounting documents and of compliance with the applicable legislation. There is close and clear correlation with the risk management process, which is the process for the identification and analysis of the factors that could prejudice the achievement of the set corporate objectives, in order to determine how these risks can be managed. A fit and effective risk management system can indeed mitigate any negative effects on corporate objectives, including reliability, accuracy, trustworthiness and promptness of accounting and financial reporting. Setting up and maintaining in place an adequate system for control on financial reporting and periodically assessing its effectiveness by the Bank require prior identification of a benchmark model for comparison purposes. The benchmark model must be generally accepted, strict and complete and, as such, able to guide proper implementation and correct assessment of the control system.

It has been decided to use the "COSO Report" principles and guidelines, a widely used, also internationally, benchmark model for the assessment of internal control systems, limited to the part on financial reporting. Based on the aforementioned model, the control system is set up through the stages of: comparison between the as-is situation and the adopted benchmark model; identification of any shortcomings or needs for improvement; implementation of corrective actions and assessment of the internal control system in order to provide supporting grounds to the statements made by the Manager in charge. The fact that an adequate system of administrative and accounting procedures is in place and properly operating over time is verified in accordance with specific methods set out in an internal methodological framework. The analysis scope takes into account also the components of the structure of the corporate internal controls that are relevant for financial reporting; these controls operate crosswise the single line corporate processes.

DESCRIPTION OF THE MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN PLACE REGARDING THE FINANCIAL REPORTING PROCESS

A) Steps in the risk management and internal control systems in place regarding the financial reporting process.

Identification of risks on financial reporting

First of all, risk identification is carried out by selecting the relevant entities (companies) within the Group and, afterwards, by analyzing the risks affecting the corporate processes that are the source of financial reporting. This entails the definition of quantitative criteria in accordance with the income and financial contribution given by the single entities in the latest accounts and the definition of selection rules with minimum thresholds of relevance. Qualitative elements may also be taken into account.

Once having determined the relevant entities, significant processes are identified and defined as such if they are associated with material data and information, i.e. accounting items that have a less than remote possibility to contain errors with potential material impact on financial reporting. Within every significant process, the most relevant “assertions” are then identified, again in accordance with assessment based on risk analysis. Assertions are claims regarding the requirements that each financial statement must meet in order to achieve the objective of true and correct representation. Assertions are existence and occurrence, valuation and classification, completeness, rights and obligations.

Assessment of risks on financial reporting

Risks are assessed both for the company as a whole and for each specific process. In the former case, the assessment aims at verifying actual existence of a corporate setting that is in general fit to mitigate risks of errors and improper conducts as relevant for financial reporting. In terms of process, the risks associated with financial reporting (operational errors, underestimate or overestimate of items, less than accurate reporting, etc.) are analyzed at the level of the activities making up processes. Risks and the pertinent controls, associated with the critical process of the Manager in charge, are assessed with a risk-based approach, which mandatorily requires prior accurate mapping of all corporate processes. The potential risk index gives a summary evaluation of the single risk event, the occurrence of which could cause direct/indirect damage in terms of income-cash flows, in financial terms, in terms of penalties or of the Group’s image. The risk is detected within the process and is irrespective of the existing controls (inherent or potential risk). The risk index is assessed based on the severity of the potential damage.

Identification of controls based on the detected risks

First, the company-wide controls that somehow regard relevant data/information and relevant assertions are focused on; such controls are identified and assessed both through monitoring their effects on processes and at a general level. Company-wide controls can prevent or detect any significant errors, even though they do not operate on the single processes. Having adopted a risk-based approach, the identification of critical processes and, within them, of the accounting risks at process level, guides the analysis activities and entails the subsequent identification and assessment of the relevant controls, which can mitigate inherent risk and ensure that residual risk stays within acceptability thresholds.

Assessment of controls based on the detected risks

The implemented assessment of the control system is based on various elements: time frame and frequency, adequacy, operational compliance. The overall analysis of the controls on each risk is defined as the synthesis of the process to assess the adequacy and compliance grade of such controls. These analyses summarize subjective considerations on the effectiveness and efficiency of the controls on each single risk. The overall assessment of risk management can be broken down into assessment of existence, adequacy and proper operation/effectiveness. The risk assessment process ends with the measurement of residual risk, as the value resulting from the application of the overall assessment of controls to inherent riskiness. Reporting flows with the information on the activities carried out are sent every six months to the Audit Committee for Internal Control as reports prepared by the Manager in charge giving supporting grounds for the statements/claims on accounting documents. These reports include: the results of the identification of the critical scope of analysis, the identification of accounting risks with the related final measurement scores, focus points on any detected shortcomings and needs for improvement and the related mitigation procedures, along with a summary on the adequacy and proper operation of the controls at a company-wide level.

B) Roles and structures involved

The Manager in Charge is the top role in the system overseeing the Group's financial reporting preparation. In order to perform his mission, the Manager in Charge has the power to set the organizational directions for an adequate structure within his Department; he has the means and tools to perform his activity; he can cooperate with other organizational units. Many corporate roles and structures contribute to feeding P&L-financial information. Therefore, the Manager in Charge has established a systematic and fruitful relationship with such roles and structures. The roles and structures engaged in control functions provide the Manager in Charge with any elements and information that could contribute to the assessment and governance of any problems, such as anomalies falling under the scope of action of the Manager in Charge. The Organization Division cooperates with the Manager in Charge as regards the documentation on accounting processes and its updating over time. Every six months, the Manager in Charge prepares a report, submits it to the Audit Committee for Internal Control and sends it to the corporate roles and departments engaged in control functions for their information. The report is the information flow whereby the Manager in Charge reports on the activities performed and on the relevant findings. The Board of Directors is responsible for supervising and ensuring that the Manager in Charge is vested with appropriate powers and has appropriate means to perform the tasks assigned to him. The Manager in Charge shall promptly inform the Board of Auditors of any problems have accounting, financial or cash-flow nature. Thanks to the implemented model, sufficient assurance can be given of proper accounting and financial reporting. However, despite properly set and operating internal control systems, the occurrence of any malfunctioning or anomalies able to impact on the accounting and financial reporting cannot be ruled out.

STATUTORY AUDIT OF THE ACCOUNTS

The statutory audit of the accounts of the Crédit Agricole Italia Banking Group is assigned to an independent audit firm that carries out the activities provided for by Article 14, paragraph 1 of Italian Legislative Decree No. 39 of 27 January 2010.

In specific reports, the independent Audit Firm expresses its opinion on the separate and consolidated financial statements, as well as on the half-year financial report.

The statutory audit of the accounts has been assigned to the firm PricewaterhouseCoopers S.p.A. for the 2021-2029 period.

SOCIAL RESPONSIBILITY

The non-financial data and information of the Crédit Agricole Italia Banking Group are part of the Consolidated Non-Financial Statement prepared by the French Parent Company Crédit Agricole S.A.; therefore, the Crédit Agricole Italia Banking Group would be entitled to the exemption pursuant to Article 6 of Italian Legislative Decree No. 254 of 30 December 2016 (hereinafter "D.Lgs. 254/2016") for reporting entities that belong to a Group that prepares a Consolidated Non-Financial Statement. Nevertheless, in agreement with its Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group decided not to opt for the exemption provided for by the aforementioned Article 6 of D.Lgs. 254/2016 and has prepared its Consolidated Non-Financial Statement (NFS) as at 31 December 2021 in compliance with D.Lgs. 254/2016.

The Non-Financial Statement of the Crédit Agricole Italia Banking Group reports the Crédit Agricole Italia's activities as at 31 December 2021 and is a stand-alone document separated from the Management Report, but an integral part of the 2021 Annual Report and Financial Statements The NFS reports information relating to environmental matters, social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters, as relevant in accordance with the features of the Banks of the Crédit Agricole Italia Banking Group, for full disclosure and reporting on them and on the resulting impacts.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF ITALIAN LEGISLATIVE DECREE 58/1998

CRÉDIT AGRICOLE

1. The undersigned Giampiero Maioli, Chief Executive Officer, and Pierre Débourdeaux, Senior Manager in charge of the preparation of the company accounting statements of Crédit Agricole Italia S.p.A., hereby certify, considering also the provisions of article 154-bis, paragraphs 3 and 4, of legislative decree No. 58 of 24 February 1998:

   - the adequacy in relation to the company's characteristics and
   - the actual application of the administrative and accounting procedures for the formation of the consolidated financial statement during the course of the 2021 financial year.

2. With regard to this, no significant aspects have emerged.

3. The undersigned certify also that:

   3.1 The consolidated report and financial statements as at 31 december 2021:

   a) have been drawn up in compliance with the applicable international accounting principles endorsed within the European Union pursuant to EC Regulation no. 1606/2002 of the European Parliament and of the European Council dated 19 July 2002;

   b) correspond to the results recorded in the accounting books and registers:

   c) furnishes a true and corree! representation of the capitai, economie and financial situation of the issuer and of the companies included in the consolidation.

   3.2 The management report includes a reliable analysis on the management trend and performance, as well as of the situation of the issuer and of the companies included in the consolidation, and a description of the major risks and uncertainties to which they are exposed.

Parma, 24 March 2022

Giampiero Maioli
Chief executive officer

Pierre Débourdeaux
Senior Manager in charge of the preparation of the Company accounting statements

Crédlt Agricole Italia S.p.A. - Sede Legale Via Università, 1 - 43121 Parma - telefono 0521.912111

Capitale Sociale euro 979.283.340.00 i.v. - Iscritta al Registro Imprese di Parma, Codice Fiscale n. 02113530345, aderente al Gruppo IVA Crédit Agricole Italia. Partila Iva n. 02886650346. Codice ABI 6230.7. Iscritta all'Albo delle Banche al n. 5435. Aderente al Fondo Interbancario di Tutela dei Depositi e al Fondo Nazionale di Garanzia. Capogruppo del Gruppo Bancario Crédit Agricole Italia iscritto all'Albo dei Gruppi Bancari al n. 6230.7 • Società soggetta all'attività di Direzione e Coordinamento di Crédit Agricole S.A.

REPORT OF THE BOARD OF AUDITORS ON THE ACTIVITIES PERFORMED AND ON THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021 – NON-FINANCIAL STATEMENT

Dear Shareholders,

The Board of Auditors (hereinafter also the "Board") has the duty to report to the General Meeting of the Shareholders of Crédit Agricole Italia S.p.A. (hereinafter referred to simply as "Crédit Agricole Italia" or "CA Italia") on the supervisory activities it performed in the financial year or on any omissions and any reprehensible facts detected pursuant to Article 2429, paragraph 2, of the Italian Civil Code. The Board of Auditors is also entitled to make observations and proposals on the Annual Report and Financial Statements, their approval and on the matters falling within its mandate.

In 2021. the Board of Auditors performed its institutional duties in compliance with the Italian Civil Code, with Italian Legislative Decrees 385/1993 (the Italian Consolidated Law on Banking, Italian acronym TUB), 58/1998 (the Italian Consolidated Law on Finance, Italian acronym TUF) and 39/2010 as amended and/or supplemented, with the Articles of Association and with the provisions issued by the competent Authorities exercising supervision and control, and in accordance also with the standards of conduct recommended by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (the Italian National Council of Chartered Accountants and Accounting Experts, Italian acronym CNDCEC).

1. APPOINTMENT AND ACTIVITIES OF THE BOARD OF AUDITORS

The Board of Auditors was fully renewed by the General Meeting of Shareholders on 30 April 2019: the General Meeting appointed - with term of office until the approval of the Annual Report and Financial Statements as at 31 December 2021 - Chairman Paolo Alinovi and Standing Auditors Alberto Cacciani (as of 7 February 2022), Luigi Capitani, Maria Ludovica Giovanardi, Stefano Lottici (until 7 February 2022) and Germano Montanari.

As to the Organismo di Vigilanza ((body engaged in offence prevention and required by Italian Legislative Decree 231/2001), the Board of Directors of Crédit Agricole Italia S.p.A., at its meeting of 30 April 2019, confirmed its decision to assign the relevant functions to a collective body other than the Board of Auditors and consisting of:

- An external advisor having specific knowledge, skills and professional experience;
- The Chief Compliance Officer of the Bank;
- A member of the Bank's Corporate Bodies, either an Independent Director or an Auditor (also) an alternate Auditor.

As regards the activities performed, in 2021 the Board held 61 meetings, having average duration of 2 hours. In 2022 and up to the date of this Report, the Board held 12 meetings.

In 2021, the Board of Auditors also attended:

1. All the General Meetings of Shareholders, all the meetings of the Board of Directors and Executive Committee; therefore, it can vouch that those meetings were held in compliance with the Articles of Association and with the applicable legislation governing the operations of the relevant Bodies and, at such meetings, the Board obtained exhaustive information on the exercise of the respective responsibilities and powers, as well as on the most material transactions;
2. The meetings of the Audit Committee for Internal Control, which is a BoD Committee, holding joint meetings, and constantly cooperated and coordinated with the it;
3. The meetings of the Loan Committee of the Bank and of the Group, represented by its Chairman or another Auditor;
4. The meetings of the Related Party Committee in compliance with the "Regulation for Risk Assets and Conflicts of Interests with Associated Persons" of the Crédit Agricole Italia Group, as well as the meetings of the Appointments Committee and of the Remuneration Committee, represented by its Chairman and/or another Auditor;
5. The meetings of the Sustainable Development Committee, which was set up in 2021, represented by its Chairman and by another Auditor;
6. The meetings of the Organismo di Vigilanza, set up pursuant to Italian Legislative Decree 231/01, represented by its Chairman and/or another Auditor.

In the reporting year, this Board supervised:

- Full compliance with the applicable rules of law and regulations and with the Articles of Association, correct management, the adequacy of the organizational and accounting structures (as regards the aspects falling within the Board's responsibility);
- The effectiveness and operation of the overall system of internal controls;
- The adequacy of the system for risk management and control;
- Correct exercise of strategic and management control carried out by CA Italia in its capacity as the Parent Company.

Specifically, the Board:

- Obtained information from the Directors, thanks to its participation in the meetings of the Board of Directors and of the Board Committees and in the meetings with the Chief Executive Officer and the Top Management on the general performance and outlook of operations, as well as on the material transactions, in terms of their size or features, carried out by the Company;
- Worked in close cooperation with the Boards of Auditors of the Subsidiaries, also through joint meetings held with their respective Control Bodies;
- Carried out its self-assessment on 22 November 2021, with reference to the 2020 period, verifying its own adequacy in terms of composition, professional skills, availability of time and operation. The above self-assessment was carried out in accordance with Article 29 of the Company's Articles of Association in force, which is compliant with the applicable regulations. In this regard, it is pointed out that, in view of the renewal of the Board of Auditors, as its the term of office will end upon the approval of the Annual Report and Financial Statements as at 31 December 2021, the General Meeting of Shareholders will be provided with the "Document on the qualitative and quantitative composition of the Board of Auditors of Crédit Agricole Italia S.p.A.";
- Implemented its annual work plan that provided for regular meetings especially with the Top Management, the Heads of Central Departments engaged in control functions (Compliance, Risk Management and Permanent Controls, Internal Audit) and the Heads of Departments and Divisions engaged in the management of operations and administration for the review of the reports prepared by them;
- Carried out professional refresher and training activities, also by participating in external events;
- Worked in cooperation, also through specific meetings and contacts, with the Organismo di Vigilanza, the Body in charge of offence prevention – AML, Terrorism Financing, etc. – provided for by Italian Legislative Decree no. 231/01.

Moreover, in 2021 and up to the date of preparation of this Report, the Board expressed its opinion on several matters, including:

- Annual report on operations regarding asset-backed securities;
- Awarding of the variable remuneration component to Top Officers;
- Annual report on the controls performed on Outsourced Critical or Important Functions;

- Report on non-compliance risks;
- ICAAP and ILAAP Reports: specifically, the "ICAAP Report as at 31 December 2020" was submitted to the Board of Directors on 28 April 2021 after being examined by this Board, whereas the "ICAAP Report as at 31 December 2021" is going to be submitted to the Board of Directors on 27 April 2022;
- Report and self-assessment of money-laundering and terrorism financing risks;
- Assessment of the procedures for the outsourcing of cash-handling activities;
- Report on internal validation activities and annual report prepared by the Internal Audit Department on the AIRB System;
- Increase in the maximum amount of Covered Bonds issued;
- Report prepared by the Internal Audit Department on the operational management of Covered Bonds.

Having regard to the problems caused by the Covid-19 pandemic, in 2021 and up to today's date, the Board ensured to be constantly informed of the updated situation, especially about the main aspects given below:
- Organizational and safety initiatives to protect employees and customers;
- Initiatives to provide Customers with support, also under the relevant measures issued by the Government;

Monitoring of the monetary policy measures and capital and operational relief measures deployed by the ECB for the banks of the Euro Area, in order preserve their lending capacity.

Through its activities also in said scopes, this Board did not find any problems to be reported and, quite to contrary, worth mentioning is the response capacity of the Banking Group and its personnel, who has always ensured a high level of service also in the peaks of the pandemic.

2. MATERIAL TRANSACTIONS IN THE PERIOD

2.1 Atypical or unusual transactions and Transactions with related parties

The Annual Report and Financial Statements, the information obtained at the meetings of the Board of Directors and the information received from the Chairman and from the Chief Executive Officer, from the Management, from the Chief Audit Executive, from the Boards of Auditors of the subsidiaries and by the Statutory Auditor gave no evidence of the existence of atypical and/or unusual transactions carried out with third parties, with related or intra-group.

As regards intra-group transactions and transactions with related parties, this Board also acknowledges that, in paragraph 2 of "Part H" of the Note to the Financial Statements, the material transactions finalized in 2021 are properly reported.

2.2 Most significant transactions and *Operazioni di maggior rilievo* (material transactions)

In 2021, the CA Italia Banking Group carried out several material transactions, which the Board of Auditors constantly monitored, also through the verifications performed by the Risk Management and Permanent Controls Department on the so-called *Operazioni di Maggior Rilievo* (material transactions).

Of these, the following ones are to be specifically mentioned:

i. All-cash voluntary public tender offer made by Crédit Agricole Italia for all the shares in Credito Valtellinese: on 23 April 2021, the all-cash voluntary public tender offer made by CA Italia for all the shares in Credito Valtellinese S.p.A (Creval) was successfully completed, whereby Crédit Agricole Italia acquired 91.17% of Creval share capital and, then, at the end of the *sell-out and squeeze-out* procedure, 100% of Creval share capital, for a total consideration of Euro 862 million. Following the acquisition, the Group applied for the delisting of Creval shares from the Mercato Telematico Azionario and they were delisted effective as of 4 June 2021 as per the measure adopted by Borsa Italiana on 27 May 2021.

   The Purchase Price Allocation *(PPA)* and the recognition of the "gain or bargain purchase", as exhaustively reported in Part G of the Note to the financial statements, entailed the recognition ,under item 230 of the Consolidated Income Statement, of Income from consolidation amounting to Euro 497 million.

   In the meantime, the activities in preparation for Creval merger into Crédit Agricole Italia, which will be completed in Q2 2022, are going on as scheduled.

ii. Conversion of DTAs for losses: following the merger by absorption of Creval into Crédit Agricole Italia, scheduled in April 2022, it can be expected that the Deferred Tax Assets (DTA) for not deducted tax losses or the Allowance for Corporate Equity (ACE) surplus not used until the 2020 tax period, whether recognized or not, may be converted into tax credits, under Article 1, paragraph 233 et seq. of Italian Law no. 178 of 20 December 2020.

Their conversion is subject to the payment of a substitute tax amounting to 25% of the total converted DTAs, which is deductible for IRES and IRAP in the FY in which it is paid. The maximum value of DTAs that can be converted is 2% of the value of the assets of the entities that are parties to the business combination, net of the assets of the largest-sized party. As the DTA conversion is expected, the estimated commission was allocated to provision in an amount, net of the tax benefit, of Euro 72,6 million and recognized in item "Income Taxes for the period". Thanks to said provision, irrespective of the outcome of the related probability test linked to future profitability, which generally must allow for its recognition, having regard to losses/surplus before 2021, the related DTAs not previously recognized may also be stated. Therefore, as to Creval, DTAs for losses/Allowance for Corporate Equity surplus previously not recognized have emerged in an amount of Euro 178 million, of which Euro 5 million recognized before Creval acquisition. The net effect generated by the combination of the two recognitions came to approximately Euro 100 million.

iii. Voluntary public tender offer made by Crédit Agricole Italia for the shares in Crédit Agricole FriulAdria: on 16 June 2021 Crédit Agricole Italia announced, under Article 102 of the Italian Consolidated Law on Finance and Article 37 of the Issuer Regulation, its voluntary public tender offer for all the 4,159,603 ordinary shares in Crédit Agricole FriulAdria it did not already own, representing 17.233% of its share capital (excluding the 112,359 treasury shares held by Crédit Agricole FriulAdria).

    With the public tender offer, which ended on 17 September 2021, Crédit Agricole Italia acquired 99.101% of Crédit Agricole FriulAdria share capital for a total price paid by CA Italia of approximately Euro 142 million, plus a future expense of Euro 20.2 million if all those that accepted the Offer acquire the right to the Deferred Consideration as provided for by the Offer.

iv. Stelvio Project: within the derisking actions deployed on the NPE portfolio, in 2021 the Crédit Agricole Italia Group successfully completed disposals of non-performing loans for an aggregate gross book value of over Euro 1.6 B billion. Specifically, with the Stelvio Project, a portfolio of about 13,500 loans classified as bad was sold, for a gross book value of Euro 1.55 billion, 71% of which was originated by Crédit Agricole Italia, 17% by Credito Valtellinese and 12% by Crédit Agricole FriulAdria.

    In December 2021 the sale agreement was signed with the special-purpose entity "Ortles21 S.r.l". In order to finance the purchase of the loans, on 17 December 2021, the special-purpose entity issued the following three tranches of ABS (not listed on any regulated market), which were subscribed by the Parent Company:

    - Senior (Class A) notes, for Euro 340 million;
    - Mezzanine (Class B) notes, for Euro 40 million;
    - Junior (Class J) notes, for Euro 14,3 million.

    On 21 December 2021, 95% of the Mezzanine notes and 95% of the Junior notes was sold to SPF Investment Management with concomitant payment of the purchase price and subsequent derecognition of the sold loans and recognition of loss in the Income Statement for Euro 194 million. It is also pointed out that, as regards the Senior notes, the application for admission to the Italian State guarantee scheme on securitization of NPLs (GACS) was submitted to the Italian Ministry of the Economy and Finance.

v. Next Generation Plan: within the Creval integration project, the Crédit Agricole Italia Group started a generational turnover programme called "Next Generation", aimed at having state-of-the-art competences and skills. On 1 October 2021 the Voluntary Redundancy Agreement was signed with the Trade unions. The Plan entailed the recognition by the Group of Expenses for Voluntary Redundancy incentives amounting to Euro 190 million.

vi. Realignment of the carrying amounts and tax bases of some property, plant and equipment and intangible assets: the CA Italia Group exercised the option under Article 110 of Italian Decree Law 104/2020 (as amended by Italian Law 178/2020 and Italian Law 234/2021) whereby the tax bases of some property, plant and equipment and intangible assets could be realigned to their higher carrying amounts with payment of a substitute tax of 3% (the first instalment of which paid on 30 June 2021). As the conditions were met, the realignment was applied retrospectively to properties, goodwill and to a property plant and equipment asset with finite useful life. The realignment option requires that a reserve be subject to tax suspension, as resolved by the General Meeting of Shareholders upon the approval of these financial statements: in case reserve are distributed, they shall contributed to the income of the company and of its shareholders. Pending further analyses, the proposal for the reserve to be subject to tax suspension constraint submitted to the General Meeting provides for a higher constrained amount in view of possible extension of the realignment, whose value can therefore be determined with accuracy once that possibility has been verified.

With the realignment, the values of DTAs/DTLs showing pre-existing mismatches and new values were updated. This generated a positive effect on the "taxes" item of the income statement for the period of approximately Euro 97 million.

As to the so-called "*Operazioni di maggior rilievo*" (material transaction), besides those set forth above, this Board was informed of the opinions given by the Risk Management and Permanent Controls Department on the following topics:
- Participation in the TLTRO III programme;
- Increasing the limit to the security portfolio;
- Issue of covered bonds on 505.03 and 21 June 2021;
- Creval partial demerger plan and subsequent transfer to Calit S.p.A.

3. SUPERVISORY ACTIVITIES

3.1 Supervisory activities on the adequacy of the internal control system

The Crédit Agricole Italia Banking Group has set its internal controls system in compliance with the model of the Controlling Company Crédit Agricole S.A. and with the Supervisory regulations (specifically, Bank of Italy Circular 285/2013).

Therefore, the Group has implemented an internal controls system consisting of the set of rules, functions, structures, resources, processes and procedures that have been designed to ensure the achievement of the following objectives:
Compliance of corporate operations with the applicable legislation and supervisory regulations, as well as with the internal policies, regulations and procedures;
- Effectiveness and efficiency of the corporate processes as implemented;
- Verifying that the set corporate strategies and policies are properly implemented;
- Keeping risks within the limits set in the Risk Appetite Framework;
- Safeguarding the value of assets and protecting from losses;
- Reliability and security of corporate information and IT procedures;
- Preventing the risk that the entities of the Group may be involved, also unintentionally, in unlawful activities (with specific regard to money/laundering, usury and terrorism financing).

As set forth in the Report on Corporate Governance and Ownership Structure, the types of controls within CA Italia are structured as follows:
1. Permanent control, which comprises:
   - 1st-degree controls, exercised on a continuous basis by the employees performing the transactions, by the persons they report to on a solid line, or executed by the automated systems for transaction processing; the activities for the production of accounting data and for the preparation of the Annual Report and Financial Statements are subject to specific first-degree controls that are carried out within the accounting teams
   - 2nd-degree/first-level (2.1) controls, which are carried out by persons engaged in operating tasks, but other than those directly involved in the transactions subject to control; specifically, within the central administrative structures, controls are performed to monitor all departments and roles that can access the accounting information system;
   - 2nd-degree/second level (2.2) controls, which are carried out by staff who is engaged in specialist functions for top level permanent controls and is not authorized to take risks, i.e. staff engaged in Compliance, Risk Management and Permanent Controls functions;
2. Periodic control, which is performed by the Internal Audit Department on a periodic basis through remote verifications, on-site inspections and audits of documents.

The Board of Auditors can reliably state that it supervised the effectiveness and proper operation of the overall system of internal controls, also through regular and constant meetings with the Risk Management and Permanent Controls Central Department, the Internal Audit Central Department, the Compliance Central Department and with the Manager in charge of the preparation of the company accounting documents, receiving copies of the reports prepared by the various Corporate Bodies and Committees engaged in control functions.

To this end, the Board of Auditors also supervised the operations of the subsidiary "Crédit Agricole Group Solutions Società Consortile per Azioni", a not-for-profit consortium company that was incorporated in 2015 and provides services, mainly but not exclusively, to or in the interest of its shareholders. All the Group's activities relating to Operational Processes, Information Systems, Technical Logistics, Safety and Security, Business Continuity, Purchases and Real Estate Management, and Human Resources Administration were transferred to this Company.

3.2 Supervisory activities on the adequacy of the risk management system

The founding principles informing all activities for risk management and control deployed by CA Italia are the following:

- Clear identification of risk-taking responsibilities;
- Measurement and control systems that are compliant with the Supervisory guidelines and consistent with the solutions more frequently adopted at an international level;
- Organizational separation between operating and control functions.
- The risks detected, controlled and integrated (considering diversification benefits) in the economic capital are defined as;
- Credit and counterparty risks; this category also includes concentration risk;
- Market risk of the Trading Book;
- Price risk of the Banking Book;
- Interest rate risk of the Banking Book;
- Liquidity risk;
- Foreign exchange risk of the Banking Book;
- Operational risk.

The Crédit Agricole Italia Banking Group defines its Risk Strategy on a yearly basis, which sets the risk levels that the Group deems adequate to its development strategy. Based on the Strategy, which is submitted to the Risk Committee of Crédit Agricole S.A. for its approval, global limits are set (alert thresholds) and are appropriately supplemented with operational limits that are specific to each single Entity in the Group. This system, setting limits and/or alert thresholds, is submitted to the Boards of Directors of the Parent Company Crédit Agricole Italia S.p.A. and of the single Entities of the Group for their approval.

The Risk Management and Permanent Controls Department (Italian acronym DRPC) performs risk management and control activities for all the Companies of the Crédit Agricole Italia Banking Group.

3.3 Supervisory activities on the statutory audit of the accounts

Pursuant to Articles 16 and 19 of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016 implementing Directive 2014/56/EU, the Board of Auditors has the role of Audit Committee in charge of internal control and of the statutory audit of the accounts and is responsible, among other things, for:

- Monitoring the financial reporting process and presenting any recommendations or proposals aimed at ensuring its integrity;
- Verifying the effectiveness of the systems of internal control, quality and risk management of the Company and, where applicable, of the internal audit, as regards financial reporting of the audited entity, with no breach of its independence;
- Monitoring the statutory audit of annual accounts, both separate and consolidated;
- Verifying and monitoring the independence of the audit firm tasked with the statutory audit of the accounts pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of the Decree and to Article 6 of Regulation (EU) 537/2014 of 16 April 2014, especially as regards the provision of services other than statutory audit (non-audit services) to the audited entity, in compliance with Article 5 of the Regulation;
- Supervising the procedure for the selection of statutory auditors or audit firms and recommending statutory auditors or audit firms to be appointed pursuant to Article 16 of Regulation (EU) 537/2014.

Having regard to this duty, it is pointed out that the engagement of EY S.p.a. ended with the approval of the Annual Report and Financial Statements as at 31 December 2020: consequently, in agreement and in cooperation with the relevant Structures of the Parent Company, this Board carried out a complex activity to identify the audit firm to be retained for the Statutory Audit of the Accounts for the 2021-2029 nine-year period and, based on the “Reasoned proposal of the Board of Auditors”, on 28 April 2021, the General Meeting of Shareholders appointed PricewaterhouseCoopers S.p.A..

That being said, in order to perform its monitoring on the statutory audit and its independence, this Board worked in close cooperation with the independent audit firm EY S.p.A. (until the end of its engagement) and afterwards with PricewaterhouseCoopers S.p.A., performing, pursuant to the aforementioned Article 19, in 2021 and up to the date of this Report to the Shareholders, continuous monitoring of the activities carried out by the Independent Audit Firm.

To this end, regular meetings were held in the reporting period, both to examine the quarterly accounts and to exchange data and information as relevant for the performance of the respective tasks and for the analysis of the outcomes of the work carried out by the Audit Firm.

It is specifically pointed out that, on 124 May 2021, the outgoing Independent Audit Firm sent a document called “Letter with comments by the Independent Audit Firm”, whereby the Audit Firm reported on some aspects of the company’s activities deemed worthy of attention.

In addition to the aforementioned exchange of information, the Board of Auditors examined the following reports that were issued by the Statutory Auditor PricewaterhouseCoopers S.p.A. on 1 April 2022 and that set forth the matters examined during the various meetings held since the previous report to the Shareholders:

- The Audit Report on the Consolidated Financial Statements issued pursuant to Article 14 of Italian Legislative Decree No. 39/2010 and to Article 10 of Regulation (EU) No. 537/2014, which is dealt with in the “Separate and Consolidated Financial Statements” paragraph;
- The Audit Report on the Separate Financial Statements issued pursuant to Article 14 of Italian Legislative Decree No. 39/2010 and to Article 10 of Regulation (EU) No. 537/2014, which is dealt with in the “Separate and Consolidated Financial Statements” paragraph;
- The Independent Auditors’ Report pursuant to Article 3, paragraph 10 of Italian Legislative Decree No. 254 of 30 December 2016 and to Article 5 of CONSOB Regulation No. 20267 concerning the Consolidated Non-Financial Statement as at 31 December 2021;
- The Additional Report, also issued on 1 April 2022, pursuant to Article 11 of Regulation (EU) No. 537/2014, including the annual confirmation of independence, also issued on the same date, pursuant to Article 6(2)(a) of Regulation (EU) No. 537/2014 and to paragraph 17 of International Standard on Auditing (ISA) Italia 260;
- Overall, it is reported that the Independent Audit Firm did not inform this Board, at the regular meetings held or in its reports, of any remarks or findings of irregularities, problems and/or material inadequacy.

As regards verification of the statutory auditor’s independence, in 2021 pursuant to Article 19 of Italian Legislative Decree No. 39/2010, the Board of Auditors verified and monitored the independence of the audit firm PricewaterhouseCoopers S.p.A. tasked with the statutory audit of the accounts, pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of the aforementioned Decree and to Article 6 of Regulation (EU) 537/2014, especially as regards the provision of non-audit services to the audited entity. Moreover, as reported in the previous paragraph, the Board of Auditors received the statement confirming the Audit Firm’s independence, and found no inconsistencies.

3.4 Supervisory activities on the adequacy of financial reporting process

As regards financial reporting processes, this Board of Auditors carried out thorough reviews with both the Administration and Finance Department and the Manager in Charge of the preparation of the Company’s accounting documents, as well as with the Independent Audit Firm: these reviews did not show any problems affecting the internal control system concerning the financial reporting process. The administrative and accounting procedures for the preparation of the separate and consolidated financial statements were designed and implemented under the responsibility of Manager in Charge, who, jointly with the Chief Executive Officer, vouches for their adequacy and actual implementation. At the aforementioned regular meetings, the Manager in Charge did not report any material shortcomings in the operational and control processes, which could bias the warranted adequacy and actual application of the administrative-accounting procedures, in order to given a true and correct income, financial and cash flow representation of operations, in compliance with the international accounting standards.

On 24 March 2022, the Manager in Charge and the Chief Executive Officer signed the certifications on the separate and consolidated financial statements as at 31 December 2021 required by Article 81-ter of the Issuers' Regulation approved by CONSOB with Resolution 11971/1999 as amended and supplemented.

This Board of Auditors also examined the half-yearly and annual reports prepared by the Manager in Charge and the "Letter of comments by the Independent Audit Firm" sent on 24 May 2021 and regarding some points of attention in the Company's business operations, as well as the Additional Report issued on 1 April 2022, pursuant to Article 11 of the aforementioned EU Regulation: no one of these documents reports any material shortcomings in the internal control systems concerning the Company's financial reporting and/or accounting system.

Based on the information it obtained and on the analyses it made, this Board of Auditors can deem the administrative and accounting system of the Crédit Agricole Italia Banking Group as overall adequate and compliant with the applicable legislation.

4. REMUNERATION POLICIES

The Board of Auditors has acknowledged that, at its meeting held on 24 March 2021, the Board of Directors approved the "Remuneration Policies of the Crédit Agricole Italia Banking Group for 2022 and the actual figures for 2021" document, which shall be submitted to the General Meeting of Shareholders. This document sets out the principles and standards used to design, implement and monitor the Group's remuneration systems. It was reviewed by the Internal Audit Department, which did not report any anomalies.

On this matter, in the reporting period, the Board of Auditors also participated, represented by its Chairman or by another of its Members, in the meetings of the Appointments Board Committee and of the Remuneration Board Committee.

5. RELATIONS WITH SUPERVISORY AUTHORITIES

Having regard to the relations with Supervisory Authorities, the Board of Auditors performed its duties in accordance with the applicable legislation, was regularly informed of all communications received and constantly followed the preparation of the related responses and requested activities.

Of the received requests, the following ones are specifically reported:
- Bank of Italy letter of 11 August 2021regarding transparency audits on Creval;
- Preliminary investigation notified by the Autorità Garante della Concorrenza e del Mercato (the Italian Competition Authority, hereinafter the "Authority" or with the Italian acronym "AGCM") with its letter of 22 September 2021, regarding the methods used by the Bank to propose the SEPA Instant Credit Transfer (hereinafter SCT Inst) to customers, at the end of which the Authority imposed an administrative pecuniary penalty on the Bank;
- Preliminary investigation notified by the Autorità Garante della Concorrenza e del Mercato (the Italian Competition Authority, hereinafter the "Authority" or with the Italian acronym "AGCM") on 25 November 2021 regarding a possible violation of the Consumer Protection Code consisting in undue influence on consumers and/or micro-enterprises in order for them to accept the services provided by a consulting firm as an entity issuing tax compliance endorsements to obtain the transfer of tax credits. Said preliminary investigation was still underway on the date of preparation of this report;
- Request of the Bank of Italy of 29 December 2021 for clarifications and/or additional information on the findings reported by the Bank of Italy after the audits it carried out on the transparency legislation in 2018 and the responses given by the CA Italia Group.

In the reporting period and up to the date of preparation of this Report, no charges were filed pursuant to Article 2408 of the Italian Civil Code.

6. SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AND NON-FINANCIAL STATEMENT

6.1 Separate Financial Statements

The Annual Report and Separate Financial Statements as at 31 December 2021 are governed by Italian Legislative Decree no. 38 of 28 February 2005 and by Bank of Italy Circular no. 262 of 22 December 2005 as updated, and were prepared in accordance with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) applicable as at 31 December 2021, and endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In the Note to the Financial Statements, the Management Body stated that no exceptions were made to the application of the IAS/IFRS.

The Separate Financial Statements and the Management Report accompanying them are deemed adequate to provide information on the Bank's situation, its performance in the reporting period and outlook (also taking account of the indications given in the joint document issued by the Bank of Italy/CONSOB (Italian Securities and Exchange Commission)/ISVAP (Italian Insurance Supervisory Authority) No. 4 of 3 March 2010, on the application of the IAS/IFRS).

The loss for FY of Euro 71,836 thousand was generated by non-recurring loss components associated with Creval acquisition, the Voluntary Redundancy with incentives plan and the derisking strategy, which were only partly offset by the positive effects of the tax transactions described in paragraph 2.2. 2.2. In this regard, it is pointed out:

- The "Next Generation" generational turnover plan entailed the recognition of Euro 124 million in expenses for voluntary redundancy incentives;
- In Q4 2021 non-recurring adjustments were recognized totalling Euro 291 million resulting from the securitization with a portfolio of bad loans as the underlying assets and from the development in the policies on the measurement of non-performing loans within the derisking process started by the Bank;
- Current taxes and deferred tax assets and liabilities report a positive balance of approximately Euro 60 million including non-recurring effects, such as the positive effect of about Euro 74 million from the exercise of the option for realignment of the tax and book value of property, plant and equipment and intangible assets under Article 110 of Italian Decree Law 104/2020 and the net effect of the provision for the fee to covert DTA on tax losses under Article 1, paragraph 233 *et seq*. of Italian Law no. 178 of 30 December 2020 associated with the forthcoming Creval merger, for about Euro 73 million.

Net of the non-recurring effect, the Bank would report a net profit of about Euro 210 million.

6.2 Consolidated Financial Statements

The Consolidated Financial Statements as at 31 December 2021 are governed by Italian Legislative Decree No. 38 of 28 February 2005 and by Circular No. 262 of the Bank of Italy of 22 December 2005, as updated, and were prepared in accordance with the International Accounting Standards and the International Financial Reporting Standards (IAS/IFRS) as well as with the relevant interpretations issued by the IFRIC, endorsed by the European Commission pursuant to Regulation (EC) No. 1606/2002 of 19 July 2002. As specified by the Directors in the Note to the Consolidated Financial Statements, the consolidation perimeter consists, in addition to the Parent Company Crédit Agricole Italia S.p.A., of its subsidiaries of which in paragraph 1 of Part A of the Note to the Consolidated Financial Statements.

Having regard to the Consolidated Financial Statements as at 31 December 2021, the General Meeting is also informed that this Board supervised their general layouts, their general compliance with the applicable law in terms of preparation and layouts and, on this matter, no remarks are to be made. Moreover, this Board verified compliance with the standards concerning the preparation of the Management Report.

It is pointed out that the consolidated profit for 2021 of Euro 607.4 million was also materially impacted by non-recurring components, which were given close attention by the Board of Auditors and are exhaustively described in the Note to the financial statements and by the Independent Auditors in paragraph "Key audit matters". Of these, the following are specifically mentioned:

- The recognition of expenses for voluntary redundancy incentives within the "Next Generation" programme amounting to Euro 190 million;
- The recognition of non-recurring adjustments totalling Euro 319 million resulting from the securitization with a portfolio of bad loans as the underlying assets and from the development in the policies on the measurement of non-performing loans within the derisking process started by the Bank;

- The recognition through profit and loss of net badwill for Euro 497 million resulting from the Purchase Price Allocation (PPA) process required under IFRS 3 "Business Combinations" on Credito Valtellinese acquisition, which was completed in Q2 2021 with a net PPA of Euro 429 million;

The recognition of positive tax effects resulting from realignment of the tax bases and carrying amounts of some property, plant and equipment and intangible assets (overall positive by Euro 97 million), as well as thanks to deferred tax assets (DTA) of Creval under the 2020 Italian Budget Law, previously stated off-balance-sheet, with a positive effect through profit or loss amounting to Euro 100 million, net of the related conversion cost.

All the above being given, as mentioned above, on 1 April 2022, this Board of Auditors received the Independent Auditor's Report pursuant to Article 14 of Italian Legislative Decree No. 39 of 27 January 2010, and to Article 10 of Regulation (EU) No. 537/2014 on the financial statements as at 31 December 2021, whereby the Independent Auditors express their judgement that both the separate and consolidated financial statements provide "a truthful and correct representation of the reporting entity's equity and financial position as at 31 December 2021, of its profit or loss and cash flows for the reporting year, in compliance with the International Financial Reporting Standards endorsed by the European Union and with the measures implementing Article 9 of Italian Legislative Decree No. 38 of 28 February 2005 and Article 43 of Italian Legislative Decree no. 136 of 18 August 2015".

Furthermore, this Board acknowledged that, on 24 March 2022, the Manager in Charge and the Chief Executive Officer signed the certifications on the separate and consolidated financial statements as at 31 December 2021 required by Article 81-ter of the Issuers' Regulation approved by CONSOB with Resolution 11971/1999 as amended and supplemented.

Lastly, having regard to the Management Report and to some specific pieces of information contained in the report on corporate governance and ownership structure, it is pointed out that the statutory auditor's reports attest that they are consistent with the Group's Consolidated Financial Statements and with the Separate Financial Statements as at 31 December 2020 and have been prepared in compliance with the applicable law.

6.3 Non-Financial Statement

The CA Italia Group has chosen to present its Non-Financial Statement (hereinafter NFS) on a voluntary basis also for 2021, as done in the previous years, even though it is exempt from the obligation to prepare it under Article 6 of Italian Legislative Decree No. 254/2016. The Non-Financial Statement has been prepared on the consolidated perimeter, including Creval sustainability performances starting from 1 May 2021, the date of its acquisition.

Having regard to Italian Legislative Decree 254/2016 concerning the disclosure of non-financial information and to the related implementing Regulation issued by CONSOB with its resolution of 18 January 2018, this Board of Auditors supervised, in performing its functions, compliance with the provisions contained therein on the preparation of the Non-Financial Statement (hereinafter, which was approved by the Board of Directors on 24 March 2022 as a free-standing document separated from the Annual Report and Financial Statements.

Within its responsibilities and duties, in 2021 the Board of Auditors had meetings with the heads of the structures involved in sustainability matters and in preparing the Non-Financial Statement, participated – represented by its Chairman or another Auditor – in all the meetings of the Sustainable Development Committee and had meetings with the representatives of the appointed Audit Firm (PricewaterhouseCoopers S.p.A.), examining the documents made available. Lastly, this Board acknowledged the report issued by the Audit Firm on 1 April 2022 in which the Audit Firm attests that it found no elements that may lead to think that the NFS of the Crédit Agricole Italia Banking Group has not been prepared, in all its material aspects, in full compliance with the applicable legislation.

Therefore, the Board of Auditors supervised the adequacy of the organizational, administration, reporting and control system in accordance with the Group's strategic objectives in the suitability scope and has nothing to report as regards the above.

7. EVENTS OCCURRED AFTER THE REPORTING DATE

Given their materiality, this Board deems it appropriate to draw the Shareholders' attention on some events that occurred in the period from the reporting date to the approval of the 2021 Annual Report and Financial Statements (although not reckoned such as to generate material changes to the assessments and considerations made by the Directors):

- On 25 January 2022 the extraordinary General Meeting of Crédit Agricole Italia Shareholders resolved to increase its share capital by Euro 500 million through the issue of 121,951,220 shares having a nominal value of Euro 1 each to be offered in option to the shareholders at a unit price of Euro 4.10, of which Euro 1 as capital and Euro 3.10 as share premium. The share capital increase completed the capital strengthening phase aimed at supporting Creval acquisition, which had started in 2021 with contributions for a future capital increase given by the controlling company Crédit Agricole S.A. Totalling Euro 417 million.
- On 24 February 2022, Russia started its military invasion of Ukraine, which is an uncertainty factor in the development of the macroeconomic scenario in which the Group will operate. Pursuant also to CONSOB Communication of 18 March 2022, the Group has represented in its management report that the CA Italia Banking Group's exposures to Russian and Ukrainian banks are negligible (as they amount to a total of Euro 14 million, i.e. 0.02% of total on-balance-sheet and off-balance-sheet loans). Conversely, the possible indirect economic repercussions on the Group's customers are several, resulting from the continuously evolving situation: however, for the time being, any assessment of economic repercussions materially depends on how the situation will develop and, therefore, the scenarios expected in 2022 will likely undergo changes that at the moment cannot be quantified and may determine impacts on the estimates and assumptions used for the 2021 Annual Report and Financial Statements.

8. DIVIDEND DISTRIBUTION PROPOSAL

As regards dividend distribution, the Board of Directors of Crédit Agricole Italia S.p.A., considering its capital ratios and the share capital increase underway, proposes:

- To cover the loss for the period of Euro 71,836,243, using the extraordinary reserve by the same amount;
- To distribute reserves for dividends in a total amount of Euro 166 million, i.e. a unit dividend of Euro 0.15074 for each one of the 1,101,234,560 shares in Crédit Agricole Italia's share capital as at the dividend payment, of which 121,951,220 new shares resulting from the share capital increase reported in paragraph 7, which is going to be completed by the end of April and, in any case, before the dividend payment.

Furthermore, it is pointed out that the General Meeting will have to resolve on the tax suspension constraint represented in the draft Annual Report and Financial Statements for 2021 by the specific equity reserve of Euro 878,094,774.65 using the extraordinary reserve by the same amount, as better explained in paragraph "PROPOSAL TO THE GENERAL MEETING OF SHAREHOLDERS" in the report to the separate financial statements.

9. CONCLUSIONS

Dear Shareholders,

Considering the information and evidence obtained in its supervisory activities and reported above, considering the outcome of the activities performed by the firm tasked with the statutory audit of accounts "PricewaterhouseCoopers S.p.A." as contained in its Independent Auditor's Report pursuant to Article 14 of Italian Legislative Decree No. 39 of 27 January 2010, and to Article 10 of Regulation (EU) No. 537/2014, and considering the Certifications signed by the Chief Executive Officer and by the Manager in charge of the preparation of the corporate accounting documents, the Board of Auditors unanimously deems that there are no reasons why you should not approve the draft Annual Report and Financial Statements as at 31 December 2021, as prepared and submitted to you by the Board of Directors.

This Board also agrees on the proposal for covering the loss for the period and dividend distribution as made by the Board of Directors on 24 March 2022 and on the proposal for a tax suspension constraint on the extraordinary reserve for Euro 878,094,774.65.

*

Dear Shareholders,

With the approval of the Annual Report and Financial Statements as at 31 December 2021, the term of office of this Board of Auditors expires, as it was appointed by the General Meeting of Shareholders on 30 April 2019. Therefore, the General Meeting convened on 27 April 2022 shall appoint the new Board of Auditors for the 2022 – 2024 three-year period and, to that end, as mentioned above, this Board shall file its "Document on the optimal qualitative and quantitative composition of the Board of Auditors of Crédit Agricole Italia S.p.A.".

We thank the Shareholders for the trust they placed in the outgoing Board of Auditors throughout its term of office; we thank the Chairman and the Chief Executive Officer, along with the Audit Committee for Internal Control and the Board of Directors, the Management and all the personnel of the CA Italia Group for their support and esteem.

Lastly, let us send our thought to Auditor Stefano Lottici, who long shared our engagement up to his very untimely death.

*

Parma, 4 April 2022

The Board of Auditors
(Paolo Alinovi)
(Alberto Cacciani)
(Luigi Capitani)
(Maria Ludovica Giovanardi)
(Germano Montanari)

INDEPENDENT AUDITORS' REPORT

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Crédit Agricole Italia SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Crédit Agricole Italia Group (the Group), which comprise the balance sheet as of 31 December 2021, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Crédit Agricole Italia SpA (Bank of Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of the book value of goodwill arising from business combinations	
Notes to the consolidated financial statements Part A – Accounting policies Part B – Information on the Consolidated Balance Sheet, section 10 of assets The book value of goodwill arising from business combinations as of 31 December 2021 was equal to Euro 1,315.9 million. The directors assess the recoverable value of goodwill, at least annually (impairment test). Such assessment, aimed at identifying any impairment losses, is based, pursuant to IAS 36 "Impairment of assets", on the comparison between the book value and the higher of fair value less costs of disposal and the value in use of the Cash Generating Unit or CGU. The estimate of the recoverable value of the CGU of the "Retail and Private" segment, to which this goodwill is allocated, was carried out using the Dividend Discount Model, in the excess capital version. This method, which is consolidated and recognised in the prevailing practice, requires the use of information, parameters and assumptions, which were also developed with the support of the French parent company Crédit Agricole S.A.. The determination of the recoverable value of the assets subject to impairment test therefore requires the directors to make estimates that, by their nature, contain significant elements of professional judgement with particular reference to expected cash flows. For the year ended 31 December 2021, the estimation process was complex, also due to the continuing uncertainty of the macroeconomic scenario following the Covid-19 pandemic. For the reasons set out above, we considered the recoverability of the book value of goodwill arising from business combinations to be a key	During the performance of our audit, we considered the internal control system relevant to the preparation of the financial statements. In order to design audit procedures that are appropriate in the circumstances we also took into account the particular context of uncertainty resulting from the Covid-19 pandemic. Specifically, we carried out the following main activities, also with the support of the experts of the PwC network: • understanding and evaluating the process and methodology adopted by the directors to perform the impairment test; • verifying the consistency of the evaluation method adopted with the provisions of IAS 36, taking into account the market practice; • assessing the reasonableness of the forecast data used to determine the prospective cash flows of the identified CGU, also taking into account the uncertainty related to the Covid-19 health emergency; • comparing the forecast data prepared during the previous year with the actual data for the current year for the CGU, in order to verify the reasonableness of the assumptions adopted by the directors; • critical examination of the reasonableness of the main assumptions used by the directors, also by checking with external data where available, the main quantitative assumptions (cost of capital, discount and growth rates) used to determine the recoverable amount of the CGU; • checking the accuracy of the mathematical calculations underlying the valuation models used and their correctness;

audit matter for our audit of the consolidated financial statements as of 31 December 2021.	• evaluating the results of the sensitivity analyses carried out by the directors on the main quantitative parameters, in light of the uncertainty of the current macroeconomic scenario, also following the conflict between Russia and Ukraine; • verifying the completeness and adequacy of the disclosure provided by the directors in the notes to the consolidated financial statements in accordance with the provisions of international accounting standards and the applicable regulatory framework, as well as the communications of the Supervisory Authorities.

Recoverability of "non-convertible" deferred tax assets

Notes to the consolidated financial statements *Part A – Accounting policies* *Part B – Information on the Consolidated Balance Sheet, section 11 of assets* *Part C – Information on the Consolidated Income Statement, section 21* As of 31 December 2021 the line item 110 b) "Deferred tax assets" includes "non-convertible" deferred tax assets (DTAs) amounting to Euro 939.9 million other than those referred to Law no. 214/2011, the recoverability of which is ensured by the specific provisions of the law, and other than those arising from prior tax losses; therefore in accordance with the provision of Article 1, paragraphs 233 et seq. of Law no. 178 of 30 December 2020, in relation to the merger by incorporation of Credito Valtellinese SpA into Crédit Agricole Italia SpA scheduled for April 2022 these assets can be converted into tax credits. Such amount related to DTAs includes: - Euro 88.8 million generated during the year and attributable to the realignment between the tax and statutory values of certain tangible and intangible assets as provided for by Legislative Decree 104/2020; - Euro 851.1 million related to tax losses for the year and to other temporary differences.	During the performance of our audit, we considered the internal control system relevant to the preparation of the financial statements. In order to design audit procedures that are appropriate in the circumstances we also took into account the particular context of uncertainty resulting from the Covid-19 pandemic. In particular, in order to address such key audit matter, we carried out the following main activities, also with the support of the experts of the PwC network: • understanding and evaluating the process and methodology adopted by the directors to perform the probability test; • verifying the consistency of the methodology adopted with the provisions of IAS 12, taking into consideration the professional practice, as well as the communications and recommendations of the Supervisory Authorities; • assessing, also by comparison with external data, where available, the reasonableness of the main qualitative and quantitative assumptions (income flows, alternative scenarios, discount rate and growth rate);

The directors carry out the periodic assessment of the recoverability of the DTAs through the development of a specific estimation process (probability test) aimed at verifying, in accordance with IAS 12 "Income Taxes", the availability of sufficient future taxable income, also in consideration of the Bank's participation in the tax consolidation regime of the Crédit Agricole S.A. Group in Italy. The assessment of the recoverability of DTAs requires the use of information, parameters and assumptions that have a high degree of subjectivity and complexity, with particular reference to the estimation of expected future taxable income. Moreover, for the 2021 financial year, this process was even more complex in view of the high level of uncertainty of the macroeconomic scenario caused by the Covid-19 pandemic. For the reasons set out above, we considered the recoverability of the “non-convertible deferred tax assets” to be a key audit matter for our audit of the consolidated financial statements as of 31 December 2021.	• analysing the reasonableness of the assumptions used for the preparation of the probability test, based on the applicable tax regulations; • verifying the consistency of the assumed macroeconomic scenarios and assumed income flows with the approach used in other relevant valuation processes; • verifying the accuracy of the mathematical calculations underlying the probability test and their correctness; • evaluating the results of the sensitivity analyses carried out by the directors on the recoverability of the DTAs when the parameters adopted change, in light of the uncertainty of the current macroeconomic scenario, also following the conflict between Russia and Ukraine; • verifying the completeness and adequacy of the disclosure provided by the directors in the notes to the consolidated financial statements in accordance with the provisions of international accounting standards and the applicable regulatory framework, as well as the communications and recommendations issued by the Supervisory Authorities.

Valuation of performing loans to customers measured at amortised cost

Notes to the consolidated financial statements *Part A – Accounting policies* *Part B – Information on the Consolidated Balance Sheet, section 4 of assets* *Pare C – Information on the Consolidated Income Statement, section 8* *Part E – Information on risks and relative hedging policies – 1.1 Credit risk* As of 31 December 2021, performing loans to customers amounted to Euro 62,414 million representing 80 per cent of line item “*40 b) Financial assets measured at amortised cost – loans to customers”*, and corresponding to 59 per	During the performance of our audit, we considered the internal control system relevant to the preparation of the financial statements. In order to design audit procedures that are appropriate in the circumstances we took into account the modifications and adaptations that became necessary following the continuation of the uncertain macroeconomic scenario resulting from the Covid-19 pandemic. In order to address such key audit matter, we carried out the following main activities, also with the support of the experts of the PwC network:

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cent of total consolidated assets. Net adjustments to these loans recognised during the year amounted to Euro 31.6 million and are the best estimate made by directors in order to recognise the expected credit losses (ECL) related to the loan portfolio at the balance sheet date, based on applicable accounting standards. The estimation processes are characterised by a high degree of professional judgement and require significant assumptions, to verify the Significant Increase in Credit Risk (SICR), allocate portfolios to the various risk stages (Staging) and determine the assumptions and input data for the Expected Credit Loss (ECL) models. These models incorporate the prospective information developed centrally by the parent company Crédit Agricole S.A., according to a multi-scenario approach. For the year 2021, these estimation processes were affected by some methodological changes compared to the previous year. In particular, in addition to the ordinary process of updating the input data and refining the risk parameters (including the adoption of the new definition of default), the Group, in agreement with the French parent company Crédit Agricole S.A., introduced new thresholds for the Staging, as well as management overlays, in order to consider the evolution of the macroeconomic context induced by the Covid-19 pandemic, as well as to factor in certain valuation elements that were not adequately captured by the models used. In view of the significance of the book value, as well as the complexity of the processes and methodologies adopted, and taking into account the reasons set out above, we considered the valuation of performing loans to customers measured at amortised cost to be a key audit matter of our audit of the Group's consolidated financial statements as of 31 December 2021.	• analysing the adequacy of the IT environment and verifying the operational effectiveness of the relevant controls governing the IT systems and applications used by the Group for loan assessment purposes; • understanding and evaluating the design of relevant controls in the areas of loan monitoring, classification and evaluation and verifying the operational effectiveness of such controls; • comparative analysis of the performing portfolio and of the related hedging levels, with reference to the most significant deviations from the previous year's figures and from sector information; • understanding and verifying the appropriateness of the policies, procedures and models used for measuring SICR, staging allocation and determining ECL. Particular attention was paid to the counterparties that participated in and benefited from the measures to support the economy following the Covid-19 pandemic, and in particular the debt moratoria; • understanding and verifying the methods to determine the main estimation parameters used in the models for calculating the ECL and the changes and corrections introduced during the year. In particular, we verified the reasonableness of the estimates made by the directors in defining the expected macroeconomic scenarios and their weighting, the PD (Probability of Default) and LGD (Loss Given Default) risk parameters, which include the adjustments made to the models (management overlay) and incorporate the changed risk context related to the Covid-19 pandemic and the new definition of default; • verification of the correct application of the valuation criteria defined for loans classified as performing (stage 1 and 2), the completeness and accuracy of the databases used to calculate the ECL, and

	the accuracy of the formulae used to calculate the PD, LGD and EAD (Exposure at Default) parameters; • verification, on a sample basis, of the reasonableness of the classification under performing loans (stage 1 and 2) on the basis of information on the debtor status and other available evidence, including external evidence; • evaluation of the results of the sensitivity analysis of the ECL against the macroeconomic scenarios carried out by the directors, also in consideration of subsequent events including those related to the conflict between Russia and Ukraine; • verifying the completeness and adequacy of the disclosure provided by the directors in the notes to the consolidated financial statements in accordance with the provisions of international accounting standards and the applicable regulatory framework, as well as the communications issued by the Supervisory Authorities.
Valuation of non-performing loans to customers measured at amortised cost *Notes to the consolidated financial statements* *Part A – Accounting policies* *Part B – Information on the Consolidated Balance Sheet, section 4 of assets* *Part C – Information of the Consolidated Income Statement, Section 8* *Part E - Information on risks and relative hedging policies – 1.1 Credit risk* As of 31 December 2021, non-performing loans to customers (stage 3) showed a balance of Euro 1,362 million corresponding to 1.8 per cent of line item "*40 b) Financial assets measured at amortised cost – loans to customers*". Net adjustments to these loans recognised during the year amounted to Euro 413.5 million and include the best estimate made by the directors in order to recognise the expected losses relating to the loan portfolio at the reporting date on the	During the performance of our audit, we considered the internal control system relevant to the preparation of the financial statements. In order to design audit procedures that are appropriate in the circumstances we also took into account the particular context of uncertainty resulting from the Covid-19 pandemic. In order to address such key audit matter, we carried out the following main activities, also with the support of the PwC network experts: • analysing the adequacy of the IT environment and verifying the operational effectiveness of the relevant controls governing the IT systems and applications used for loan assessment purposes; • understanding and evaluating the design of relevant controls in the area of loan

basis of the applicable accounting standards, as well as the negative effects deriving from the sale transaction (the so-called "Stelvio project") of a bad loan portfolio for a gross book value of Euro 1,550 million, in respect of which the Group has derecognised the loan portfolio.

The estimation processes are characterised by high complexity and a high degree of professional judgement requiring the estimate of numerous variables; the use of significant assumptions is particularly relevant to the determination of expected future cash flows, their timing and the realisable value of collaterals, if any.

For the year 2021, these estimation processes were affected by some methodological changes compared to the previous year. In particular, the valuation policies for non-performing loans were reviewed in order to maintain full alignment with the most recent guidelines proposed by the Supervisory Authorities.

In view of the significance of the book value, as well as the complexity of the processes and methodologies adopted and taking into account the reasons set out above, we considered the valuation of non-performing loans to customers measured at amortised cost to be a key audit matter of our audit of the Group's consolidated financial statements as of 31 December 2021.

monitoring, classification and evaluation and verifying the operational effectiveness of such controls;

- comparative analysis for each category of non-performing loans of the related hedging levels, with reference to the most significant deviations from the previous year's figures and from sector information;
- understanding and evaluating the valuation policies adopted by the Group, also in light of the review of the valuation policies of the non-performing loans made during the year;
- verifying, on a sample basis, the reasonableness of the classification under non-performing loans, based on information regarding the debtor status and other available evidence, including external evidence. Specific analyses were carried out on the assumptions made with reference to the identification and quantification of future cash flows expected from recovery activities, the valuation of the guarantees covering such exposures and the estimate of recovery times;
- verifying the completeness and adequacy of the disclosure provided by the directors in the notes to the consolidated financial statements in accordance with the provisions of international accounting standards and the applicable regulatory framework, as well as the communications issued by the Supervisory Authorities.

Recognition of the business combination of the Credito Valtellinese Group

Notes to the consolidated financial statements
Part A – Accounting policies.
Part B – Information on the Consolidated Income Statement, section 16
Pare G – Business combinations regarding businesses or business units

During 2021, the Group completed the acquisition of all the shares of Credito Valtellinese SpA (the

In order to address such key audit matter, we carried out the following main audit procedures, also with the support of the PwC network experts:

- understanding of the Transaction also through the acquisition and analysis of the supporting documentation as well as discussions with management;
- verifying the reasonableness of the assumptions made and the conclusions

"Transaction"). The transaction was recognised under IFRS 3 "Business combinations", applying the purchase method, which provides the Purchase Price Allocation (PPA) on the basis of the fair value of the assets acquired and liabilities (including contingent liabilities) assumed. In order to determine the fair value and the purchase price allocation, the Group, availing itself of the support of external experts, used evaluation processes and methods characterised by their nature by elements of high subjectivity. Following the recognition process of the business combination, a revenue component was determined in the amount of Euro 497 million and recognised in the income statement for the year, under line item 230 "Other operating expenses/income", which referred to the negative goodwill ("bargain purchase"). In view of the significance of the bargain purchase, the values emerging from the PPA and the complexity of the assumptions used to determine the fair value of the assets acquired and liabilities assumed, we considered the recognition of the Transaction to be a key audit matter of our audit of the Group's consolidated financial statements as of 31 December 2021.	reached by the directors, as well as the compliance of the Transaction with the applicable accounting standards through the analysis of the following aspects: - identification of the acquirer - determination of the acquisition date - determination of the acquisition cost - purchase price allocation, including actions taken and verifications carried out in relation to a significant negative goodwill arisen; • understanding and critical analysis, including through discussions with management and with the external consultants of which the Group availed itself, of the valuation models used in the purchase price allocation process and the consequent determination and subsequent review of the fair value of the identifiable assets acquired and liabilities assumed, and verification on a sample basis of the accuracy of the mathematical calculations underlying the valuation models adopted; • analysing the reasonableness of the main assumptions used by the directors in determining the fair value of the assets and liabilities identified, as well as the allocation of the price paid; • verifying the correct calculation and recognition of deferred taxation in relation to temporary differences between the new book values determined and the related tax values; • verifying the completeness and adequacy of the disclosure provided in the notes to the consolidated financial statements on the business combination in accordance with international accounting standards.

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Other Matters

The consolidated financial statements of Crédit Agricole Italia SpA for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 1 April 2021.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15, and in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Crédit Agricole Italia SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 28 April 2021, the shareholders of Crédit Agricole Italia SpA in general meeting engaged us to perform the statutory audit of the Bank's and consolidated financial statements for the years ending 31 December 2021 to 31 December 2029.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Crédit Agricole Italia SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Group Crédit Agricole Italia as of 31 December 2021, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of Crédit Agricole Italia SpA as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Crédit Agricole Italia SpA as of 31 December 2021 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 1 April 2022

PricewaterhouseCoopers SpA

Signed by

Raffaella Preziosi
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET - ASSETS

Assets		31 Dec. 2021	31 Dec. 2020(*)
10.	Cash and cash equivalents	845,657	614,919
20.	Financial assets measured at fair value through profit or loss	271,334	154,918
	a) financial assets held for trading;	70,778	95,231
	b) financial assets designated at fair value;	-	-
	c) other financial assets mandatorily measured at fair value	200,556	59,687
30.	Financial assets measured at fair value through other comprehensive income	4,115,240	3,307,045
40.	Financial assets measured at amortized cost	92,268,499	66,844,220
	a) due from banks	14,468,960	8,537,257
	b) Loans to customers	77,799,539	58,306,963
50.	Hedging derivatives	634,497	1,026,602
60.	Fair value change of financial assets in macro-hedge portfolios (+/-)	-3,906	137,309
70.	Equity investments	45,151	20,483
90.	Property, Plant and Equipment	1,291,516	951,837
100.	Intangible assets	1,626,660	1,618,683
	- of which goodwill	1,315,925	1,315,925
110.	Tax assets	2,730,874	1,455,306
	a) current	418,478	329,479
	b) deferred	2,312,396	1,125,827
120.	Non-current assets held for sale and discontinued operations	226,579	5,207
130.	Other assets	890,812	317,089
Total assets		**104,942,913**	**76,453,618**

(*) Current accounts and "sight" deposits with Central Banks and Banks have been reclassified from item "Due from Banks" to item "Cash and cash equivalents" in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

BALANCE SHEET - LIABILITIES

Liabilities and Equity		31 Dec. 2021	31 Dec. 2020
10.	Financial liabilities measured at amortized cost	93,269,092	66,572,727
	a) Due to banks	18,234,985	11,380,898
	b) Due to Customers	63,322,922	44,477,381
	c) Debt securities issued	11,711,185	10,714,448
20.	Financial liabilities held for trading	75,042	107,469
40.	Hedging derivatives	1,020,311	786,631
50.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	166,386	465,416
60.	Tax liabilities	403,945	231,778
	a) current	271,013	129,357
	b) deferred	132,932	102,421
70.	Liabilities associated with non-current assets held for sale and discontinued operations	16,400	-
80.	Other liabilities	1,827,900	1,379,726
90.	Employee severance benefits	143,625	117,404
100.	Provisions for risks and charges	718,681	293,400
	a) commitments and guarantees given	62,105	32,102
	b) post-employment and similar obligations	34,476	35,816
	c) other provisions for risks and charges	622,100	225,482
120.	Valuation reserves	-66,213	-48,443
140.	Equity instruments	815,000	715,000
150.	Reserves	1,825,235	1,640,675
160.	Share premium reserve	3,118,147	3,117,848
170.	Capital	979,283	979,235
180.	Treasury shares (+/-)	-	-
190.	Minority interests (+/-)	22,636	148,189
200.	Profit (Loss) for the period	607,443	-53,437
Total liabilities and equity		**104,942,913**	**76,453,618**

INCOME STATEMENT

Items		31 Dec. 2021	31 Dec. 2020
10.	Interest and similar income	1,086,187	899,083
	Of which: interest income calculated with the effective interest method	*1,074,350*	*895,547*
20.	Interest and similar expense	36,939	72,967
30.	**Net interest income**	**1,123,126**	**972,050**
40.	Fee and commission income	1,203,433	920,631
50.	Fee and commission expense	(58,603)	(40,707)
60.	**Net fee and commission income**	**1,144,830**	**879,924**
70.	Dividends and similar income	11,429	10,449
80.	Net profit (loss) on trading activities	30,096	21,304
90.	Net profit (loss) on hedging activities	(6,979)	(12,129)
100.	Profit (losses) on disposal or repurchase of:	(94,310)	(9,055)
	a) financial assets measured at amortized cost	(123,294)	(7,834)
	b) financial assets measured at fair value through other comprehensive income	28,946	(1,270)
	c) financial liabilities	38	49
110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(2,584)	(527)
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	(2,584)	(527)
120.	**Net interest and other banking income**	**2,205,608**	**1,862,016**
130.	Net adjustments/recoveries for credit risk to/on:	(455,118)	(390,015)
	a) financial assets measured at amortized cost	(452,389)	(388,943)
	b) financial assets measured at fair value through other comprehensive income	(2,729)	(1,072)
140.	Profits/Losses on contract modifications without derecognition	(219)	(1,367)
150.	**Net financial income (loss)**	**1,750,271**	**1,470,634**
160.	Net premium income	-	-
170.	Other net insurance income/expenses	-	-
180.	**Net profit (loss) on financial and insurance activities**	**1,750,271**	**1,470,634**
190.	Administrative expenses:	(1,915,619)	(1,352,871)
	a) personnel expenses	(1,079,914)	(710,810)
	b) other administrative expenses	(835,705)	(642,061)
200.	Net provisions for risks and charges	(79,001)	(6,699)
	a) commitments and guarantees given	(7,011)	1,274
	b) other net provisions	(71,990)	(7,973)
210.	Net adjustments to/recoveries on property, plant and equipment	(118,139)	(85,463)
220.	Net adjustments to/recoveries on intangible assets	(122,467)	(97,784)
230.	Other operating expenses/income	824,438	286,006
240.	**Operating costs**	**(1,410,788)**	**(1,256,811)**
250.	Profit (losses) on equity investments	2,917	9,646
260.	Net profit (losses) from property, plant and equipment and intangible assets measured at fair value	178	-
270.	Goodwill impairment	-	(259,611)
280.	Profit (losses) on disposals of investments	1,138	66,080
290.	**Profit (Loss) before tax from continuing operations**	**343,716**	**29,938**
300.	Taxes on income from continuing operations	264,656	(75,151)
310.	**Profit (Loss) after tax from continuing operations**	**608,372**	**(45,213)**
320.	Profit (Loss) after tax from discontinued operations	-	-
330.	**Profit (Loss) for the period**	**608,372**	**(45,213)**
340.	Profit (loss) for the period attributable to minority interests	(929)	(8,224)
350.	**Net profit (loss) for the period attributable to the Parent Company**	**607,443**	**(53,437)**

STATEMENT OF COMPREHENSIVE INCOME

Items		31 Dec. 2021	31 Dec. 2020
10.	**Profit (Loss) for the period**	**608,372**	**(45,213)**
	Other comprehensive income after tax not recycled to profit or loss		
20.	Equity securities designated at fair value through other comprehensive income	905	(7,617)
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)		
40.	Hedging of equity securities designated at fair value through other comprehensive income		
50.	Property, Plant and Equipment	-	
60.	Intangible assets	-	
70.	Defined-benefit plans	(704)	(2,411)
80.	Non-current assets held for sale and discontinued operations	14	
90.	Share of valuation reserves on equity investments measured using the equity method		
	Other comprehensive income after tax reclassified to profit or loss		
100.	Hedges of investments in foreign operations	-	
110.	Foreign exchange differences	-	
120.	Cash flow hedges	-	
130.	Hedging instruments (non-designated elements)		
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(18,220)	24,452
150.	Non-current assets held for sale and discontinued operations		
160.	Share of valuation reserves on equity investments measured using the equity method		
170.	**Total other comprehensive income after taxes**	**(18,005)**	**14,424**
180.	**Comprehensive income (Item 10+170)**	**590,367**	**(30,789)**
190.	Consolidated comprehensive income attributable to Minority Interests	922	8,855
200.	**Consolidated comprehensive income attributable to the Parent Company**	**589,445**	**(39,644)**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021

	Capital: ordinary shares	Share premium reserve	Reserves: Retained earnings reserves	Reserves: other	Valuation reserves	Equity instruments	Treasury shares	Profit/ (Loss) for the year	Shareholders' equity
EQUITY- GROUP SHARE As at 31 Dec. 2020	979,235	3,117,848	1,654,899	-14,224	-48,443	715,000	-	-53,437	6,350,878
MINORITY INTEREST AS AT 31 Dec. 2020	39,717	84,514	13,492	2,939	-697	-	-	8,224	148,189
CHANGE TO OPENING BALANCES	-	-	-	-	-	-	-	-	-
GROUP SHAREHOLDERS' EQUITY AS AT 01.01.2021	979,235	3,117,848	1,654,899	-14,224	-48,443	715,000	-	-53,437	6,350,878
MINORITY INTERESTS AS AT 01.01.2021	39,717	84,514	13,492	2,939	-697	-	-	8,224	148,189
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR	-	-	-	-	-	-	-	-	-
Reserves	-	-	-45,213	-	-	-	-	45,213	-
Dividends and other allocations	-	-	-91,319	-	-	-	-	-	-91,319
CHANGES FOR THE PERIOD	-	-	-	-	-	-	-	-	-
Changes in reserves	-	-	573	416,897	-	-	-	-	417,470
Transactions on equity	-	-	-	-	-	-	-	-	-
Issue of new shares	48	299	-	-	-	-	-	-	347
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-50,873	-	-	100,000	-	-	49,127
Charity	-	-	-	-	-	-	-	-	-
Consolidation adjustments	-	-	-	-	-	-	-	-	-
Shares and rights on shares in the Parent Company assigned to employees and directors	-	-	-	95	-	-	-	-	95
Changes in equity interests	-20,561	-79,709	-64,234	-	881	-	-		-163,623
Comprehensive income	-	-	-	-	-18,005	-	-	608,372	590,367
GROUP SHAREHOLDERS' EQUITY AS AT 31 Dec. 2021	979,283	3,118,147	1,422,467	402,768	-66,213	815,000	-	607,443	7,278,895
MINORITY INTERESTS AS AT 31 Dec. 2021	19,156	4,805	-5,142	2,939	-51	-	-	929	22,636

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020

	Capital: ordinary shares	Share premium reserve	Reserves: Retained earnings reserves	Reserves: other	Valuation reserves	Equity instruments	Treasury shares	Profit/ (Loss) for the year	Shareholders' equity
EQUITY- GROUP SHARE As at 31 Dec. 2019	979,233	3,117,840	1,394,343	-14,490	-62,199	715,000	-	314,069	6,443,796
MINORITY INTEREST AS AT 31 Dec. 2019	40,417	87,250	1,891	2,939	-1,328	-	-	12,087	143,256
CHANGE TO OPENING BALANCES	-	-	-	-	-	-	-	-	-
GROUP SHAREHOLDERS' EQUITY AS AT 01.01.2020	979,233	3,117,840	1,394,343	-14,490	-62,199	715,000	-	314,069	6,443,796
MINORITY INTERESTS AS AT 01.01.2020	40,417	87,250	1,891	2,939	-1,328	-	-	12,087	143,256
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR									
Reserves	-	-	324,156	-	-	-	-	-324,156	-
Dividends and other allocations	-	-	-	-	-	-	-	-2,000	-2,000
CHANGES FOR THE PERIOD									
Changes in reserves	-	-	-199	-	-	-	-	-	-199
Transactions on equity	-	-	-	-	-	-	-	-	-
Issue of new shares	2	8	-	-	-	-	-	-	10
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-	-	-	-	-	-	-
Remuneration of equity instruments	-	-	-51,621	-	-	-	-	-	-51,621
Charity	-	-	500	-	-	-	-	-	500
Consolidation adjustments	-	-	-	-	-	-	-	-	-
Shares and rights on shares in the Parent Company assigned to employees and directors		-	-	266	-	-	-	-	266
Changes in equity interests	-700	-2,736	-679	-	-37	-	-	-	-4,152
Comprehensive income	-	-	-	-	14,424	-	-	-45,213	-30,789
GROUP SHAREHOLDERS' EQUITY AS AT 31 Dec. 2020	979,235	3,117,848	1,654,899	-14,224	-48,443	715,000	-	-53,437	6,350,878
MINORITY INTEREST AS AT 31 Dec. 2020	39,717	84,514	13,492	2,939	-697	-	-	8,224	148,189

STATEMENT OF CASH FLOWS

	31 Dec. 2021	31 Dec. 2020(*)
A. OPERATING ACTIVITIES		
1. Cash flows from operations	**1,818,399**	**1,072,556**
- profit (loss) for the period (+/-)	607,443	-53,437
- Gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair through profit or loss(-/+)	-10,572	1,437
- Gains/losses on hedging activities (-/+)	-12,526	51,294
- Net impairment/recoveries for credit risk (+/-)	342,012	296,567
- Net adjustments/recoveries on property, plant and equipment and intangible assets (+/-)	240,606	442,858
- Net provisioning for risks and charges and other costs/revenues (+/-)	79,001	6,699
- taxes, levies and tax credits not settled (+)	-264,656	75,151
- net adjustments /recoveries on discontinued operations net of tax effect (-/+)	-	-51,095
- Other adjustments (+/-)	837,091	303,082
2. Cash flow generated/absorbed by financial assets	**-4,948,568**	**-11,068,094**
- Financial assets held for trading	35,867	732
- Financial assets designated at fair value	-	-
- Financial assets mandatorily measured at fair value	35,088	-32,076
- Financial assets measured at fair value through other comprehensive income	334,307	-223,038
- Financial assets measured at amortized cost	-4,690,681	-10,827,755
- Other assets	-663,149	14,043
3. Cash flow generated/absorbed by financial liabilities	**4,063,735**	**10,215,102**
- Financial liabilities measured at amortized cost	4,357,933	10,238,066
- Financial liabilities held for trading	-32,539	25,489
- Financial liabilities designated at fair value	-	-
- Other liabilities	-261,659	-48,453
Net cash flow generated/absorbed by operating activities	**933,566**	**219,564**
B. INVESTING ACTIVITIES		
1. Cash flow generated by:	**33,396**	**166,307**
- sales of equity investments	-	9,761
- dividend received on equity investments	11,429	10,449
- sales of property, plant and equipment	21,967	146,097
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flow absorbed by:	**-744,905**	**-85,964**
- purchases of equity investments	-2,687	-115
- purchases of property, plant and equipment	-15,717	-21,998
- purchases of intangible assets	-10,390	-63,851
- purchases of business units	-716,111	-
Net cash flows generated/absorbed by investing activities	**-711,509**	**80,343**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	-	-3,426
- issues/purchases of equity instruments	100,000	-51,621
- distribution of dividends and other	-91,319	-
Net cash flows generated/absorbed by funding activities	**8,681**	**-55,047**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**230,738**	**244,860**

RECONCILIATION

	31 Dec. 2021	31 Dec. 2020(*)
Opening cash and cash equivalents	614,919	370,059
Total net increase/decrease in cash and cash equivalents for the year	230,738	244,860
Cash and cash equivalents: foreign exchange effect	-	-
Closing cash and cash equivalents	**845,657**	**614,919**

Key: (+) generated/ from (–) absorbed/used in

(*) Current accounts and "sight" deposits with Central Banks and Banks have been reclassified from item "Due from Banks" to item "Cash and cash equivalents" in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

Consistently with the amendment to IAS 7, adopted with Commission Regulation (EU) 2017/1990 of 6 November 2017, to be applied as from the commencement date of the first financial year starting on or after 1 January 2017, the disclosures required by paragraph 44 B in order to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

	31 Dec. 2020	Changes from cash flows generated by financing activities	Changes from obtaining or losing control of subsidiaries or other businesses	Fair value changes	Other changes	31 Dec. 2021
Liabilities arising from financing activities (items 10, 20 and 30 of Liabilities)	66,680,196	3,473,040	22,694,188	496,710	-	93,344,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PART A – ACCOUNTING POLICIES

A.1 GENERAL PART

Section 1 – Statement of compliance with IAS/IFRS

The consolidated Financial Statements of the Crédit Agricole Italia Banking Group have been prepared pursuant to Italian Legislative Decree no. 38 of 28 February 2005, in accordance with the International Accounting Standards issued by the International Accounting Standards Board (IASB) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission, as provided for by Regulation (EC) No. 1606 of 19 July 2002.

Therefore, the IAS/IFRS in force as at 31 December 2021 (including the interpretations documents called SIC and IFRIC) have been applied, as endorsed by the European Commission and listed in detail in the specific table in an annex to these Financial Statements.

The financial statements and the contents of the note to the financial statements have been prepared in compliance with the provisions laid down in Circular No. 262 "Banks' financial statements: layouts and preparation" issued by the Bank of Italy on 22 December 2005, within the exercise of its powers under Article 9 of Italian Legislative Decree No. 38/2005 and in compliance with the subsequent updates issued, the latest one of which is the 5th update published on 02 November 2021 Furthermore, these financial statements have been prepared in accordance with the instructions given by the Bank of Italy on 21 December 2021 as regards the update of the supplements to its Circular 262 concerning the impacts of Covid-19 and the measures to support the economy.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND ENTERED INTO FORCE IN 2021

In compliance with IAS 8, the table below reports the new international accounting standards or the amendments to standards already in force, along with the Regulations endorsing them, that shall mandatorily be applied for reporting periods starting on or after 1 January 2021.

Standards, amendments or interpretations	Publication date	Date of first application
Amendment to IFRS 4 Insurance Contracts Temporary Exemption from Applying IFRS 9	16 December 2020 (EU 2020/2097)	1 January 2021
Amendments to IAS 39, IFRS 7 and IFRS 9 – Interest rate benchmark reform – Phase 2	14 January2021 (EU 2021/25)	1 January 2021(*)
Amendment to IFRS 16 Leases - COVID-19-Related Rent Concessions (2nd amendment)	31 August 2021 (EU 2021/1421)	1 April 2021

(*) As reported in next paragraph "Interest Rate Benchmark Reform", the Crédit Agricole Italia Banking Group decided to opt for early adoption of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 -Interest Rate Benchmark Reform – Phase 2 to its reporting periods starting on or after 1 January 2020.

Information outlined above on the new standards and on the amendments thereto applying to reporting periods starting on or after 1 January 2021 is broken down below.

Amendment to IFRS 4 Insurance contracts. On 18 May 2017, the International Accounting Standard Board (IASB) published the new IFRS 17 "Insurance contracts", which shall replace IFRS4 IASB postponed the entry into force of the new standard, which was initially applicable to reporting periods starting on or after 1 January 2021 and is now applicable to reporting periods starting on or after 1 January 2023 (standard endorsed by the EU with Regulation (EU) 2021/2036). On 6 December 2020, Regulation (EU) 2020/2097 laying down amendments to IFRS 4 was published on the Official Journal of the European Union. In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17 and, thus, to address the temporary accounting consequences of the different effective dates of the two standards; the aforementioned amendments are not relevant for the Crédit Agricole Italia Banking Group.

Interest Rate Benchmark Reform

In early 2029, the Crédit Agricole Group implemented a programme aimed at preparing for and overseeing the benchmark transition for all its activities, divided into specific projects to be carried out at each entity concerned, including Crédit Agricole Italia. This programme is in line with the time schedule and standards set by the specific work groups – in some of which Crédit Agricole proactively participated – and with the relevant EU regulatory framework (BMR).

In accordance with the recommendations given by the national work groups and by the competent authorities, the Group fostered as much as possible the transition to alternative benchmark rates in view of the cessation of the benchmarks while pursuing constant compliance with the deadlines set by the market or imposed by the competent authorities.

Considerable investments and strong effort of the corporate and operational teams were deployed in order to upgrade the tools and absorb the workload generated by the transitions, also for contract modifications. It is to be noted that the IT developments depended to a large extent on the time required to determine the target benchmark rates alternative to LIBOR and on emerging market standards.

Orderly and controlled performance of these transitions was ensured by all the actions undertaken starting from 2019. In H2 2021, the entities have focused their efforts especially on the finalization of all the IT developments and on intensifying information and interaction with Customers in order to more exhaustively explain the transition terms and to continua with the efforts for preventing conduct risks.

Furthermore, thanks to the work done, the entities of the Group could offer new RFR products ensuring good customer experience and satisfaction.

Summary of transitions as at 31 December 2021:
First, it is pointed out that Crédit Agricole Italia exposures to LIBOR and EONIA had always been very modest, both in terms of number of contracts and of amounts. Specifically, those exposures concerned international loans and trading or hedging derivatives.
The prevailing approach adopted by Crédit Agricole Italia was renegotiating the contracts in force before the cessation of the benchmarks. Having specific regard to the derivative contracts market, ISDA finalized the implementation of a protocol, which Crédit Agricole Italia joined, whereby the new fallback clauses can be automatically included in contracts. That protocol is intended to simplify the transition of derivative contracts between parties that have joined the protocol.
For loan contracts, specific transition methods were adopted consisting in the use of last LIBOR fixing in 2021 and of the replacement rate in 2022.

Risk management:
Besides preparing for and implementing the replacement of the benchmarks ceasing or no longer representative on 31 December 2021 and besides complying with the BMR, the project work focused also on management and control of the risks inherent in the benchmark transitions, with special regard to financial, operational, legal and compliance aspects, especially on customer protection (prevention of "conduct risk").

For example, as to financial aspects, the risk of market fragmentation caused by the use of different types of conventions for interest calculations (calculation of the forward-looking rate or calculation of the backward-looking rate), which may entail financial risk for the industry players. Nonetheless, it is expected that those risks, clearly identified in the Group, will tend to decrease as the market standards emerge and as the private sector – with support given by banks – will be more and more able to manage said fragmentation.

In order for the hedging relationships concerned with the benchmark rate reform to continue in force despite the uncertainties about the timetable and the methods for transition from the present benchmarks to the new ones, in September 2019 IASB issued some amendments to IAS 39, IFRS 9 and IFRS 7, which were endorsed by the EU on 15 January 2020. The Group will apply said amendments until the uncertainties about the evolution in the benchmark rates generate consequences on the amounts and on the maturity of cash flows.

As at 31 December 2021, the hedging instruments affected by the reform and on which uncertainties remained, all linked to EURIBOR, had a nominal value of Euro 32.2 billion.

Other amendments published by the IASB in August 2020 supplement those published in 2019 and focus on the accounting consequences of the replacement of the old benchmark rates with other benchmark rates following the reforms.

Those amendments, known as "Phase 2", mainly concern changes in contractual cash flows. They allow Entities not to derecognize or adjust the book value of financial instruments in order to reflect the changes required by the reform, but rather to update the effective interest rate in order to reflect the change in the alternative benchmark.

In terms of hedge accounting, Entities will not be required to discontinue their hedging relationships when making the changes required by the reform and subject to economic equivalence.

As at 31 December 2021, the breakdown by material benchmark rate of the instruments based on old benchmark rates and to be transitioned to the new benchmarks before their maturity was as follows (amounts in k€):

	EONIA	USD LIBOR	GBP LIBOR	LIBOR JPY	CHF LIBOR	LIBOR EUR
Total financial assets (excluding derivatives)	-	3,059	2,740	-	8,688	-
Total financial liabilities (excluding derivatives)	-	-	-	-	-	-
Total notional value of derivatives	-	-	6,939	-	-	-

As no forthcoming replacement of EURIBOR, WIBOR and STIBOR was announced, these benchmarks were excluded from the quantitative data reported.

As regards contracts still in force on LIBOR GBP and LIBOR CHF as at 31 December, their repapering with reference to the new RFR was still underway on the reporting date.

Amendments to IFRS 16 "Leases": Covid-19-Related Rent Concessions

In 2020, the IFRS Foundation approved an amendment to IFRS 16 in order to clarify how Covid-19-related concessions should be recognized by lessees that prepare their financial statements in accordance with IAS/IFRS.

In accordance with that amendment, which was endorsed by the EU on 12 October 2020 with the publication of Regulation (EU) 2020/1434, lessees are exempt from the obligation to assess whether the Covid-19-related concessions are lease contractual modifications, allowing them to be qualified as "variable rent" directly through profit or loss, in order to report the changes in the payments due. The Group applied this amendment to its 2020 report and financial statements.

On 31 March 2021, the IASB issued document "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" whereby the eligibility period for the application of the amendments to 'IFRS 16 (paragraphs 46A and 46B) concerning Covid-19-related rent concessions was extended by one year (from June 2021 to June 2022). This amendment was endorsed by the European Union with Regulation (EU) 2021/1421 of 30 August 2021. The Crédit Agricole Italia Banking Group reported no effects on its income statement in FY 2021 generated by the amendment to IFRS 16, as, for 2021, it recognized no Covid-19-related rent concessions.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION BUT NOT YET ENTERED INTO FORCE

For its financial statements as at 31 December 2021, the Group did not adopt standards and interpretations that, on 31 December 2021, had already been published by the IASB and endorsed by the European Union, but that are applicable to reporting periods starting on or after 1 January 2022.

Standards, amendments or interpretations	Publication date	Date of first application
Annual Improvements 2018-2020 IFRS1 First time adoption IFRS – Translation differences IFRS 9 Financial instruments – Test for recognition of a substantial modification of a financial liability IAS41 Agriculture – Fair value of a biological asset	02 July 2021 (EU 2021/1080)	1 January 2022
Amendments to IFRS 3 – Reference to the Conceptual Framework 2018 on the definition of assets and liabilities	02 July 2021 (EU 2021/1080)	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment – Proceeds before intended use of the asset	02 July 2021 (UE 2021/1080)	1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Costs considered in assessing whether a contract is onerous	02 July 2021 (UE 2021/1080)	1 January 2022
IFRS 17 Insurance Contracts (including Amendments to IFRS 17) (not applicable to the Crédit Agricole Italia Banking Group)	23 November 2021 (UE 2021/2036)	1 January 2022

The Group did not exercise the option for early adoption of the Regulation in force as of 1 January 2022, as where applicable, the amendments are not expected to generate any material impacts on the Group's financial situation and profit or loss.

IFRS 17 Insurance Contracts published in May 2017 will replace IFRS 4. It will be applicable to reporting periods starting on or after 1 January 2023. IFRS 17 lays down new principles in terms of measurement and recognition of insurance contract liabilities and measurement of their profitability, as well as in terms of presentation. The standard does not apply to the Group.

INTERNATIONAL ACCOUNTING STANDARDS NOT YET ENDORSED BY THE EUROPEAN UNION

The standards and interpretations that, as at 31 December 2020, had been published by the IASB but had not yet been endorsed by the European Union are not applicable by the Group.

Document title	Issued by IASB in	Date of entry into force of the IASB document	Expected date of endorsement by the EU
Amendments			
Amendments to IAS 1 - Presentation of Financial Statements Classification of Liabilities as Current or Non-current	January 2020	1 January 2023	TBD
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	January 2020	1 January 2023	TBD
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	January 2020	1 January 2023	TBD
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 2020	1 January 2023	TBD
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 2020	1 January 2023	TBD

Section 2 - General preparation principles

The Annual Report and Consolidated Financial Statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Note to the Financial Statements, as well as of the Management Report on the performance of operations, on the profits (losses) made and on the Group's financial and cash flow position.

In accordance with Article 5 of Italian Legislative Decree No. 38/2005, the Euro has been used as the reporting currency. The amounts in the Financial Statements, in the Note to the Financial Statements and in the Management Report are expressed in thousands of Euro, where not otherwise specified.

The Annual Report and Financial Statements have been prepared in compliance with the general presentation principles set down by IAS 1 and with the specific accounting standards endorsed by the European Commission and reported in Part A.2 of this Note.

No exceptions were made in applying the IASs/IFRSs.

Furthermore, the 2020 Annual Report and Financial Statements were prepared taking into account, where applicable, the communications and the interpretation documents of the various Regulatory and Supervisory Authorities (ESMA, EBA, ECB, Bank of Italy) giving recommendations on the disclosures and transparency required of financial institutions and information supporting the application of the accounting standards as regards the consequences of the Covid-19 pandemic, which, due to its pervasiveness, impacts on several areas of annual financial reporting.

In performing their role as competent Supervisory Authorities for prudential purposes, the European Central Bank and the Bank of Italy published press releases and letters intended to clarify the reference regulatory framework and their guidance and expectations on this matter. EBA guidelines complete the reference framework for banks about expected credit losses, staging allocation and measures to support the economy.

The main communications and interpretations provided by the Supervisory Authorities and taken into account for the preparations of the 2021 annual report and financial statements, which, in several cases, had already been applied to the 2020,annual report and financial statements, are reported in the table below.

Document type	Issue date	Title
EBA- European Banking Authority		
Statement	25/03/2020	Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid-19 measures
Guideline	02/04/2020- 25/06/20 – 02/12/20	Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis
ESMA – European Securities and Market Authority		
Recommendation	11/03/2020	ESMA recommend action by financial market participant for Covid-19 impact
Statement	25/03/2020	Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9
Communication	20/05/2020	Implications of the Covid-19 outbreak on the half-yearly financial reports
Statement	29/10/2021	European common enforcement priorities for 2021 annual financial reports
IFRS Foundation		
Statement	27/03/2020	IFRS 9 and Covid-19 – Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic
BCE - European Central Bank		
Communication	20/03/2020	ECB Banking Supervisor provides further flexibility to banks in reaction to coronavirus
Letter	01/04/2020	IFRS 9 in the context of the coronavirus (Covid-19) pandemic
Letter	04/12/2020	Identification and measurement of credit risk in the context of the coronavirus (Covid-19) pandemic
Bank of Italy		
Communication	21/12/2021	Update to the supplements to Circular no, 262 of 2005 “Banks’ financial statements: layouts and preparation” concerning The impacts generated by Covid-19 and by the measures deployed to support the economy
Consob		
Warning notice no.1/21	16/02/2021	Covid -19 - Measures to support the economy - Warning notice on the information to be provided by supervised issuers, supervisory bodies and audit firms in relation to the 2020 financial statements prepared in accordance with international accounting standards
Warning notice	18/03/2022	Consob draws the attention of supervised issuers on the impact of the war in Ukraine on insider information and financial reporting

Going concern basis

The Annual Report and Financial Statements as at 31 December 2021 have been prepared on a going-concern basis, as the Group is believed to continue in operation in the foreseeable future.

Despite the ongoing complexity of the economic and health scenario, which is to be considered still critical and constantly evolving due to the spread of the Covid-19 pandemic, including variants, and to the measures deployed by Italy and by the EU to address it, the analyses carried out based on the available information have given grounds to conclude that the Group will be able to meet the risks and uncertainties associated with the present emergency.

As regards the reporting required pursuant to IFRS 7 on the risks which the Group is exposed to, appropriate information is provided in the Management Report and in the Note to the Financial Statements, specifically in Section 5 below and in Part E - Information on risks and relative hedging policies.

The Note to the Financial Statements also reports the verifications that were carried out in order to assess any impairment of financial assets and intangible assets (including goodwill).

USE OF ESTIMATES AND ASSUMPTIONS IN PREPARING THE ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

To prepare the Annual Report and Consolidated Financial Statements, estimates and assumptions must be made, which can generate significant effects on the values recognized in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities reported.

Making such estimates entails the use of the information that is available at the relevant time and of subjective assessments.

By their very nature, the estimates and assumptions used may vary from one period to another. Therefore, it cannot be ruled out that the recognized values for this reporting period may vary, even to a significant extent, in future periods, subsequent to any changes in the subjective assessments used. The economic effects generated by the Covid-19 epidemic and the uncertainties in the future macroeconomic scenario in which the Group will operate have required a thorough analysis and weighting of the new economic situation in the models for measuring the recoverable amount of the Group's assets. Said estimates and assessments are therefore difficult and entail unavoidable elements of uncertainty. More exhaustive information is given in Section 5 "Risks, uncertainties and impacts generated by the Covid-19 epidemic". The increasing geopolitical tensions in Europe and the war in Ukraine are yet another uncertainty factor for the Group. Any assessment of the consequences on the economy materially depends on how the situation will evolve; therefore, all the scenarios designed and described for 2022 will have to be reviewed and will be subject to changes that, for the time being, cannot be quantified.

The main instances that require the use of subjective assessments to be made by the Senior Management are the following:

- Quantifying losses resulting from the impairment of loans and of other financial assets in general;
- Using measurement models for the recognition of the fair value of financial instruments that are not listed on active markets;
- Using measurement models for equity investments;
- Assessing the consistency of the value of goodwill and of the other intangible assets and property, plant and equipment;
- Quantifying the provisions for staff and for risks and charges;
- Estimating the recoverability of deferred tax assets;
- Calculating the fair value of financial instruments to be used for financial reporting purposes.

The description of the accounting policies applied to the main aggregates reported in the financial statements provides detailed information on the major assumptions made and subjective assessments used in preparing the financial statements.

CONTENTS OF THE FINANCIAL STATEMENTS

Bank of Italy – Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation" 7th update of 2 November 2021

On 2 November 2021 the Bank of Italy published the 7th update of Circular no. 262 "Banks' financial statements: layouts and preparation" of 22 December 2005 in order to align banks' financial statements to the EU-wide Framework for Consolidated Financial Reporting (FINREP). The update, which consists in a full revision of the Circular, applies to financial statements for reporting periods closed or underway on 31 December 2021.

The main novelties concern the presentation of financial information, namely:

- Of some categories of financial assets, which shall be presented as already provided for in the EU harmonised supervisory reporting framework (FINREP) and in the Bank of Italy Circulars on supervisory reporting as recently updated.

Specifically, all demand accounts in the technical forms of current accounts and demand deposits due from banks and claims on Central Banks shall be recognized under item "Cash and cash equivalents". Therefore, due from banks and claims on Central Banks other than demand accounts are reported in item "Financial assets measured at amortized cost".
Consistently with the FINREP rules, for the "Assets measured at fair value through other comprehensive income" and "Financial assets measured at amortized cost" portfolios, the information on "Purchased or originated credit impaired" assets (POCI) is not included in the classification into risk stages and it is separately reported (the same approach used in reporting "Net impairment/recoveries for credit risk" through profit or loss); the breakdown by credit risk stage is also required for the information to be disclosed at the bottom of table "Non-current assets held for sale and discontinued operations" and for tables reporting nominal values and total provisions for commitment to disburse funds and guarantees given subject to the IFRS 9 rules.

- Of intangible assets, for which specific evidence is required of software that is not an integral part of the related hardware pursuant to IAS 38;
- Of the information breakdown on fee and commission income and expenses;
- Of the contributions and commitments to pay contributions to the resolution fund and deposit guarantee schemes, of which separate disclosure is required in the relevant items.

The changes made also implement the novelties introduced by the amendments to IFRS 7 on disclosure of financial instruments which were endorsed with Regulation EU) 2021/25 entered into force on 1 January 2021 and introduced specific disclosure requirements about the benchmark reform for determining interest rates on financial instruments (please, see the related paragraph in section 1 of this note to the financial statements).

Bank of Italy – communication of 21 December 2021 – Update of the provisions supplementing Circular no. 262 "Banks' financial statements: layouts and preparation" concerning the impacts of the Covid-19 pandemic and of the measures to support the economy.

With its communication of 21 December 2021, the bank of Italy published the supplemented provisions governing banks' financial statements (Circular no. 262 of 2005) in order to provide the market with information on the effects that the Covid-19 pandemic and the measures to support the economy generated on the strategies, objectives and risk management policies, as well as on the profitability and financial situation of intermediaries. The update of the supplemented provisions published in December 2020, taken into account the developments in the EU legislation on the treatment of moratoria, the recent updates of supervisory reporting and financial reporting circulars and the Covid-related amendments to IFRS 16 "Leases":. Due to the temporary nature of the Covid-19 emergency and of the support measures, the supplemented provisions on financial reporting related thereto shall be in force until the Bank of Italy communicates otherwise.

The Bank of Italy confirmed its expectations that specific qualitative and quantitative disclosures be given in the tables in the Note to the financial statements, specifically in Part B (Information on the Balance Sheet), Part C (Information on the Income Statement) and Part E (Information on risks and relative hedging policies), regarding loans under "moratoria" or other concession measures in force as at the reporting date, or loans providing new liquidity and backed by public guarantees.

Gross exposure and total adjustments of loans under Covid-19-related support measures shall be reported broken down by credit risk stage and "purchased or originated credit impaired". Furthermore, the disclosure shall extend to the loans under moratoria, assessed as compliant with EBA/GL/2020/02 as at the concession date and no longer compliant as at the reporting date, which have not been classified by the bank as "forborne exposures" (as defined in the supervisory reporting provisions in force) subsequent to the event that generated their non-compliance with EBA/GL/2020/02.

Balance Sheet and Income Statement

The Balance Sheet and Income Statement contain items, sub-items and further information (the "of which" for items and sub-items) and comply with the templates supplied by the Bank of Italy with Circular No. 262 of 22 December 2005, as updated.

In order to facilitate understanding of the figures, the statements are given in full including also the items with no amounts for the reporting year, and with no amounts for the previous year. In the Income Statement, revenues are set forth without a sign, while expense figures are set forth in parenthesis.

The 2020 balances of the items or groupings concerned with the novelties introduced by the 7th update of Circular 262 have been restated in order to take into account the new provisions and facilitate the comparison to the 2021 figures.

In accordance with Bank of Italy Circular no. 262, in case of business combinations, in the financial statements the comparative data for the previous period (T-1) are accounted for with those of the acquirer under IFRS 3, thus preventing smooth comparison with the data for the reporting period. The management report provides information on data comparability.

Statement of Comprehensive Income

The statement of comprehensive income consist of items showing the changes in the value of the assets recognized in the period offsetting the valuation reserves, net of the related tax effect.

As for the Balance Sheet and the Income Statement, in the statements, in accordance with the Bank of Italy's definition, the items with no amounts for the reporting year, and with no amounts for the previous one, have also been stated.

Negative amounts are set forth in parenthesis.

Statement of Changes in Equity

In order to facilitate understanding of the figures, the rows and columns of the Statement of Changes in Equity were inverted with respect to the same statement layout provided for by the above Bank of Italy Circular No. 262/2005. The statement shows the composition and movements of the shareholders' equity items during the reporting year and in the previous one, broken down into share capital (ordinary shares and savings shares), capital reserves, retained earnings reserves, comprehensive income and net profit or loss.

The value of treasury shares is deducted from equity.

Statement of Cash Flows

The statements of cash flows for the reporting period and for the previous one were prepared using the indirect method, based on which cash flows from operating activities are represented by the profit or loss for the year, adjusted for the effects of non-monetary transactions.

Cash flows are broken down into flows generated by operating activities, investment activities and funding activities.

In the Statement, cash flows generated in the period are reported without sign, while those absorbed are reported with a negative sign.

CONTENTS OF THE NOTE TO THE FINANCIAL STATEMENTS

The Note to the Financial Statements contains the information required by Bank of Italy Circular no. 262/2005, with its updates and specifications already applicable, as well as further information required by IAS/IFRS.

As for the Balance Sheet and the Income Statement, in the statements, in accordance with the Bank of Italy's definition, the items with no amounts for the reporting year, and with no amounts for the previous one, have also been stated.

In the tables relating to the Income statement items, revenues are set forth without a sign, whereas expense figures are set forth in parenthesis.

Section 3 – Scope and method of consolidation

SCOPE OF CONSOLIDATION

In addition to the Parent Company, Crédit Agricole Italia S.p.A., the consolidation perimeter includes its subsidiaries and associates specified below.

In accordance with IFRS 10, Subsidiaries are companies in which Crédit Agricole Italia S.p.A., directly or indirectly, holds at the same time:

- The power to influence the Investee's relevant activities, i.e. the activities that significantly affect the investee's returns;
- Exposure and/or rights to variable returns of the Investee;
- The ability to exercise its power over the Investee to affect the amount of its returns.

The companies in which Crédit Agricole Italia S.p.A., directly or indirectly, holds over 50% of the rights to vote in the General Meeting of Shareholders are considered subsidiaries.

Control exists also where the Group, even though not holding the majority of the voting rights, has sufficient rights to unilaterally manage and direct the investee's relevant activities or where it holds:

- Substantial potential voting rights through underlying call options or convertible instruments;
- Rights that result from contractual agreements and that, combined with its voting rights, make the Group actually able to manage and direct production processes, other management or financial activities, i.e. activities that significantly affect the investee's returns;
- Power to affect, under the investee's articles of association or other agreements, its governance and decision-making processes concerning relevant activities;
- The majority of voting rights under formally executed agreements with other holders of voting rights (for example, voting agreements and shareholders' agreements).

Special-purpose entities/special-purpose vehicles (SPE/SPV) have also been included, when the requirements are met, also irrespective of the existence of a majority shareholding.

Associates are companies over which Crédit Agricole Italia S.p.A exercises significant influence, as it holds, directly or indirectly, at least 20% of the voting rights or has the power to participate in determining the financial and management policies of the investee, despite holding less than 20% of the voting rights, owing to specific legal ties, such as being party to a shareholders' agreement.

Likewise, despite holding at least a 20% equity investment, significant influence may not be exercised due to legal ties, voting agreements or other relevant elements that affect the entity's governance.

The scope of consolidation changed vs. the previous FY with the entry of Creval of its subsidiaries and associates. For further information, please see the paragraphs below.

CONSOLIDATION METHODS

As regards consolidation methods, subsidiaries, joint ventures and investees on which the Group exercises significant influence have been consolidated on a one-line basis in accordance with the equity method.

Full consolidation involves the line-by-line aggregation of the Balance Sheet and Income Statement items.

After attributing the relevant portion of the equity and profits or losses to minority interests, under a separate dedicated item, the value of the equity investment is derecognized with the remaining value of the equity of the subsidiary as the balancing item.

Positive differences resulting from this operation are reported under “Intangible assets” as goodwill or other intangible assets, after recognition – where any – under other asset and liability items of the subsidiary. Negative differences are taken to the Income Statement.

Business combinations are recognized using the acquisition method provided for by IFRS 3, applied starting from the date of acquisition, that is to say, from the moment in which control of the business is actually achieved. In accordance with this method, the identifiable assets acquired and the identifiable liabilities assumed (including contingent ones) shall be recognized at their respective fair values as at the acquisition date. After initial recognition of a contingent liability with the “acquisition method”, the acquirer shall recognize a provision in the Income Statement if the liability fair value is higher than the original fair value recognized at acquisition. Moreover, for each business combination, any minority interests in the acquired company may be recognized at fair value or proportionally to the minority interest in the identifiable net assets of the acquired company.

Profit or losses of a subsidiary acquired in the period are reported in the Consolidated Financial Statements starting from the date of acquisition. Conversely, profit or losses of a subsidiary sold in the period are reported in the Consolidated Financial Statements up to the date on which control is transferred.

Consolidation using the equity method provides for initial recognition of the equity investment at cost and, subsequently, for its value adjustment based on the portion held of the investee’s equity. Any differences between the value of the equity investment and the equity portion held are included in the book value of the investee.

The Group’s share of the subsidiary’s profit or loss for the year is recognized under a specific item in the consolidated income statement.

The other main consolidation operations include:
- Elimination of dividends paid or declared by consolidated companies;
- Elimination of intercompany transactions from the balance sheet or income statement;
- Elimination of gains and losses resulting from intercompany sale and purchase transactions and relating to amounts included in equity;
- Adjustments needed to harmonize accounting standards within the Group;
- Where applicable, recognition of the tax effects of any adjustments to harmonize the bases for the measurement of financial statement items or other consolidation adjustments.

The reporting date of the Financial Statements of the Parent Company and of the other companies consolidated on a line-item basis is 31 December 2021.

Where necessary – and with the exception of marginal instances – any Financial Statements prepared by the consolidated companies on the basis of other accounting standards are adjusted to be fully compliant with the Group’s accounting policies. In a few marginal instances, the companies do not apply the IASs/IFRSs and, therefore, for such companies it was assessed that application of the IASs/IFRSs would have caused no material effects on the Consolidated Financial Statements of the Crédit Agricole Italia Banking Group.

1. Equity investments in subsidiaries

The following table shows the equity investments included within the scope of consolidation, specifying:

- The name and ;headquarters;
- The type of control;
- The capital shares owned, directly or through fiduciary companies or third parties, by the parent company and by each one of its subsidiaries;
- The percentage of voting rights in the ordinary general meeting of shareholders held in total by the investor, separately setting forth actual and potential ones.

Company name	Headquarters	Type of control (1)	Equity investment		Actual % of votes available (2)
			Investor	% held	
A. Companies					
Parent Company					
Crédit Agricole Italia S.p.A.	Parma, Italy				
A1. Companies consolidated on a line-item basis					
1. Crédit Agricole FriulAdria S.p.A.	Pordenone, Italy	1	Crédit Agricole Italia S.p.A.	99.10%	99.56% (°)
2. Crédit Agricole Leasing Italia S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	85.00%	85.00%
3. Sliders S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
4. Mondo Mutui Cariparma S.r.l. Milan, Italy in liquidation (°°)	Milan, Italy	4	Crédit Agricole Italia S.p.A.	19.00%	19.00%
5. Crédit Agricole Italia OBG S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	60.00%	60.00%
6. Credit Agricole Group Solutions S.c.p.a.	Parma, Italy	1	Crédit Agricole Italia S.p.A.	89.10%	89.10%
			Crédit Agricole FriulAdria S.p.A.	8.75%	8.75%
			Crédit Agricole Leasing Italia S.r.l.	1.19%	1.19%
7. Crédit Agricole Real Estate Italia S.r.l.	Parma, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
8. Agricola Le Cicogne S.r.l.	Faenza, Italy	1	Crédit Agricole Italia S.p.A.	50.01%	50.01%
9. San Piero Immobiliare Srl	Cesena, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
10. San Giorgio Immobiliare S.r.l.	Cesena, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
11. Le Village by CA Parma S.r.l.	Parma, Italy	1	Crédit Agricole Italia S.p.A.	66.67%	66.67%
12. Credito Valtellinese S.p.A.	Sondrio, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
13. Stelline Real Estate S.p.A.	Sondrio, Italy	1	Credito Valtellinese S.p.A.	100.00%	100.00%
14. Creval PiùFactor S.p.A.	Milan, Italy	1	Credito Valtellinese S.p.A.	100.00%	100.00%
15. Creval Covered Bond S.r.l.	Conegliano Veneto (TV), Italy	1	Credito Valtellinese S.p.A.	60.00%	60.00%
16. Quadrivio SME 2018 S.r.l.	Conegliano Veneto (TV), Italy	4			
17. Le Village by CA Triveneto S.r.l.	Padua, Italy	1	Crédit Agricole FriulAdria S.p.A.	51.00%	51.00%

Key:

(1) Type of control:
1 = Majority of the voting rights in the ordinary General Meeting of Shareholders.
2 = dominant influence in the ordinary General Meeting of Shareholders.
3 = agreement with other shareholders.
4 = other forms of control.
5 = unitary management pursuant to Article 39, paragraph 1, of Italian Legislative Decree 136/2015.
6 = unitary management pursuant to Article 39, paragraph 2, of Italian Legislative Decree 136/2015.

(2) Votes in the ordinary General Meeting separately setting froth actual and potential votes.

(°) The percentage has been calculated taking account of the treasury shares held by the Bank as at the reporting date.

(°°) On 26January 2022the General Meeting of Shareholders approved the financial report on a liquidation basis of accounting; on 28 January 2022 the application for striking off the Business Register was filed with the Chamber of Commerce of Milan.

2. Joint ventures and investees subject to significant influence

The consolidation perimeter changed vs. the previous period subsequent to the inclusion of Creval, its subsidiaries, joint ventures and investees subject to significant influence. As regards joint ventures and investees subject to significant influence, please see Part B of the note to the financial statements.

3. Significant considerations and assumptions to determine the scope of consolidation

As specified above, subsidiaries are companies regarding which Crédit Agricole Italia is the investor that is exposed to or has right to variable returns from its involvement with such investees and, at the same time, has the ability to affect those returns through its power over such investees.

Specifically, the Group takes the following factors into account to assess whether control is held:

- The investee's purpose and structure, in order to identify the entity's objectives, its relevant activities, i.e. the activities that significantly affect the investee's returns, and how such activities are directed;
- Power, in order to understand whether the Group has contractual rights giving the ability to direct the relevant activities;
- Exposure, or rights, to variable returns from its involvement with the investee, in order to assess whether the return received by the Group could potentially change based on the investee's performance;
- In accordance with IFRS 10, "relevant activities" are only those activities that significantly affect the investee's returns.

In general terms, when relevant activities are directed through voting rights, the following factors give evidence of control:

- Holding, directly or indirectly through its subsidiaries, more than half of the voting rights of an investee, unless, in exceptional cases, it can be clearly proved that holding more than half of the voting rights does not amount to holding control;
- Holding half or less than half the voting rights that can be exercised at the general meeting and practical ability to direct the relevant activities unilaterally through:
  - Control over more than half of the voting rights through a contractual arrangement with other investors holding voting rights;
  - The power to determine the investee's operating and financing policies pursuant to the entity's articles of association or to a contract arrangement;
  - The power to appoint or remove the majority of the members of the board of directors or of the equivalent corporate governance body;
  - The power to exercise the majority of the voting rights at meetings of the board of directors or of the equivalent corporate governance body.

In order to exercise power, the rights held by the Group over the investee must be substantive; in order for rights to be substantive, their holder must have the practical ability to exercise them when decisions on relevant activities are made.

The existence and effect of potential voting rights, if substantive, are taken into account in assessing whether the power to direct another entity's operating and financing policies is held.

Sometimes, the Group may have the "practical ability" to exercise control over some entities, when, despite holding less than a majority of the voting rights, it has rights that are sufficient to give it the power to direct the investee's relevant activities unilaterally.

Structured entities - securitization special-purpose entities. To verify whether the requirements are met for control on special-purpose entities, the factors taken into considerations are the ability to exercise power on the investee's relevant activities to the investor's advantage and the ultimate purpose of the transaction, as well as the involvement of the investor/sponsor in structuring the transaction.

For these entities, the subscription of essentially all notes by companies of the Group is considered evidence, especially in the structuring phase, of the power to manage the entity's relevant activities to influence the returns on the transaction.

4. Equity investments in subsidiaries with significant minority interests

4.1 MINORITY INTERESTS, AVAILABILITY OF MINORITY INTEREST VOTES AND DIVIDENDS DISTRIBUTED TO MINORITY INTERESTS

Company name	Minority interest %	Minority interest votes available %	Dividends distributed to minority interests
1. Crédit Agricole Leasing Italia S.r.l.	15.00%	15.00%	-

4. INVESTEES WITH SIGNIFICANT MINORITY INTERESTS: ACCOUNTING DATA

Company name	Total Assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Shareholders' equity	Net interest income	Net banking income	Operating costs	Profit (losses) after tax on discontinuing operations	Profit/ (Losses) for the period (1)	Other income components, net of tax (2)	Comprehensive income (3) = (1) + (2)
Crédit Agricole Italia Leasing S.r.l.	2,337,422	9,666	2,247,941	26,325	2,128,878	110,870	28,940	31,890	15,255	-	4,842	-13	4,829

5. Significant restrictions

No significant restrictions are to be reported pursuant to IFRS 12.13.

6. Other information

SHARE CAPITAL INCREASE

Subsequent to the exercise of warrants on shares of the former Cassa di Risparmio di Cesena Spa, which it had issued within its share capital increase on 23 September 2016, in 2021 another 48 shares in Crédit Agricole Italia S.p.A. were issued having a nominal value of Euro 1.

Therefore, as at 31 December 2021, the share capital amounted to Euro 979,283,340.

Section 4 – Events occurred after the reporting date

From the reporting date to the approval of the 2021 Annual Report and Financial Statements, no such events occurred as to entail any material change in the assessments made by the Directors and represented in the balance sheet, income statement and statement of cash flows of the Crédit Agricole Banking Group. The Management Report and section 5 below point out the risks and uncertainties associated with the present macroeconomic scenario; please, see in particular the considerations on the war between Russia and Ukraine.

(*) The period to exercise the warrants on shares of the former Cassa di Risparmio di Cesena expired on 23

SHARE CAPITAL INCREASE

On 25 January 2022 the extraordinary General Meeting of Crédit Agricole Italia Shareholders resolved to increase its share capital by Euro 500 million through the issue of 121,951,220 shares having a nominal value of Euro 1 each to be offered in option to the shareholders at a unit price of Euro 4.10, of which Euro 1 as capital and Euro 3.10 as share premium.

The share capital increase completed the capital strengthening phase aimed at supporting Creval acquisition, which had started in 2021 with contributions for a future capital increase given by the controlling company Crédit Agricole S.A. Totalling Euro 417 million.

ISSUE OF COVERED BONDS

In January 2022, Crédit Agricole Italia successfully finalized the first issue of Covered Bonds in the Italian market in 2022. It was a dual–tranche issue: one tranche maturing in 10 years and amounting to Euro 1 billion, the other maturing in 20 years and amounting to Euro 500 million.

Section 5 – Other aspects

Risks, uncertainties and impacts generated by the Covid-19 epidemic

Nearly two years after the outbreak of the Covid-19 pandemic, its impacts and effects on public health, economic activity and trade continue to affect the present and forward-looking scenario in which the Group operates and will operate. In 2021 the macroeconomic scenario gave some positive signs, with strong growth as several restrictive measures were lifted and vaccination spread; trade went back to its pre-pandemic levels, but later on in the year the spread of new variants (Delta and Omicron), tensions in the procurement of commodities and intermediate inputs, partly associated with the very fast growth, which caused “bottlenecks” throughout the value chains worldwide on the supply side along with the considerable increase in the prices of several commodities slowed down investments and production and contributed to boosting inflation globally.
Albeit in this very complex scenario still featuring deep uncertainty on the time to and features of recovery in productive activities, on the extent and duration of the measures deployed by Governments to provide support to households and businesses and the EU monetary policy adjustments, the analyses performed by the governance bodies using the available information gave evidence that the Group will be able to meet the risks and uncertainties caused by this scenario.

The assessment of the Group’s ability to continue to operate as a going concern has taken into account the reached capitalization level, which has a reassuring buffer above the requirements set by the ECB (CET1 ratio at 11.6% well above the 7.98% as per the SREP) , the present liquidity level above the regulatory threshold (LCR 277%) and the healthy and prudent management that has always been a distinctive feature of the Group’s operations, ensuring sound development through strategies pursuing sustainable growth.

Applying some accounting standards necessarily entails the use of estimates and assumptions, which can generate significant effects on the values recognized in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities. The economic effects generated by the Covid-19 epidemic have required thorough analysis and weighting of the new economic situation in the models for measuring the recoverable amount of the Group’s assets.

The macroeconomic forecasts and the measurement models used were prepared before the worsening in the geopolitical tension that led to the military invasion of Ukraine by Russia. That event is an uncertainty factor for the developments in the macroeconomic scenario in which the Group will have to operate. Any assessment of the consequences on the economy materially depends on how the situation will evolve; therefore, all the scenarios designed and described for 2022 will have to be reviewed and will be subject to changes that, for the time being, cannot be quantified and that may impact on the estimates and assumptions used to prepare the 2021 annual report and financial statements.

In this situation, the Regulators gave several indications aimed at supporting the banking system and allowing sufficient flexibility to manage this difficult period.

Many were the accounting-related communications and measures issued by the various Supervisory Authorities, which gave recommendations on disclosures and transparency expected of financial institutions on the consequences of the Covid-19 pandemic; the list presented in section 2 of this Note to the financial statements contains the main communications and interpretations, which had already been exhaustively analyzed in the 2020 annual report and financial statements.

In its public statement “European common enforcement priorities for 2021 annual financial reports”, published on 29 October 2021, ESMA emphasized once again the importance of the oversight that management and supervisory bodies of issuers must ensure in the quality of financial reporting, with special focus on:

- Impacts generated by the Covid-19 pandemic.

  Given the pandemic persistence and the volatile recovery in many sectors of the economy, ESMA calls for a careful assessment of the longer term impacts of the Covid-19 pandemic on issuers' activities, financial performance, financial position and cash flows. In this regard, ESMA reiterates many aspects of the message it gave in its 2020 statement about the importance of the information given in the financial reports on the going concern assumptions, (time horizon of at least 12 months), significant judgements expressed by the management, the uncertainty of estimated impairment of assets and recognition of DTA for tax losses.
- Calculation of the Expected credit loss for financial institutions and exposure staging.

  Higher disclosure than provided in the 2020 financial reports is expected in the representation of the ECL calculation models regarding management overlays, as per IFRS 7: adjustments of internal inputs to the model or post-model adjustments must be appropriately represented in terms of both their application logics and quantitative effects on exposure coverage and staging. ESMA confirms its expectation that extensive disclosure be given of any material changes in measurement approaches and assumptions vs. the previous period, explaining the reasons for said changes, in order to ensure that developments in loss allowance be understood.

  In compliance with FRS 7, ESMA reminds issuers to disclose the basis for inputs (qualitative and quantitative factors) and assumptions and the estimation techniques used to determine whether a significant increase in credit risk (SICR) has occurred; for exposures under support measures, issuers are expected to clearly explain how these measures have impacted the assessment of SICR.

  Lastly, as done for 2020 financial reports, ESMA encourages issuers to provide specific information on the judgements and estimates at the basis of the forward-looking scenarios, giving evidence of the main macroeconomic variables and related sensitivity.
- In the Statement, ESMA also emphasizes the importance of consistency between financial reports in accordance with the IFRS and non-financial statements (NFS), the climate-related risks issuers and their non-financial assets may be exposed to in the long term.

Covid-19 effects

To address the emergency experienced in 2020, the banking system has strengthened its policies for the monitoring, management and control of risks, especially of credit risk. The extraordinary measures deployed by the Group in favour of businesses and households ensured strong support to customers, while constant attention was paid to the credit quality of the originated loans and to the assessment of their recoverability. Given the impact of the crisis caused by the Covid-19 pandemic, as early as in H2 2020 specific criteria were defined for the identification of the portfolio to be subjected to enhanced monitoring on a priority basis, also with new review processes supplementing ordinary ones. In 2021 the evolution in the situation related to the pandemic was monitored, assessing time by time any impacts on the main estimates of the Group.

ECL governance and measurement

Impairment on the performing loans portfolio is calculated with a tool that is centralized on the Information Systems of the French Parent Company Crédit Agricole S.A. using the information and parameters of each entity as inputs. In compliance with IFRS 9, the ECL is estimated weighting forward-looking scenarios; therefore, the various scenarios were weighted by their probability of occurrence, as given above. The main macroeconomic indicators used to define the scenarios were prepared by the ECO structure of the French Parent Company Crédit Agricole S.A. specializing in macroeconomic studies.

These scenarios were updated considering the developments linked to the health emergency and economic recovery and can be summarized as follows:

- Central scenario: growth continues to be heavily dependent on the 2021 health-related assumptions, which do not envisage any material restrictions to free movement of people and goods. The strong rebound in the GDP, growing by 6% in 2021, is confirmed also for 2022–2024.
- Moderately adverse scenario: marked and long-lasting increase in inflation and in the prices of commodities and intermediate goods. The economic situation causes consumption and investments to decrease starting from mid-2022, with direct impacts on economic recovery.

- The stressed budget scenario is the most severe scenario. It is considered a variant of the moderately adverse scenario and envisages long-lasting reduction in consumption caused by the spike in the prices of commodities (including energy) and intermediate goods. This scenario goes along with responsive monetary policies deployed by the ECB and by the FED aimed at containing the rise in prices.
- The favourable scenario is considered a variant of the central scenario with economic recovery somewhat steadier thanks to lesser increase in the prices of commodities and intermediate goods starting from 2022.

The weights to be given to the four scenarios – which may change each time the parameters are re-estimated – have been set for the Crédit Agricole Group as a whole (Crédit Agricole SA Economic Research Department - ECO) and validated by the Crédit Agricole Group IFRS9 Guidance Committee, on which the Risk Management and Permanent Controls Department of the Crédit Agricole Italia Banking Group also sits.

The evidence about the assessment model, the main macroeconomic indicators taken into account in redesigning the scenarios, the corrective factors (post model adjustments) introduced to manage the uncertainty of the effectiveness of the economic stimulus measures and the sensitivity analysis made on the ECL is fully reported in Part E – Credit Risk of this Note to the financial statements.

Significant increase in credit risk

For each financial instrument, the Crédit Agricole Italia Banking Group assesses any increase in credit risk from initial recognition at each reporting date. Based on this assessment of changes in credit risk, exposures are classified into the different risk stages. In Q4 2021, the Crédit Agricole Group started a process for the review of the thresholds of significant increase in credit risk (SICR) in order for the approach of PD change in relative terms even more robust.
Based on that input, the Crédit Agricole Italia Banking Group defined new thresholds to assess increase in credit risk, which provide for classification in Stage 2 of all positions for which the PD calculated as at the reporting date is strictly higher than its PD at origination multiplied by a threshold that is different for each portfolio.

In Part E – Credit risk of this Note to the financial statements breakdown disclosure is given.

Covid-19-related contractual modifications

In March 2020, the Crédit Agricole Italia Banking Group started to give its Customers the possibility to suspend repayment of mortgage loans and other loans, concomitantly extending their maturity by the suspension period. The offered suspension measures were progressively aligned with the applicable legislation ("Cure Italy" Decree Law and afterwards the "Support-bis Decree Law) and with the agreements between the Italian Banking Association and the trade associations, which the Group immediately signed in order to ensure the utmost possible protection to its Customers. Therefore, Throughout 2021, the Crédit Agricole Italia Banking Group continued with the measures for payment suspension, both those provided for by the Italia Law and those under the agreements between the Italian Banking Association and Trade Associations. Customers in the Individuals segment could:

- Obtain, throughout the year, the suspension of payment of the full instalment for up to 18 months for home loans for primary residence (so-called Gasparrini Fund);
- Apply, until 31 March 2021, for suspension of payment of the full instalment or of the principal repayment portion only for 9 months (Italian Banking Association-Trade Associations Second Agreement).

On the other hand, Corporate Banking Customers could:

- Obtain the suspension of payment of the full instalment or of the principal repayment portion only up to 30 June 2021 ("Cure Italy" Decree Law) applying for the suspension by 31 January 2021;
- Apply, until 31 March 2021, for suspension of payment of the full instalment or of the principal repayment portion only (Italian Banking Association-Enterprises in Recovery 2,0).

Furthermore, the first extension was finalized concerning the moratoria under the "Cure Italy" Decree Law which were in force as at 31 January 2021 and as at 31 March 2021 (for the tourism sector), automatically postponing their expiry to 30 June 2021, unless the moratoria were specifically renounced by customers.
The second and last extension of the moratoria under the "Cure Italy" Decree applied to all the measures in force as at 30 June 2021 for which customers had explicitly applied for postponement of expiry to 21 December 2021.

The moratoria the Group offered to its Customers consisted in postponing the payment schedule (in case payment of the full instalment is suspended, the date of interest collection was also postponed), which caused no material impacts on the present value of the exposures under moratoria; therefore, applying modification accounting, no profits or losses resulting from said concessions have been recognized. Furthermore, the moratoria falling within the EBA Guidelines scope did not, as a rule, entail the classification of the exposure as forborne or its automatic classification in stage 2 with consequent calculation of the related lifetime expected loss. Consistently with the approach indicated by the ECB, the classification as Unlikely to Pay of Customers that benefited from moratoria was not based solely on their application for said concession, but also on forward-looking assessments of said positions, strengthening the monitoring processes on priority portfolios.

Because of the selective extension of the suspension of bank loan repayment, in 2021 moratoria were reclassified as either compliant or non-compliant with the EBA guidelines, based on whether the overall duration of repayment suspension exceeded nine months. The tables in Part B and Part E of this Note to the financial statements, as required under the 2021 update of Bank of Italy Circular no. 262, show the stocks as at the reporting date.
As at 31 December 2021, the loans under moratoria amounted to Euro 715 million (vs. Euro 8 billion as at 31 December 2020).
The accounting treatment of said concessions in favour of Customers was in accordance with the reference regulatory framework defined by the documents issued by the Regulator, and specifically by the EBA, in 2020 and therefore already applied in preparing the annual report and consolidated financial statements as at 31 December 2020.
Given the crisis, the monitoring processes on priority portfolios have been strengthened. Having specific regard to the counterparties benefiting from moratoria, the analyses aim at assessing whether there are periodic flows that are adequate to ensure the loan repayment once the suspension measure ends.
In order to foretell any latent risk situations linked to moratoria, consistently with the end of the last year, the Crédit Agricole Italia Banking Group made adjustments, in terms of both staging and coverage on a significant cluster of positions for which it cannot be ruled out that the concession of payment suspension may have generated an impact on the risk parameters used for staging and for the ECL calculation.
The quantitative analysis of the perimeter of forborne exposure and of the post-model adjustment impacts is reported in Part E of this Note to the financial statements.

Loans guaranteed by the State

Reasserting the Group's commitment to providing tangible response and its will to stand by those Customers that have been worst hit by the health emergency, the program comprises solutions to ensure liquidity to all the Group's Customers, also through the measures laid down by Italian Liquidity Decree Law of 8 April 2020 and the law enacting it: In accordance with the relevant accounting principles, these loans are recognized at amortized cost.

As at 31 December 2021, the Crédit Agricole Italia Banking Group had participated in the origination of loans backed by state guarantees for an amount of Euro 4.9 billion.

IFRS 16 – Covid-19-related concessions

The Crédit Agricole Italia Banking Group reported no effects on its income statement in FY 2021 generated by the amendment to IFRS 16, "Covid-19-Related Rent Concessions beyond 30 June 2021" (Regulation (EU) 2021/1421,as in 2021 it recognized no Covid-19-related rent concessions.

Impairment testing of goodwill

In accordance with IAS/IFRS, the Group tested the goodwill recognized as at 31 December 2021 for impairment. Specifically, the recoverable amount of goodwill was first determined for the entire perimeter of the CAI Group and then broken down by the Corporate, Retail and Private Banking Cash Generating Units ("CGU"), weighted based on the profit expected from each channel in full operation.

The used method was the Dividend Discount Model ("**DDM**") in its Excess Capital version. The DDM estimates the company value as the sum of the present value of the theoretical future cash flows distributed to shareholders in the explicit period and the Terminal Value. Specifically, in its "Excess Capital" variant, this method provides for the economic value of a financial company to be calculated by discounting a dividend flow determined based on full compliance with the capital requirements set by the Supervisory Authority

For the calculation of future cash flows, starting from the 2021 expected performance, a model has been used, which consists of two stages:

- For the first stage (2022-2026), the following forecasts have been used: the 2022 Budget for 2023-2026 and medium- and long-term financial forecasts;
- The second stage considers the Terminal Value: the cash flow after taxes for the last year was, therefore, projected into perpetuity using a long-term growth rate "g" (2.00%). That rate is in an interval consistent with the ECB inflation target for the Euro Area.

The cash flows (after taxes) thus determined have then been discounted at a rate (ke) calculated based on the Capital Asset Pricing Model (i.e. based on a risk-free rate plus the product of the beta coefficient multiplied by the risk premium), totalling 8.80% (the same used in 2020).

	2021	2020
Cost of equity (ke)	**8,80%**	**8,80%**
- of which risk-free rate	2,77%	2,76%
- of which Beta	1,2	1,2
- of which risk premium	5,04%	5,01%

For the only CGU in which goodwill was recognized, the calculation gave evidence of a value in use higher than the related carrying amount.

More exhaustive information is given in Part B-Section 10 – Intangible assets.

Deferred Tax Assets (DTA): probability test

As regards the recognition of DTAs, which were recognized for an amount of approximately Euro 2,312 million, the probability test was carried out and confirmed their full recoverability.
Said verification was performed having regard to Article 1, paragraph 233 *et seq.* of Italian Law no. 178 of 30 December 2020, for the merger by absorption of Creval into Crédit Agricole Italia, scheduled for April 2022, under which Deferred Tax Assets- (DTA) relating to tax losses carried forward or to Corporate Equity Allowance (ACE) excess not used until the 2020 tax period, whether on-balance-sheet or off-balance-sheet, can be converted into tax credits.

The probability test, especially as regards the recognition of DTA on unused tax losses, once having applied the aforementioned conversion, was calculated based on the estimated future profits and losses used in the impairment test. The test showed that the recognized DTA for tax losses cane be reasonably expected to be recovered over a modest time horizon, which, in the most likely scenario, is five years. Considering also the amount of convertible DTAs under Italian Law 214/2011, the DTAs tested for impairment amounted to Euro 939.9 million, of which Euro 88.8 million from tax realignment.

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

All-cash voluntary public tender offer made by Crédit Agricole Italia for all the shares in Credito Valtellinese

On 23 April 2021, the all-cash voluntary public tender offer made by Crédit Agricole Italia for all the shares in Creval S.p.A. (Creval) was successfully completed, whereby Crédit Agricole Italia became the holder of 91.17% of Creval share capital. Then, after the completion of the sell-out and squeeze-out procedures, Crédit Agricole Italia now holds 100% of Creval share capital, for a total consideration of Euro 862 million.
The acquisition whereby Crédit Agricole Italia obtained control of Creval qualifies in the Group consolidated financial statements as a "business" acquisition and, therefore, subject to the accounting treatment provided for by IFRS 3 "Business Combinations".

For complete reporting on this combination and on the related accounting impacts, please, see Part G of this Note to the financial statements.

Voluntary public tender offer made by Crédit Agricole Italia for the shares in Crédit Agricole FriulAdria

On 16 June 2021 Crédit Agricole Italia announced a voluntary public tender offer for 4,159,603 ordinary shares in its subsidiary Crédit Agricole FriulAdria S.p.A, representing 17.233% of its share capital. When it started the public tender offer,, Crédit Agricole Italia owned 19,865,895 shares in Crédit Agricole FriulAdria, amounting to 82.302% of its share capital, exercising management and coordination activities on and controlling Crédit Agricole FriulAdria pursuant to Article 93 of the Italian Consolidated Law on Finance.
The Offer document was approved by CONSOB (Italian Securities and Exchange Commission) on 29 July 2021 and published on 6 August 2021. The Offer acceptance period started on 9 August 2021 and ended on 17 September 2021.
Crédit Agricole Italia offered a consideration in cash up to a maximum amount of €40 for each share concerning which the offer was accepted consisting of:

- A fixed component in cash (the "Immediate Consideration") of Euro 35 per share to be paid at the outcome of the Acceptance Period;
- A deferred component in cash (the "Deferred Consideration") amounting to Euro 5 per share, which shall be paid in Q3 2024 upon condition that the shareholders that accepted the Offer complies with some requirements laid down in the Offer Document.

In the Acceptance Period, the Offer was accepted as regards 4,054,988 shares representing 97.485% of the Shares for which the Offer had been made and 16.799% of the Issuer share capital with voting rights, for a total price (calculated assuming that all the Shareholders that accepted the Offer will meet the requirement and thus acquire the right to receive the Deferred Consideration) of Euro 162.2 million.
The immediate consideration, amounting to Euro 35 per share and totalling Euro 141.9 million, was paid in cash on 23 September 2021; the deferred consideration shall be paid in cash in Q3 2024 and the payment date shall be communicated by Crédit Agricole Italia in accordance with Article 36 of the Issuer Regulation.
Following the acceptance of the voluntary public tender offer, Crédit Agricole Italia came to own 23,920,883 shares in Crédit Agricole FriulAdria, representing 99.101% of its share capital.

In accordance with IFRS10, the difference between the value change in minority interests and the fair value of consideration paid (immediate consideration and deferred consideration) was recognized directly in equity, with a negative impact of approximately Euro 37 million of the portion attributable to the shareholders of the parent company.

Stelvio Project

Within the derisking actions deployed on the NPE portfolio, in 2021 the Crédit Agricole Italia Banking Group successfully completed disposals of non-performing loans for a gross book value of approximately Euro 1.6 billion, combining the securitization transaction called "Stelvio Project" and the disposal of single positions during the ordinary collection activities.

Specifically, the Stelvio transaction perimeter is a portfolio of about 13,500 loans classified as bad, for a gross exposure of Euro 1.55 billion, 71% of which was originated by Crédit Agricole Italia, 17% by Credito Valtellinese and 12% by Crédit Agricole FriulAdria.

The transfer of the loans by the 3 originator banks of the Group to the special-purpose entity Ortles 21 S.r.l., incorporated under Italian Law 130/99, was finalized on 3 December 2021.

In order to finance the purchase of the loans, on 17 December 2021, the special-purpose entity issued three tranches of ABS as listed below:

- Senior (Class A) notes, amounting to Euro 340 million and equal to 18.5% of the gross collectible value of the sold loans, to which a BBB investment grade rating was assigned by Scope Rating, DBRS and Arc Rating and were subscribed by Crédit Agricole Italia;
- Mezzanine (Class B) notes, amounting to Euro 40 million and equal to 2.2% of the gross collectible value of the sold loans, without rating and subscribed by Crédit Agricole Italia;
- Junior (Class J) notes, amounting to Euro 14.3 million and equal to 0.8% of the gross collectible value of the sold loans, without rating and subscribed by Crédit Agricole Italia;

As regards the Senior notes, which are 100% held by Crédit Agricole Italia, the application for admission to the Italian State guarantee scheme on securitization of NPL (GACS) was submitted to the Italian Ministry of the Economy and Finance.
The Senior notes were recognized in the "Hold to collect" (HTC) portfolio, while the Mezzanine and Junior notes were recognized in the portfolio of instruments mandatorily measured at fair value through profit and loss.
On 21 December 2021, Crédit Agricole Italia sold 95% of the Mezzanine notes and 95% of the Junior notes to a specialist investor enabling the Group to fully derecognize the loans disposed of while complying with the requirement to retain a material net economic 5%[23].

The derecognition of the assets within the Stelvio perimeter entailed the recognition in the 2021 income statement of a negative impact totalling Euro 194 million.

Next Generation Plan

Within the Creval integration project, the Crédit Agricole Italia Group started a generational turnover programme having strategic extent and value, which will in a short time lead to having state-of-the-art competences and skills.
As regards the voluntary redundancy with incentives system, the following arrangements went live for the Group:

- Voluntary redundancy incentives applying to all those that meet the pension requirements to qualify for the Italian General Compulsory Insurance (AGO) benefits;
- Qualifying for the extraordinary benefits given by the solidarity fund for banking sector employees; this solution may apply to those that will qualify for pension in the period between H2 2022 and 2027.

On 1 October 2021 the Voluntary Redundancy Agreement was signed with the Trade unions and afterwards 840 people joined the scheme. As the Agreement was signed and considering the number of people who joined the scheme, the Group recognized non-recurring costs totalling Euro 189.5 million under "Personnel expenses" with that amount allocated to the Provision for personnel charges.

Geographical rationalization of the physical network

The actions that the Group has planned for 2022 are part of the wider project for the integration into Crédit Agricole Italia of the Creval and Crédit Agricole FriulAdria networks and have been designed based on the guidelines given below:

- Resolution of cases of overlapping branches generated by the integration of Creval Network, maintaining the same coverage of the communities Creval has long been operating in;
- Evolution in the geographical coverage model towards a Network consisting of fewer but larger-sized and more specialized branches, focusing on higher added value activities rather than on mere transaction execution, especially in big cities.

23 Of which (i) in Article 405(1)(a) of Regulation (EU) 575/2013 ("CRR"), (ii) in Article 51(1)(a) of Delegated Regulation (EU) 231/2013 ("AIMFD Regulation") and (iii) in Article 254(2)(A) of Delegated Regulation (EU) 35/2015 ("Solvency II Regulation").

Most of the planned actions (about 88 branches to be closed) are going to be implemented within the Crédit Agricole Italia – Creval integration in April 2022, while others concern Creval-Crédit Agricole FriulAdria overlapping cases and will be implemented in November 2022.
As regards the perimeter of leased branches, based on the dates on which the use of the premises will end and on the conditions for early withdrawal from the single contracts, the financial statements as at 31 December 2021 already report the appropriate adjustments of the carrying amount of both IFRS 16 lease liabilities (cash flow new maturity) and right of use; as regards owned branches, the plan for closures required an analysis of the book value and fair value as at 31 December 2021 of the assets concerned.

The above-described accounting adjustments generated a negative impact on the Group income statement as at 31 December 2021 amounting to about Euro 6 million and mainly due to adjustments of IFRS 16 rights of use.

Realignment of the carrying amounts and tax bases of some property, plant and equipment and intangible assets

Realignment of the carrying amounts and tax bases of some property, plant and equipment and intangible assets: the CA Italia Group exercised the option under Article 110 of Italian Decree Law 104/2020 (as amended by Italian Law 178/2020 and Italian Law 234/2021) whereby the tax bases of some property, plant and equipment and intangible assets could be realigned to their higher carrying amounts with payment of a substitute tax of 3% (the first instalment of which paid on 30 June 2021). The option for realignment is exercised with the specific indication in the income tax return and entails that a constrain be established on a reserve, as defined by the General Meeting of Shareholders within the approval of the 2021 Annual Report and Financial Statements. In case the reserves are distributed, they contribute to the income of the Company and of its shareholders. As the conditions were met, the realignment was applied retrospectively to properties,, goodwill and to a property plant and equipment asset with finite useful life. With the realignment, besides provisioning for the related substitute tax, the values of DTAs/DTLs showing pre-existing mismatches and new values were updated.
This generated a positive effect on the “taxes” item of the income statement for the period of approximately Euro 97 million.

The table below summarizes the realignment and the related effects (figures in millions of Euros):

Realigned amount	substitute tax	effect on the income statement	constraint on the reserve
325	10	97	315

On 1 March 2022 with Circular no. 6/E, Agenzia delle Entrate (the Italian Revenue Agency) admitted, under certain conditions, the possibility of another approach to calculate goodwill realignment, which before was not recognized. Consequently, pending the appropriate in-depth analyses and verifications, the constraint on the reserve is expected to amount to Euro 955 million, also in accordance with any higher maximum amount that may be realigned.

Business combinations: conversion of DTAs for losses with payment of a commission

Based on Article 1, paragraph 233 *et seq.* of Italian Law no. 178 of 30 December 2020, for the merger by absorption of Creval into Crédit Agricole Italia, scheduled for April 2022, Deferred Tax Assets- (DTA) relating to tax losses carried forward or to Corporate Equity Allowance (ACE) excess not used until the 2020 tax period, whether on-balance-sheet or off-balance-sheet, can be converted into tax credits with specific methods.
The conversion is subject to the condition that a substitute tax of 25% of the total concerted DTA be paid, specifically 40% within 30 days of the date of the merger legal effect and remaining 60% within the first 30 days of the following financial year. The commission is deductible from the Italian Corporate income tax (IRES) and the Italian Regional Tax on Productive Activities (IRAP) in the financial year in which payment is made. The conversion generates the right to offset the tax credit thus obtained, as to 25% on the date of the merger legal effect and, as to 75%, on the first day of the next financial year.

The maximum value of DTAs that can be converted is 2% of the value of the assets of the entities that are parties to the business combination, net of the assets of the largest-sized party. Due to the conversion, the right to recover the tax loss/ACE the DTA refer to ceases to apply.

As the DTA conversion is expected, the estimated commission was allocated to provision in an amount, net of the related tax benefit, of Euro 72,6 million and recognized in item “Income Taxes for the period”.

Thanks to said provision, irrespective of the outcome of the related probability test linked to future profitability, which generally must allow for its recognition, having regard to losses/surplus before 2021, the related DTAs not previously recognized may also be stated. Therefore, as to Creval, DTAs for losses/ Allowance for Corporate Equity surplus previously not recognized have emerged in an amount of Euro 178 million, with consequent improvement in the tax item in the income statement. The net effect generated by the combination of the two recognitions on the consolidated financial statements came to approximately Euro 100 million.

Covered bonds

In March 2021, giving yet further evidence of its commitment to the environment, the Crédit Agricole Italia Banking Group made the first Italian issue of Green Covered Bonds intended to finance or refinance a pool of residential mortgage loans that were selected based on sustainability criteria and originated for the purchase of highly energy efficient properties. The issued bonds totalled Euro 500 million and 12-year maturity (maturing in 2033).

For more exhaustive information on the issues of covered bonds, please see paragraph Finance in the Management Report and Part E - Section 2 - Credit risk - paragraph D - Disposals in the Note to the financial statements.

IT infrastructure outsourcing

In 2021 the project for the outsourcing of the Group's IT infrastructure started; its purpose is to support the Crédit Agricole Italia Banking Group in its technological innovation process demanded by the market scenario, while improving operational performances and contributing to the achievement of medium and long term cost advantages. Overall, the outsourcing arrangement covers facility management services of the department IT environment, the supply, management and maintenance of workstations and connectivity, as well as the maintenance of ATMs and Totems at branches.

The contract, which has a medium/long-term perspective, will enable to speed up the capacity to develop innovative digital services and to respond, in a fast and flexible manner, to the new market scenarios. The cross-industry architecture of the outsourcing arrangement between players operating in telecommunication and financial services represents a one-of-a-kind and innovative approach to achieve digital transformation and effective management of the Firm's technological centers.

The programme, which became operational in H2 2021, will lead to the migration of the present server farms located in Parma and Settimo Milanese to datacenters that are certified as Tier 4, i.e. top security, in accordance with the relevant international standards and have been designed with the green approach that is one of the Crédit Agricole Group's distinctive features.
The outsourcing contract provides for both an IT infrastructure lease component, recognized in accordance with IFRS 16, and a service, assistance and maintenance component recognized in the income statements under administrative expenses in accordance with IFRS15.

OTHER INFORMATION

TLTRO III

A third series of targeted long-term refinancing operations was resolved by the ECB in March 2019 and was amended in September 2019 due to the worsening in the economic scenario and again in March and April 2020 due to the Covid-19 situation.
In accordance with the terms as amended in April 2020, the borrowing rates in these operations can be as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2021 (then extended to June 2022), and as low as the average interest rate on the deposit facility during the rest of the life of the respective TLTRO III. The borrowing rate is linked to the achievement of a target growth rate in lending to businesses and households. The reduced interest rate is subject to the achievement of pre-set thresholds in lending performances. Interest shall be settled at the maturity of each TLTRO III or upon early repayment.

The Group has implemented periodic monitoring of the level of eligible loans in order to assess the achievement of the pre-set thresholds in lending performance and to give grounds for the reasonableness of the used interest rate. The Management considered (based on the periodic monitoring of lending performances - mentioned below) the outstanding loans from the ECB could be recognized at a -1% rate.

Recognition of discontinuing operations due to the disposal of Creval Più Factor scheduled for 2022

Consistently with the Group business model, in 2022 Creval service model is going to be reorganized and rationalised transferring the factoring activities, carried out by Creval Più Factor, to the Group's entity operating in the specific line of business. The above will be achieved through the disposal of the 100% equity investment held in Creval Più Factor.

The assets and liabilities relating to Creval PiùFactor have been reclassified and recognized under items 120. "Non-current assets held for sale and discontinued operations" and 70 "Liabilities associated with non-current assets held for sale and discontinued operations as the conditions laid down in this regard by IFRS 5 are met.

New definition of default

Since September 2020, the Crédit Agricole Italia Banking Group has been applying, on an early adoption basis and in line with the Parent Company Crédit Agricole S.A., the New Definition of Default, resulting from the implementation of the "RTS on the materiality threshold for credit obligations past due under Article 178 of the CRR (Delegated Regulation EU 2018/171)" and of the related "EBA Guidelines on the application of the definition of default under Article 178 of the CRR".

The new Definition of Default requires more rigorous classification into the default status of pastdue exposures, both for enterprises (of all types and sizes) and for individuals, sole traders and households.

Specifically, the new rules, which all banks are required to apply as of 1 January 2021, concern the classification as NPLs in terms of timeliness (fine tuning the methods to classify UTP and implementing additional automatisms), objectivity (setting non-discretionary materiality thresholds, both absolute and relative different for retail and corporate banking positions) and prudence (introducing specific rules for positions to be classified back as performing – the so-called probation period).

In accordance with the new rules, banks shall also put on record the business and legal relations of their customers in order to identify the cases in which the default of a party may have repercussions on a debtor connected to said party (the so-called contagion effect).

Purchase of Tax Credits - Ecobonus

Within the measures deployed by the Italian Government to support the economy, Decree Law no. 34/2020 (so-called "Relaunch" Decree) gives the possibility to deduct certain types of expenses as tax credits. Under the "ecobonus" and "earthquake bonus" schemes, as well as under other incentive schemes for building works, an incentive is a rebate in the price due to the vendor with a tax credit given to the vendor.

The Crédit Agricole Italia Group rolled out the service for the purchase of tax credits from Customers and concomitantly, in accordance with the instructions given by the Bank of Italy (Bank of Italy/Consob/Ivass Document no. 9 of 5 January 2021) implemented a specific accounting policy. In accordance with the applicable legislation, said policy provides for the recognition of purchased tax credits as assets in the Balance Sheet, under item 120 "Other assets", with initial recognition at fair value, equal to the purchase price paid to the Customers. For these tax credits, the Group also chose the "Hold to collect" Business Model (i.e. an investment to be held to maturity) and consequently recognized them with the amortized cost method.

The income component of the rebate (delta between the credit nominal value and cash outflow) has been recognized in the Income Statement under item 10 "Interest and similar income". Said interest income over the credit life has been allocated with the amortized cost method.

As at 31 December 2021 the reported balance of purchased tax credits, recognized under item "Other assets", came to Euro 422 million, generating interest income of Euro 5.6 million taken to the income statement.

Option for the Italian national tax consolidation

In March 2016, the national tax consolidation scheme was adopted, with effects since the 2015 tax period, by the Crédit Agricole S.A. Group in Italy; such scheme was introduced with Article 6 of Italian Legislative Decree No. 147 of 14 September 2015, according to which also the Italian "sister" companies, whose controlling Company is resident in a EU Member State, may exercise the option for consolidated taxation.

Initially, 18 Companies of the Group opted to join the tax consolidation scheme and, having been designated by Crédit Agricole S.A., Crédit Agricole Italia has undertaken the role of Consolidating Entity. Taking into account the new entities that joined the scheme in previous years and those that were terminated, as at 31 December 2021, the tax consolidation scheme consisted of 22 entities.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss), as regards the Italian corporate income tax (IRES), to the consolidating Entity Crédit Agricole Italia, which calculates a single taxable income or a single tax loss for the Group, as the algebraic sum of the income and/or losses of the single Companies, and recognizes a single tax account payable to or receivable from the Italian Inland revenue Service.

As balancing item of taxes/lower taxes for tax losses and Allowance for Corporate Equity (ACE) benefits to be transferred to the consolidation scheme or withholdings, detractions and the like, the companies in the consolidation scheme recognize due and payables/receivables from the consolidating entity.

In its separate Financial Statements, the Consolidating Entity recognizes matching items of due and payables to/receivables from the entities in the consolidation scheme.

Specifically, the intra-group balances resulting from the tax consolidation scheme are recognized in the items:

- “Financial assets measured at amortized cost - due from banks”, or “Financial assets measured at amortized cost - loans to customers”, in accordance with the kind of counterparty, for estimating the corporate income tax (IRES) transferred by the member entities to the tax consolidation scheme;
- “Financial liabilities measured at amortized cost - due to banks”, or “Financial liabilities measured at amortized cost - due to customers”, in accordance with the kind of counterparty, for the transfer of tax losses or ACE benefits by the member entities to the tax consolidation scheme.

Lastly, the tax consolidation scheme’s tax account payable to or receivable from the Italian Inland Revenue Agency is recognized under current tax liabilities or assets based on whether the IRES payable amount is higher or lower than the payments on account made.

Option for the VAT Group

In November 2018, the option for a VAT Group scheme pursuant to Article 1 paragraph 24 of Italian Law no. 232 of 11 December 2016 was exercised, with effects as of 1 January 2019; the VAT Group includes the subsidiaries of CA Italia having, at the same time, financial, economic and organisational links in force between them, as provided for by Italian Ministerial Decree of 6 April 2018 and by Circular no. 19/2018.
Crédit Agricole Italia is the Group’s Representative Member. Subsequent to some mergers by absorption finalized in previous years and to the closure of other entities, the perimeter of the VAT Group, initially of 15 entities, consisted of 11 entities of the Group as at 31 December 2021. Thanks to this scheme, the member entities operate, for VAT purposes, as a single taxable person in their transactions with external companies, with a single VAT registration number. The main advantage generated by the exercise of this option is that, in general, the transactions between the Group member entities are not subject to VAT.

Patent box

In 2021, Patent Box agreements were finally closed with Agenzia delle Entrate (the Italian Revenue Agency) by the Banks of the Group, the applications for which had been filed in 2015 or 2016. The benefit is proportional to the assumed income generated by trademarks in force in 2015 for the 2015/2019 period and in force in 2016 and used in 2016/2020 and could not be applied for as regards trademarks created afterwards.
Consequently, the final benefit from the agreements closed by the Group, with effects on the relevant items of the income statement, came to about Euro 6.9 million, of which Euro 0.8 million already recognized in 2020 and the remaining portion in 2021.

Audit of the accounts

The statutory audit of the accounts was performed by EY S.p.A. until the approval of the 2020 Annual Report and Financial Statements.
On 28 April 2021, the General Meeting of Crédit Agricole Italia Shareholders resolved to assign the statutory audit of the accounts and related services for the 2021-2029 period to PricewaterhouseCoopers S.p.A..

Therefore, the 2021 annual report and consolidated financial statements were audited by PricewaterhouseCoopers S.p.A.

Publication of the Annual Report and Financial Statements

The Board of Directors approved the draft Annual Report and Consolidated Financial Statements as at 31 December 2021 of the Crédit Agricole Italia Banking Group and authorized their publication on 24 March 2022, pursuant also to IAS 10.

Publication of the Annual Report and Financial Statements in ESEF

Directive 2013/50/EU – amending Directive 2004/109/EC (so-called "Transparency Directive") laid down that, as of 1 January 2020, the Annual Reports and Consolidated Financial Statements of issuers whose securities are admitted to trading on a regulated market shall be prepared in a single communication electronic format.

Considering the difficulties that firms faced due to the Covid-19 pandemic, the Transparency Directive was amended giving Member States the power to postpone the aforementioned obligation and Italy, with the so-called "Milleproroghe" Decree, exercised it establishing that the ESEF Regulation shall apply, for Italian companies, to "annual reports and financial statements for reporting period starting on or after 1 January 2021".

Nonetheless, the Crédit Agricole Italia Banking Group qualifies for the exemption under Article 83 of CONSOB Issuer Regulation, which reads "Obligations for the preparation and publication of financial reports as envisaged in article 154-ter of the Consolidated Law shall not apply to: (...) b) issuers whose home Member State is Italy, which exclusively issue debt securities listed on a regulated market whose unit par value comes to at least 100.000 Euros, or an equivalent value in the event of currencies other than the Euro. (...)".

For this reason, the Annual Report and Consolidated Financial Statements of the Crédit Agricole Italia Banking Group as at 31 December 2021 will not be published in ESEF format.

A.2 PART REPORTING ON THE MAIN FINANCIAL STATEMENT ITEMS

The IAS/IFRS that were adopted for the preparation of the annual report and consolidated financial statements as at 31 December 2021 are given below broken down by financial statement item, having regard to classification, recognition, measurement and derecognition of asset and liability items, as well as the methods to recognize revenues and costs. Said standards are the same ones used for the preparation of the annual report and consolidated financial statements as at 31 December 2020.

FINANCIAL INSTRUMENTS (IFRS 9, IAS 39 AND IAS 32)

DEFINITIONS

IAS 32 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity, or any contract establishing contractual rights and obligations to receive or deliver cash or other assets.

Derivative instruments are financial assets or liabilities the value of which evolves in accordance with that on an underlying instrument; they require low or no initial investment and are settled at a later date.

Financial assets and liabilities have been recognized in the financial statements in accordance with IFRS 9, as endorsed by the Europe Union.

IFRS 9 lays down the bases for:

1. Classification and measurement of financial instruments;
2. Impairment of exposures for increase in credit risk;
3. Hedge accounting, excluding macro hedging.

However, it is pointed out that the Crédit Agricole Italia Banking Group, in accordance with the instructions of its French Parent Company Crédit Agricole S.A., has exercised the option, which is given to IFRS 9 first-time adopters, to continue to fully apply IAS 39 as regards hedge accounting. Therefore, all hedges have remained within the IAS 39 scope, pending the future application of the new "dynamic risk management accounting model".

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Initial measurement

At their initial recognition, financial assets and liabilities are measured at fair value, as defined in IFRS 13.

The IFRS 13 definition of fair value is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

Subsequent measurement

After their initial recognition, financial assets and liabilities shall be measured, in accordance with their classification, at amortized cost using the effective interest rate (EIR) method for debt instruments or at fair value. Derivative instruments shall always be measured at fair value.

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition, including the transaction costs that are directly attributable to its acquisition or issue, minus principal repayments, plus or minus the cumulative amortization calculated using the effective interest (EIR) method of any difference (discount or premium) between that initial amount and the maturity amount. In case of a financial asset measured at amortized cost or at fair value through other comprehensive income, its amount may be adjusted, where necessary, as impairment.

The effective interest rate (EIR) is the rate that discounts the estimated future cash flows (paid or collected) from the financial instrument through its expected life or, as the case may be, over a shorter period, to the net book value of the financial asset or liability.

1. FINANCIAL ASSETS

Financial assets other than derivatives (debt instruments or equity instruments) shall be classified in one of the three categories given below:

- Financial assets recognized at fair value through profit or loss (FVTPL);
- Financial assets at amortized cost; (for debt instruments only);
- Financial assets at fair value through equity (with recycling for debt instruments, without recycling for equity instruments).

The classification and measurement of financial assets depend on the financial asset nature, whether it qualifies as:

- Debt instrument (i.e. loans and securities with fixed or determinable payments);
- Equity instruments (i.e. shares).

Debt instruments

The classification and measurement of a debt instrument is determined at its initial recognition and is based on two joint criteria: the business model and the analysis of its contractual characteristics in order to assess that the financial asset contractual terms provide for, at set dates, cash flows that are 'solely payments of principal and interest on the principal amount outstanding' (the "SPPI test"), unless the fair value option is exercised.

Business Model

The business model expresses how a cluster of financial assets is collectively managed in order to order to pursue a set corporate objective, thus representing the strategy of the Crédit Agricole Italia Banking Group in managing its financial assets. The business model is determined for an asset portfolio, rather than specifically for a single financial asset.

There are three business models:

- Hold to Collect (HTC), the objective of which is to hold the financial asset to collect its contractual cash flows throughout its useful life; this model does not require that all the assets be held until their contractual maturity; however, any sale of the assets is subject to restrictions in terms of frequency and significance. In the financial year, sales are permitted as long as they do not breach a non-significance threshold that, in accordance with the Group policy, varies based on the portfolio average duration;
- Hold to Collect and Sell (HTC&S), the objective of which is to hold the financial assets both to collect their contractual cash flows and to sell them; in this model, both the sale of financial assets and the collection of their cash flows are permitted;
- Other, this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not qualify for the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applied to a portfolio of financial assets whose management and performance are measured based on fair value.

In accordance with the standard and with the choices made by the Group, the sale of financial assets classified in the HTC business model HTC are allowed in different terms, as described below, based on whether the sale concerns a security portfolio or a loan portfolio.

Sales of **securities** are allowed for the following reasons:

a) Increase in credit risk;
b) Debt instruments close to maturity;
c) Frequent but not significant sales;
d) Infrequent sales.

Specifically:

a) *Sales allowed due to an increase in credit risk*

   The Crédit Agricole Italia Banking Group has identified the following criteria to allow the sale of debt securities classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met.

   - Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
   - Risk indicator: downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;
   - Market indicators:
     - Material increase in the issuer's credit spread between the date of purchase and the date of sale of the instrument;
     - Material evolution in the issuer's premium CDS between the date of purchase and the date of sale of the instrument;

b) *Sales permitted as the debt instruments are close to maturity*

   Financial assets in the Hold to Collect portfolio may be sold if they are close to maturity and the proceeds from their sales approximate the collection of the remaining contractual cash flows (IFRS 9.B4.1.3B).

   In order to judge such sales consistent with the Hold to Collect Business Model, the following parameters were defined:

   - Time to maturity considered admissible of 6 months;
   - A maximum difference between the proceeds from the sale and the remaining contractual cash flows (amortized cost) of 3% (without taking fair value hedge effects into account).

c) *Frequent but not significant sales*

   In the financial year, sales are permitted up to a 15% limit; this non-significance threshold varies in accordance with the portfolio average duration.

d) *Infrequent sales*
  - Changes in the tax legislation entailing higher tax expenses generating a not negligible impact for the Group;
  - Non-recurring transactions by the issuer/the issuer's Group (i.e. mergers, sales of business units and, in general, any other non-recurring transaction impacting on the entity's equity);
  - Changes in the applicable legislation or regulations;
  - Need to strengthen capital requirements.

Sales of **loans** are allowed for the following reasons:
- Increase in credit risk;
- Loans close to maturity and with a sale price that approximates the remaining contractual cash flows;
- Frequent but not significant sales;
- Infrequent sales that are potentially significant.

Specifically:

a) *Sales allowed due to an increase in credit risk*

   The Crédit Agricole Italia Banking Group has identified the following criteria to allow the sale of loans classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met:
  - Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
  - Risk indicators (applying to large-corporate customers only): downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;

b) *Sales permitted as the loans are close to maturity*

   The sales of loans in the Hold-to-Collect portfolio shall be allowed if all the following criteria set by the Group are met:
  - The financial assets to be sold have residual life of less than 6 months;
  - The value of the assets to be sold is close to the amortized cost of the financial asset (also in case of frequent sales);
  - The difference between the sale price and the amortized cost of the loan shall not be higher than 3% without taking into account fair value hedge effects.

c) *Frequent but not significant sales*

   In the financial year, sales are permitted up to a 15% limit; this non-significance threshold varies in accordance with the portfolio average duration.

d) *Infrequent sales*
  - Changes in the tax legislation entailing higher tax expenses generating a not negligible impact for the Group;
  - Non-recurring transactions by the issuer/the issuer's Group (i.e. mergers, sales of business units and, in general, any other non-recurring transaction impacting on the entity's equity);
  - Changes in the applicable legislation or regulations;
  - Need to strengthen capital requirements.

The contractual characteristics ("Solely Payments of Principal & Interest" or SPPI test):

The SPPI test provides for a set of criteria to be examined as a whole, whereby it can be determined whether the contractual cash flows are consistent with the characteristics of a basic lending arrangement (repayments of face principal and payment of interests on the face principal still outstanding).

The test is passed if the loan entitles exclusively to principal repayment and if the payment of collected interests represents the time value of money, the credit risk associated with the instrument, other costs and risks of a classic lending arrangement, as well as a reasonable profit margin, in case of both fixed and floating interest rates.

Under a basic lending arrangement, interest represents the cost of the passage of time, the price for credit and liquidity risks over the period, and other components linked to the asses maintenance cost (e.g.: administrative costs).

If no conclusion can be made with this qualitative analysis, a quantitative analysis (or benchmark test) shall be made. This additional analysis consists in comparing the contractual cash flows of the asset under analysis to the cash flows of a benchmark asset (an asset with characteristics that are similar to those of the asset under analysis but "simple").

If the difference between the cash flows of the financial asset and those of the benchmark instrument is not deemed significant, the asset shall be considered a basic lending arrangement.

Furthermore, a specific analysis shall always be carried out if the financial asset provides for payments with different priorities linked to flows from other benchmark financial assets (e.g. In case of Credit Linked Instruments (CLI) or instruments issued by Special Purpose Entities (SPE) incorporated within Project Finance schemes), as regards which the credit risk concentration for each single tranche shall be analyzed. In this case, the SPPI tests requires the analysis of the characteristics of the contractual cash flows of the asset in question and of the underlying assets, in accordance with a «look-through» approach, and of the credit risk borne by the subscribed tranches compared to the credit risk of the underlying assets.

The recognition of debt instruments resulting from the definition of the business model along with the SPPI test can be presented with the chart below:

Debt instruments		Management models		
		HTC	HTCS	HTS
SPPI testing	Passed	Amortized cost	Fair value through Equity (OCI) with recycling	Fair value through Profit or loss
	Not passed	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss

Debt instruments at amortized cost

Debt instruments shall be measured at amortized cost if they are eligible for the HTC model and if they pass the SPPI test.

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs.

The amortization of any premiums/discounts and transaction costs of loans, receivables and fixed-income securities are recognized in the Income Statement with the effective interest rate method.

This category of financial assets is subject to impairment in accordance with the criteria set forth in the specific paragraph "Impairment for credit risk".

Debt instruments at fair value through equity with recycling

Debt instruments shall be measured at fair value through equity with recycling if they are eligible for the HTC&S model and if they pass the SPPI test.

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs. The amortization of any premiums/discounts and of security transaction expenses is recognized in the Income Statement with the Effective Interest Rate (EIR) method.

These financial assets are then measured at fair value and fair value changes are recognized through equity (with recycling) as the financial asset balancing item (excluding interest accrued taken to the Income Statement with the EIR method).

In case of sale, any fair value changes recognized through Equity are transferred to the Income Statement.

This category of financial instruments is subject to value adjustments for expected losses in accordance with the criteria set forth in the specific paragraph "Impairment for credit risk" (without any resulting impacts on the fair value on the balance sheet).

Debt instrument at fair value through profit or loss (FVTPL)

Debt instruments are measured at fair value through profit or loss in the following cases:

- The instruments are classified in the portfolio held within the Other Business Model (or financial assets held for trading or held with the main objective of selling them): financial assets held for trading are assets acquired or generated by the company mainly in order to sell them in the short term or part of a portfolio of instruments managed collectively in order to generate a profit from short-term fluctuations in price, or from a dealer's margin. Although contractual cash flows are collected in the period in which the Crédit Agricole Italia Banking Group holds the assets, the collection of such contractual cash flows is not essential but rather incidental.
- Debt instruments mandatorily measured at FVTPL as they do not comply with the SPPI test requirements. For instance, this is the case of Collective Investment Undertakings (open-end funds and closed-end funds).
- The financial instruments classified in portfolios for which the entity opts for fair value measurement. In that case, it is a specific designation of instruments to be measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement) and including accrued interest.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the balance sheet item reporting the financial assets.

This category of financial assets is not subject to impairment.

Debt instruments measured at fair value through profit or loss are recognized at the settlement date.

If the SPPI test is failed, debt instruments mandatorily measured at fair value through profit or loss are recognized at the settlement date.

Equity instruments

Equity instruments are recognized at fair value through profit or loss (FVTPL) unless an irrevocable option for their measurement at fair value through equity (in this case "without recycling") is exercised, granted that such instruments are not held for trading.

Equity instruments at fair value through profit or loss

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement). These assets are recognized at their settlement date.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the value of the financial assets on the balance sheet.

This category of financial assets is not subject to impairment.

Equity instruments at fair value through equity without recycling (irrevocable option)

The irrevocable option to recognize equity instruments at fair value through equity without recycling may be exercised for each single transaction and shall apply as of the date of initial recognition. These financial instruments are recognized at their settlement date. The initial fair value includes transaction costs.

At subsequent measurements, fair value changes are recognized in equity. In case of sale, these changes are not recycled to profit or loss; therefore, the profit or loss from the sale continues to be recognized in equity.

Only collected dividends are recognized in profit or loss if:

- The entity's right to collect their payment is set;
- It is likely that the economic benefits associated with the dividends will go to the entity;
- The dividend amount can be reliably measured.

Reclassification of financial assets

In the very few cases of a significant change in the business model used for managing financial assets (which, in accordance with the standard, may occur new activity, acquisition of entities, disposal or discontinuation of a business line), a reclassification of these financial assets is necessary.

In such cases, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

Where any "Financial assets measured at fair value through profit or loss" is reclassified under "Financial assets measured at amortized cost", the fair value as at the reclassification date shall become the new gross book value; the date of reclassification shall be the date of initial recognition for credit risk staging in order to estimate impairment. Where the financial asset is reclassified under "Financial assets measured at fair value through other comprehensive income", the financial asset shall continue to be measured at fair value. The effective interest rate shall be determined based on the asset fair value as at the reclassification date.

If the financial asset is reclassified from measured at amortized cost to measured at fair value through profit or loss, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through profit or loss.

If the financial asset is reclassified from measured at fair value through other comprehensive income to measured at amortized cost, the financial asset shall be reclassified at fair value on the reclassification date. However, accumulated profit (loss) previously recognized through other comprehensive income shall be derecognized in equity and adjusted to the fair value of the financial asset as at the reclassification date. Consequently, the financial asset shall be measured as at its reclassification date as if it had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification.

If the financial asset is reclassified from measured at amortized cost to measured at fair value through other comprehensive income, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through other comprehensive income. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification.

If the entity reclassifies a financial asset from measured at fair value through other comprehensive income to measured at fair value through profit or loss, the financial asset continues to be measured at fair value. Accumulated profit (loss) previously recognized through other comprehensive income shall be reclassified from "through equity" to "through profit or loss" with a reclassification adjustment (as per IAS 1) as at the reclassification date.

Reclassification is not allowed for equity securities.

Temporary investments in/disposals of securities

Temporary disposals of securities (loans of securities, securities disposed of under repurchase agreements) do not generally fulfil the conditions for derecognition.

Securities lent or sold under repurchase agreements remain on the balance sheet. In the case of securities under repurchase agreements, the amounts received, representing the liability to the transferee, are recognised on the liabilities side of the balance sheet by the transferor.

Securities borrowed or received under repurchase agreements are not recognised on the balance sheet of the transferee.

In the case of securities disposed of under repurchase agreements, an account receivable from the transferor is reported on the balance sheet of the transferee and offset against the amount paid. If the security is subsequently resold, the transferee recognizes a liability measured at fair value representing its obligation to return the security received under repurchase agreements.

Revenue and expenses relating to such transactions are recognized to profit and loss on an accrual basis, except in the case of classification of assets and liabilities at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or group of financial assets) is fully or partially derecognized if:

- The contractual rights to the cash flows from the financial asset expire;
- The contractual rights to the cash flows from the financial asset are transferred or are deemed as such because they belong de facto to one or more beneficiaries and when substantially all the risks and rewards of the financial asset are transferred.

In this case, any rights or obligations in force at the time of transfer are recognised separately as assets and liabilities.

If the contractual rights to the cash flows are transferred but some of the risks and rewards of ownership as well as control are retained, the financial assets continue to be recognised to the extent of the entity's continuing involvement in the asset.

Furthermore, impaired financial assets may be derecognized when the entity can no longer reasonably expect to recover the financial asset (write-off). A financial asset may be written off before the conclusion of the legal actions for its recovery and this does not necessarily entail waiver by the Bank of its legal right to collect the credit claim. In this case, the gross nominal value of the loan remains unchanged, but its gross book value is written down by the write-off amount. The write-off may concern the entire amount of a financial asset or part thereof and is equal to:

- The reversal of total value adjustments as the balancing item of the financial asset gross value;
- For any portion exceeding the amount of total value adjustments, the financial asset impairment recognised directly through profit or loss.

Any amounts collected after the write-off are recognized in the income statement as recoveries.

2. FINANCIAL LIABILITIES

Financial liabilities are classified on the balance sheet in the two accounting categories given below:

- Financial liabilities at fair value through profit or loss, either by their nature or by designation;
- Financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss by their nature

Financial instruments issued primarily to be bought back in the short term, instruments belonging to an identified portfolio of financial instruments which are managed collectively and for which there is evidence of a strategy pursuing short-term profit-taking, and derivatives (with the exception of certain hedging derivatives) are measured at fair value by their nature.

Any changes in the fair value of this portfolio are recognized through profit or loss.

Financial liabilities designated at fair value through profit or loss

Financial liabilities fulfilling one of the three conditions defined by the standard (and described above) may be designated for measurement at fair value through profit or loss: for hybrid issues comprising one or more separable embedded derivatives, in order to reduce or eliminate the distortion of accounting treatment, or in the case of groups of managed financial liabilities for which performance is measured at fair value.

This designation option is irrevocable and applies mandatorily from the date of initial recognition of the instrument.

Upon subsequent measurement, these financial liabilities are measured at fair value through profit or loss for changes in fair value not related to own credit risk and with balancing item through equity with no recycling for value changes related to own credit risk.

Financial liabilities measured at amortized cost

All other liabilities fulfilling the definition of a financial liability (excluding derivatives) are measured at amortised cost.

These liabilities are initially measured at fair value (including transaction income and costs) and subsequently at amortised cost using the effective interest rate method.

Reclassification of financial liabilities

The initial classification of financial liabilities is irrevocable. No subsequent reclassification is authorised.

Distinction between debt - equity instruments

Securities are classed as debt instruments or equity instruments based on the economic substance of the contractual arrangements.

A financial liability is a debt instrument if it includes a contractual obligation to:

- provide another entity with cash, another financial asset or a variable number of equity instruments;
- Exchange financial assets and liabilities with another entity at potentially unfavourable conditions.

An equity instrument is a non-redeemable financial instrument which offers discretionary return representing a residual interest in a company after deduction of all its financial liabilities (net assets) and which is not qualified as a debt instrument.

Treasury share buyback

Treasury shares or equivalent derivative instruments such as options on shares bought with a fixed strike ratio, including shares held to cover stock option plans, do not meet the definition of a financial asset and are recognized as reduction in equity. They do not generate any impact on the income statement.

Derecognition of and change to financial liabilities

A financial liability is derecognised in full or in part:

- When it is extinguished;
- When quantitative or qualitative analyses show it has undergone a substantial change following restructuring.

A substantial change in an existing financial liability shall be recognized as the extinction of an initial financial liability and the recognition of a new financial liability (novation). Any difference between the book value of the extinguished liability and the new liability shall be recognised immediately in the income statement.

If the financial liability is not derecognised, the original effective interest rate (EIR) shall be maintained and the book value shall be change through profit or loss on the date of change, discounting the new future cash flows (as resulting from the change) to the date of change using the original EIR. This impact is then spread over the residual lifetime of the instrument based on the original effective interest rate.

3. DERIVATIVE FINANCIAL INSTRUMENTS

Classification and measurement

Derivative instruments are financial assets or liabilities classified by default as derivative instruments held-for-trading unless they can be considered to be hedging derivatives.

They are initially recognized at fair value on the settlement date and then measured at fair value.

At each reporting date, the fair value changes on derivative contracts shall be recognized:

- Through profit or loss for derivative instruments held for trading or for fair value hedging;
- Through equity for derivative instruments held as cash flow hedges or hedges of net investments in foreign operations, for the effective portion of the hedge.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that meets the definition of a derivative product. This definition applies only to financial liabilities and non-financial contracts. Embedded derivatives must be accounted for separately from the host contract if the following three conditions are met:

- The hybrid contract is not measured at fair value through profit or loss;
- The embedded component taken separately from the host contract has the characteristics of a derivative;
- The characteristics of the derivative are not closely linked to those of the host contract.

Conversely, financial assets with an embedded derivative are classified as a whole as separation is not allowed: in these cases, the instrument as a whole shall be classified under "financial assets measured at fair value through profit or loss".

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

In accordance with IAS 32, the Crédit Agricole Italia Banking Group offsets a financial asset against a financial liability and recognizes a net amount when and only when it has a legally enforceable right to offset the recognized amounts and intends either to settle the net amount or to realize the asset and settle the liability simultaneously.

The derivative instruments and the repurchase agreements handled with clearing houses that meet the two criteria required by IAS 32 have been offset on the balance sheet.

NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS

Net gains (losses) on financial instruments at fair value through profit or loss

For financial instruments recognised at fair value through profit or loss, this item notably reports the following income statement elements:

- Dividends and other revenues from equities and other variable-income securities which are classified under financial assets at fair value through profit or loss;
- Fair value changes in financial assets or liabilities at fair value through profit or loss;
- Gains and losses on disposal of financial assets at fair value through profit or loss;
- Fair value changes and gains and losses on disposal or termination of derivative instruments not included in a fair value hedging relationship or cash flow hedge.

This item also reports the ineffective portion of hedges.

Net gains (losses) on financial instruments at fair value through equity

For financial assets recognised at fair value through equity, this item notably reports the following income statement elements:

- Dividends from equity instruments classified as financial assets at fair value through equity without recycling;
- Gains (losses) on disposals and net income associated with the termination of hedging relationships on debt instruments classified as financial assets at fair value through equity with recycling;
- Profit (loss) from disposal or termination of fair value hedging instrument of financial assets at
- *fair value* through equity (other comprehensive income) when the hedged item is disposed of.

FINANCING COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

Financing commitments that are not designated as fair value through profit or loss or not treated as derivative instruments within the meaning of IFRS 9 are not recognised on the balance sheet. However, they are covered by provisions in accordance with the IFRS 9.

A financial guarantee contract is a contract under which the issuer must make specific payments to reimburse the guarantee holder for a loss incurred due to a specific debtor's failure to make a payment when due under the initial or amended terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value and subsequently at the higher of:

- The value adjustment amount for losses determined in accordance with IFRS 9;
- The amount originally recognised less, where applicable, the costs recognised in accordance with IFRS 15.

IMPAIRMENT FOR CREDIT RISK

Scope of application

In compliance with IFRS 9, the Crédit Agricole Italia Banking Group recognizes impairment with write-downs representing Expected Credit Losses (ECL) on the categories of financial assets given below:

- Financial assets consisting of debt instruments and recognised at amortised cost or at fair value through equity with recycling (loans and receivables, debt securities);
- Financing commitments which are not measured at fair value through profit or loss;
- Guarantee commitments that fall within IFRS 9 scope of application and that are not measured at fair value through profit or loss;
- Lease receivables falling in the IFRS16 scope;
- Trade receivables generated by transactions under IFRS 15 scope of application.

Equity instruments (at fair value through profit or loss or at fair value without recycling) are not concerned by the rules on impairment.

Derivative instruments and other instruments at fair value through profit or loss are subject to the calculation of counterparty risk which is not covered by the ECL model.

Credit risk and impairment (provisioning) stages

Credit risk is defined as risk of loss related to default by a counterparty leading to its inability to meet its commitments to the Group.

The model of impairment (provisioning) for credit risk has three stages:

- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

Definition of default

In June 2018, the European Central Bank invited Banks using models validated for prudential purposes to actually implement the new definition of default, in accordance with EBA guidelines on the application of the new definition of default pursuant to Article 178 of Regulation (EU) no. 575/2013 and the related legislation measures.

As done by its French Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group opted for the early adoption of the new regulation. As early as in 2018, the Parent Company had started a specific project, which entailed intense "gap analysis" activities and crosswise involvement also of the relevant Structures of the Crédit Agricole Italia Banking Group. The scopes compliant with the EBA guidelines were analyzed and identified, as were those needing specific actions (normative instruments, processes, methodologies). Then, a specific project roll-out was implemented, with strong impacts also on IT systems. In December 2018, the gap analysis outcomes, with the consequent plans of the Crédit Agricole Italia Group, were sent to the Supervisory Authority through the French Parent Company Crédit Agricole S.A., with the Application Package, in compliance with the instructions given by the European Central Bank.

Based on the application submitted to and the following audit by the Supervisory Authority, on 24 March 2020, the European Central Bank formalized its authorization decision, allowing the Crédit Agricole S.A. Group and, therefore, also the Crédit Agricole Italia Group, to make the necessary changes to internal normative instruments, processes and IT systems.

The new Definition of Default requires more rigorous classification into the default status of pastdue exposures, both for enterprises (of all types and sizes) and for individuals, sole traders and households. Therefore, the Crédit Agricole Italia Group made considerable investments in all training and management activities in order to appropriately inform beforehand its Customers, through current relational channels, advanced IT tools and through its website.

More exhaustive information on the changes made and the related impacts is given in the Note to the financial statements – Part E – Credit Risk.

Definition of Expected Credit Loss ("ECL")

ECL is defined as the weighted expected value of the discounted credit loss (principal and interest).

It is the present value of the difference between contractual cash flows and expected ones (including principal and interest).

The ECL approach has been designed to anticipate as early as possible the recognition of expected credit losses.

ECL governance and measurement

The Risk Management and Permanent Controls Department is responsible for defining the methodological framework and for overseeing the process for ECL-related impairment of exposures and provisioning.

The calculation of impairment of performing assets is represented within the overall cost of credit process, which is coordinated by the Unlikely to Pay (UTP) Management Division.

To define the IFRS 9 parameters required to calculate ECL, the Crédit Agricole Italia Banking Group has primarily relied on its internal rating system and on the other regulatory processes already implemented. The assessment of credit risk is based on an expected loss model and extrapolation based on reasonable future scenarios. All information that is available, pertinent, reasonable and justifiable, including forward-looking information, shall be taken into account.

Therefore, in compliance with the requirements laid down by the standard, in order to estimate parameters, a set of forward-looking scenarios is used, each one of which is weighted by the related probability of occurrence. In agreement with its French Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group uses four different macroeconomic scenarios: Said scenarios can be summarized as follows:

- Central scenario, i.e. the most likely scenario;
- Moderately adverse scenario, i.e. the economic scenario in moderately adverse conditions;
- Budget stress scenario, i.e. the most adverse scenario used within the Stress exercise at the end of the budget preparation;
- Favourable scenario, i.e. the economic scenario in favourable conditions.

The weights to be assigned to the four scenarios - which may vary at each new estimation of the parameters - are defined by the Crédit Agricole Group (Group Economic Research Department of CAsa).

More exhaustive information is given in the Note to the financial statements – Part E – Credit Risk.

The Crédit Agricole Banking Group updates the estimate of the parameters at least every year. The evolution in the macroeconomic scenario caused the need for intra-year assessments updating the reference parameters.

The ECL calculation formula combines the probability of default (PD), Loss Given Default - (LGD) and Exposure At Default (EAD) parameters.

As already pointed out, these parameters have also been defined broadly based on the internal models used as part of the regulatory framework (where any), although they had to be adjusted in order to determine an ECL fully compliant with IFRS 9. Indeed, the standard requires a Point-in-Time analysis as at the reporting date, while taking account of the historical loss data and forward-looking macroeconomic data. Therefore, based on the above, the accounting approach is different from the prudential framework, where analyses are multiyear and Through the Cycle to estimate the Probability of Default (PD); moreover, such analyses shall include the Downturn in the estimate of the Loss Given Default (LGD), whereas this effect is not envisaged in the IFRS 9 LGD.

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments.

Expected credit losses are discounted at the effective interest rate (EIR) used for the initial recognition of the financial instrument.

The models and parameters used are backtested at least annually by the Risk Management and Permanent Controls Department.

Significant increase in credit risk

For each financial instrument, the Crédit Agricole Italia Banking Group assesses any increase in credit risk from initial recognition at each reporting date. Based on this assessment of changes in credit risk, exposures are classified into the different risk stages.

Monitoring on significant increase in credit risk shall cover every financial instrument, unless specific exceptions apply. Contagion is not required for the downgrading of financial instruments of the same counterparty from stage 1 to stage 2. Monitoring of significant increase in credit risk shall consider the change in credit risk of the principal debtor without taking account of any guarantee, including for transactions with a shareholder guarantee.

To measure any significant increase in credit risk since initial recognition, it is necessary to use the internal rating and Probability of Default (PD) at origination. The Probability of Default at origination is compared to the Probability of Default as at the reporting date and, setting the change between the two PDs against the SICR thresholds estimated with a statistical approach, it can be assessed whether the financial instrument has undergone any significant increase in credit risk vs. origination. In case of significant increase in credit risk, the financial instrument shall be classified in stage 2. Otherwise, the instrument shall remain in stage 1.

The table below shows the PD change thresholds to be used for staging as set by the Crédit Agricole Italia Group within its recent parameter review (November 2021) whereby, in agreement with the French Crédit Agricole, it was decided that new relative thresholds be used:

Portafolio		SICR (significant increase of credit risk)
Large Corporate		3.0
Small/Medium Enterprises		2.8
Retail	Individuals with real estate collaterals	4.3
	Qualified rotating Retail exposures	4.0
	Other exposures to individuals	4.3
	Small Enterprises and Sole Traders	3.2

Origination means the settlement date or the date on which the Bank became bound by the contractual terms of the financial instrument. For financing and guarantee commitments, origination means the date on which the irrevocable commitment was made.

For exposures without an internal rating model, the Crédit Agricole Italia Banking Group uses non-payment as at the reporting date or in the previous 12 months. In case of non-payment, as at the reporting date or in the previous months, the exposure is downgraded to stage 2.

For exposures (with the exception of securities) for which internal rating models have been implemented and applied (all the more so if the rating models have been validated), the Crédit Agricole Italia Banking Group considers that all of the information incorporated into the rating systems allows for a more detailed assessment than the non-payment for over 30 days criterion alone as a back-stop threshold.

Other factors for downgrading to stage 2 are:

- A PD absolute threshold is breached. This threshold is set at 12% for the corporate portfolio and at 15% for the retail portfolio;
- No rating as at the assessment date if regarding loans disbursed over six months before;
- The exposure being classified as forborne performing (definition given below).

If the conditions that triggered downgrading to stage 2 no longer apply, impairment may be reduced to 12-month ECL (stage 1).

For security portfolios, the Crédit Agricole Italia Banking Group uses an approach that consists in applying an absolute level of credit risk, in accordance with IFRS 9, at the breaching of which exposures shall be classified in stage 2 and provisioned for based on ECL at maturity.

Therefore, the following rules shall apply for monitoring significant increase in credit risk of securities:

- "Investment Grade" (IG) securities, at the reporting date, shall be classified in stage 1 and provisioned for based on 12-month ECL;
- "Non-Investment Grade" (NIG) securities, at the reporting date, shall be subject to monitoring for significant increase in credit risk , since origination, and be classified in Stage 2 (lifetime ECL) in the event of significant increase in credit risk.

The related increase in credit risk shall be assessed prior to the occurrence of a known default (Stage 3).

Post-model adjustments

Based on the results obtained with the calculation approach defined by the Group and based on the management information of the single counterparties, if the expected loss value associated with a specific counterparty does not accurately reflect its riskiness, the provisioning on the counterparty may be adjusted manually to a level deemed appropriate; such manual actions are allowed only if they increase the coverage ratio on the counterparty. More exhaustive information is given in the Note to the financial statements – Part E – Credit Risk.

Impairment model on stage 3

Within the review of its impairment model for the non-performing portfolio, already essentially based on the discounting of future recovery flows, the further requirement of IFRS 9 to estimate a multi-scenario and forward-looking ECL was complied with combining the already envisaged scenario of internal recovery with an alternative recovery scenario consisting in the sale of the single non-performing exposure on the market.

This choice proved consistent with the objectives set in the NPL strategy of the Crédit Agricole Italia Banking Group, which primarily identifies the reduction of the NPL stock (especially bad loans), through the sale of certain portfolios, as the strategy able, in certain conditions, to maximize their value for the Group, considering also the time for NPE recovery.

Specifically, as laid down in its "Guidance to banks on non-performing loans" published in March 2017, the ECB expects Banks with an NPL level that is considerably higher than the EU average level to design a strategy aimed at progressively reducing their NPLs; those changes in the NPL recovery strategies have been taken into account in applying IFRS9.

Indeed, IFRS 9 para. 5.5.17) reads that "the entity shall measure expected credit losses in a way that reflects:

a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) The time value of money;
c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions".

Specifically, IFRS 9 defines loss as the difference between all the contractual cash flows due and the cash flows that the entity expects to receive; therefore, the source of cash flows is not limited to the relevant contract, but includes all the cash flows that the creditor will receive. Consequently, if the entity intends to sell a non-performing loan to a third party in order both to increase its cash flows as much as possible and to implement a specific strategy for NPL management, the ECL estimate shall reflect also the sale scenario and, thus, the cash flows from the sale. In accordance with IFRS 9, sales scenarios that are merely possible may be taken into account and, as such, shall be smoothed with others that are deemed more likely.

Having said that, in the measurement of loans and receivables, in accordance with the IFRS 9 impairment model, the Crédit Agricole Italia Banking Group considers the various assumed recovery strategies in order to proportionally align them to a probability of sale determined consistently with the Group's NPL Plan.

Consequently, to the "ordinary" scenario, which assumes a recovery strategy based on loan collection typically through legal actions, realization of mortgage collaterals, contracts with loan collection firms, also the scenario of loan sale was added.

Measuring the impairment loss requires the assessment of the future cash flows that are deemed recoverable in the most likely scenario.

The methods to assess the loan recovery forecasts, in compliance with the ECB Guidance, consist in an estimate of future cash flows made based on two general approaches:

- In a scenario where the borrower is assumed as a going-concern, the cash flows from operations continue to be generated and can be used to repay the financial debt; the so-called "Going Concern Approach";
- In a scenario where the borrower is assumed to discontinue operations, no cash flows from operations are generated to be used for debt service; the so-called "Gone Concern Approach".

The Going Concern Approach is mainly applied to cases in which the cash flows from the borrower's operations are material (vs. the debt) and can be reliably estimated, as well as in all cases in which the exposure is not backed with collaterals or is limitedly secured and to the extent collaterals can be realized without prejudicing the borrower's ability to generate future cash flows.

In measuring generated cash flows, also the cash flows from operations of any guarantor may be taken into account.

The Gone Concern Approach shall apply where there are no significant cash flows from operations vs. the debt or where the exposure is largely secured and the related collaterals are essential to generate cash flows.

Contract modifications of financial assets

When the original contractual conditions are modified by the parties, it is to be verified whether the financial asset shall continue to be recognized or the original financial asset is to be eliminated recognizing a new financial instrument.

To this end, it is to be assessed whether the modifications to the contract terms and conditions as renegotiated are substantial or not.

In case of substantial modifications, the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

Renegotiations are deemed substantial if they introduce specific objective elements affecting the characteristics and/or cash flows of the financial instrument or if they concern customers that are not experiencing financial difficulties, in order to align the contract onerousness to the current market conditions. In the latter case, it is to be specified that, if the Bank did not agree to a renegotiation of the contractual conditions, the customer would be able to borrow from another intermediary with the subsequent loss by the bank of the revenue flows under the renegotiated contract; in other words, in case of renegotiation for commercial reasons, no loss in to be recognized by the bank in its income statement subsequent to the alignment to the current market conditions that are more favourable for its customers.

Conversely, in case of renegotiations deemed not substantial, the entity shall redetermine the present value of the new cash flows subsequent to the renegotiation, based on the original rate of the exposure in force before the renegotiation. The difference between said value and the book value before the modification shall be recognized in the specific item of the income statement as profit or loss from contract modifications with no derecognition (“modification accounting”).

Restructuring due to financial difficulties (forbearance measures)

Debt instruments that are restructured due to financial difficulties are those for which the entity has modified the initial financial conditions (interest rates, maturity) for business and legal reasons linked to the financial difficulties experienced by the borrower, in ways that would not have been applied in other circumstances.

This concerns all debt instruments, irrespective of the category the security has been classified into based on the increase in credit risk since initial recognition.

Loan restructuring includes all the modifications made to one or more loan contracts, as well as any other loans or credit facilities granted in consideration of the financial difficulties experienced by the customer.

This restructuring concept shall be assessed with regard to the contract rather than with regard to the customer (no contagion). The definition of restructured loans subsequent to financial difficulties experienced by the customers is based on two cumulative criteria:
- Contract modifications or loan refinancing;
- A Customer in a difficult financial position.

“Contract modifications” are, for example, situations in which:
- There is a difference in favour of the borrower between the modified contract and the conditions before contract modification;
- The modifications made to the contract lead to conditions that are more favourable for the concerned borrower than those that other borrowers of the Bank, having similar risk profiles, could have obtained at that moment in time.

“Refinancing” means a new debt/loan is granted to the customer to repay, fully or in part, another debt as regards which the customer cannot comply with the contract conditions because of its financial situation.

The restructuring of a loan (whether performing or defaulted) is a sign of possible incurred loss risk. Therefore, the restructured/forborne exposure shall be accordingly assessed for any impairment/provisioning (restructuring does not systematically entail adjustment for incurred loss and classification as defaulted).

The classification as “restructured loan” or “Forborne exposure” is temporary.

If the restructuring transaction is carried out in accordance with the instructions of the European Banking Authority (EBA), the exposure retains the "restructured/forborne" status for at least 2 years, if it was performing upon restructuring, or for 3 years if it was defaulted upon restructuring. These periods shall be longer if some events provided for in the Group's principles occur (for instance "reoccurrence").

With no derecognition, the reduction in future flows granted to the counterparty or the deferral of such flows over a longer time horizon than the one before the restructuring shall entail recognition of impairment in the Income Statement.

The impairment for the restructuring shall be calculated as the difference between:
- The loan book value;
- The sum of the restructured future flows discounted at the original Effective Interest Rate (EIR).

In case of waiver of the claim to part of the principal, this amount shall be immediately recognized as an impairment adjustment of the loan.

Upon impairment, the portion regarding the passage of time shall be recognized under net interest income.

Purchased or Originated Credit-Impaired (POCI) assets

Pursuant to IFRS 9, a financial asset is considered impaired upon initial recognition if credit risk is very high and it is purchased with significant rebates vs. the residual contractual debt.

If, based on the classification drivers (SPPI test e Business Model), these financial assets are classified as assets measured at amortized cost or at fair value through other comprehensive income, they shall be classified as "Purchased or Originated Credit Impaired Assets" ("POCI" assets) and shall be subject to specific treatment as regards impairment.

As regards these exposures, IFRS 9 requires:
- Their initial recognition at fair value;
- That the expected credit loss be always estimated based on the expected loss over the lifetime of the financial instrument;
- That recognized interests be determined applying the "credit-adjusted effective interest rate" ("Credit Adjusted EIR") or the interest rate that, upon initial recognition, discounts all estimated future cash flows to the amortized cost of the asset, taking account in the estimate also of expected credit losses.

HEDGE ACCOUNTING

General framework

In compliance with the decision made by the Crédit Agricole Group, the Crédit Agricole Italia Banking Group has not applied the "hedge accounting" section of IFRS 9, exercising the option given by IFRS9 itself. All hedges have continued to be reported in accordance with IAS 39, up to the date of application of the supplement on fair value macro hedging (after its endorsement by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with the IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to the IFRS 9.

In accordance with IFRS 9 and with the IAS 39 hedging principles, eligible fair value and cash flow hedges are debt instruments at amortized cost and at fair value through equity with recycling.

The Group hedges interest rate risk in order to immunize the Banking Book from changes in the fair value of funding and lending, caused by adverse movements in the interest rate curve, or of reducing the uncertainty of cash flows linked to a specific asset/liability in an integrated balance sheet perspective. Specifically, fixed-rate debenture loans have been hedged (micro-hedging), as have the mortgage loans with cap to Customers (macro-hedging), government securities in reserves (asset-swap hedging) and fixed-rate gaps detected by the internal model (macro-hedging). The hedges were made exclusively by purchasing Interest Rate Swaps and Interest Rate Options.

Documentation

Hedging relationships shall comply with the following principles:

- Fair value hedges have the purpose of protecting the entity against exposure to changes in the fair value of a recognize asset or liability or of an irrevocable commitment not recognized, attributable to the hedged risk or risks and able to impact on the income statement (for instance, total or partial hedge of fair value changes due to interest rate risk on a fixed-rate debt);
- Cash flow hedges have the purpose of protecting the entity against exposure to changes in future cash flows of a recognized asset or liability or of a transaction deemed very likely, attributable to the hedged risk or risks and able (in case of an expected transaction not occurred) to impact on the income statement (for instance, hedging of all or part of the payment of future interests on a floating-rate debt);
- Hedges of net investments in foreign operations have the purpose of protecting the entity against the risk of any unfavourable change in fair value associated with foreign exchange risk within investments in foreign operations in a currency other than the Euro.

When an entity intends to use hedges, the following conditions shall be met in order to benefit from hedge accounting:

- Eligibility of the hedging instrument and of the hedged instrument;
- Formalized documentation since inception, specifically including the individual designation and the characteristics of the hedged item, of the hedging instrument, the type of hedging relationship and the nature of the hedged risk;
- Evidence of the hedge effectiveness, at inception (i.e. prospectively) and retrospectively, through tests made at each reporting date.

For interest rate risk hedging of a portfolio of financial assets or financial liabilities, the Crédit Agricole Italia Banking Group prefers a fair value hedge documentation, as permitted by the IAS 39 endorsed by the European Union (carve out version).

Specifically:

- The Group documents these hedging relationships based on a gross position of derivative instruments and hedges items;
- The effectiveness of these hedging relationships is proved with effectiveness tests.

Rating

The measurement of the derivative at fair value is recognized as follows:

- Fair value hedges: the derivative remeasurement is recognized in the income statement matching the remeasurement of the hedged item. The income statement reports only the net amount of any ineffective portion of the hedge;
- Cash flow hedges: the derivative remeasurement is recognised as a balancing item of a specific profit or loss account directly recognized through equity with recycling for the effective portion and any ineffective portion of the hedge is recognised through profit or loss. Accumulated profits and losses through equity are then recycled to the income/through profit or loss when the hedged cash flows occur;
- Hedges of net investments in foreign operations: the derivative remeasurement derivative is recognised as a balancing item through equity with recycling and the ineffective portion of the hedge is recognized through profit or loss.

Where the conditions for benefiting from hedge accounting are no longer met, the following accounting treatment shall be applied prospectively:

- Fair value hedges: only the hedging instrument continues to be remeasured through profit or loss. The hedged item is wholly recognized in accordance with its classification. For debt instruments at fair value through equity with recycling, fair value changes after the termination of hedging relationship shall be fully recognized through equity.

  For hedged items measured at amortized cost, which were hedged for interest rate risk, the remaining portion of the remeasurement difference shall be amortized over the remaining life of the hedged items;
- Cash flow hedges: the hedging instrument is measure at fair value through profit or loss. The amounts accumulated through equity and regarding the effective portion of the hedge shall remain in equity until the hedged element affects profit or loss. Interest-rate hedged items shall be recognized through profit or loss as interests are paid. The remaining portion of the remeasurement difference is then amortized over the remaining life of the hedged items.
- Hedges of net investments in foreign operations: the accumulated amounts in equity regarding the hedge effective portion shall remain in equity as long as the net investment is held. When no longer within the scope of consolidation, net investments in foreign operations shall be recognized through profit or loss.

MAIN FINANCIAL STATEMENT ITEMS

1. Financial assets measured at fair value through profit or loss (FVTPL)

CLASSIFICATION

This category comprises the financial assets not classified as "Financial assets measured at fair value through other comprehensive income" or as "Financial assets measured at amortised cost".

The "Financial assets measured at fair value through profit or loss" item consists of three sub-items:

a) "*Financial assets held for trading*": this category consists of financial assets (debt securities, equity securities, loans and units in OICR collective investment undertakings) managed in order to realize cash flows through their sale and, therefore, under the "Other" Business Model; this category also includes derivative instruments (except for those classified as hedging derivatives or financial guarantee contracts);

b) "Financial assets designated at fair value": this category consists of financial assets (debt securities and loans) so designated upon initial recognition and where the related requirements are met (fair value option). As regards this category, an entity may irrevocably designate a financial asset at fair value through profit or loss if, and only if, by doing so it removes or materially reduces any measurement inconsistency;

c) "*Financial assets mandatorily measured at fair value*", consisting of the financial assets that are managed with the Business Model is "Hold to Collect" or "Hold to Collect and Sell", but that do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income. These are financial assets that do not pass the SPPI test, as their contractual terms do not solely envisage payments of principal and interest on the principal amount outstanding, or that are managed under the "Other" business model but are not held for trading. This category reports also units in OICR collective investment undertakings and equity securities that are not held for trading, for which, at first recognition, the entity did not exercised the option to classify them at fair value through other comprehensive income.

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS 9 par. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS9, IAS 39 and IAS32)" paragraph in Part A.2 herein.

RECOGNITION

Debt and equity securities and units in OICR collective investment undertakings are initially recognized at the settlement date, while derivative contracts are recognized on the date they are signed. Loans are recognized on their origination date.

Specifically, upon recognition at the settlement date, the reporting entity recognizes any changes in the fair value of the asset to be received occurred between such date and the previous trading date, in the same way the purchased asset is recognized.

On initial recognition, "Financial assets measured at fair value through profit or loss" are recognized at fair value; unless otherwise specified, it consists of the price paid to execute the transaction and any transaction costs or revenues attributable to the instrument are not taken into account but are taken directly to the Income Statement.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, "Financial assets measured at fair value through profit or loss" are stated at fair value.

IFRS 13 defines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

To measure the fair value of financial instruments that are quoted in an active market, market prices are used. Where there is no active market, fair value is measured using generally accepted estimation methods and measurement models that take account of all the risk factors correlated to the instruments and that are based on information available on the market, such as: the measurement of the price of listed instruments with similar features, discounted cash flows, option pricing models, values reported for recent comparable transactions, etc.

For equity securities and derivative instruments that have equity securities as underlying assets, not quoted in an active market, the cost approach is used as the fair value estimate only to a residual extent and limited to very few cases, that is to say when there is a wide range of possible fair value measurements of which cost is the most significant estimate.

The effects of the application of this measurement approach are recognized in the Income Statement, under item 80 "Net profit (loss) on trading" for "Financial assets held for trading" and under item 110 "Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss" for "Financial assets designated at fair value" and for "Financial assets mandatorily measured at fair value". The same items report the derecognition of these financial assets. For more information on fair value measurement, please refer to paragraph 16 "Other Information - Fair Value Measurement" and to "Part A.4 - Fair value reporting".

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:

- Contractual rights to the cash flows from the assets have expired.
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if legal title has been transferred. Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements).

2. Financial assets measured at fair value through other comprehensive (FVOCI)

CLASSIFICATION

This category consists of financial assets that meet both the following conditions:

- The financial asset is managed in accordance with the "Hold to Collect and Sell" Business Model whose objective is achieve both by collecting the contractual cash flows and by selling the asset, and
- The contractual terms of the financial asset provide for, at specified date, cash flows that are solely payments of principal and interest on the principal amount outstanding and, therefore the SPPI test.

Therefore, this category includes debt securities and loans that are managed in accordance with the "Hold to Collect and Sell" Business Model and that have passed the SPPI test. This category also includes equity instruments, not held for trading, for which the irrevocable option was exercised upon initial recognition for their designation at fair value through other comprehensive income.

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS 9 para. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS9, IAS 39 and IAS32)" paragraph in Part A.2 herein.

RECOGNITION

These financial assets are initially recognized at the settlement date for debt and equity securities and, as regards loans, at their origination date. At initial recognition, these assets are recognized at fair value that equal to, unless otherwise stated, the price paid for the transaction execution, including any costs or revenues directly attributable to the instrument.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, Assets classified at fair value through other comprehensive income, consisting of debt securities and loans, are measured at fair value, recognizing the impacts generated by the amortized costs application in the Income Statement. For amortized cost measurement, please refer to paragraph 16 "Other information - Amortized Cost Measurement". Profits and losses on fair value measurement are recognized in a specific equity reserve (item "120. Valuation reserves"), which shall be recycled to the income statement (item 100b "Profit/losses from disposal/repurchase of financial assets measured at fair value through other comprehensive income) upon derecognition of the financial asset.

Financial assets measured at fair value through other comprehensive income" - being them debt securities and loans - are tested for significant increase in credit risk (impairment testing) in accordance with the IFRS 9, as are Assets at amortized cost, with subsequent recognition of value adjustments in the Income Statement for expected losses.

These adjustments are recognized in the Income Statement under item "130. Net impairment/recoveries for credit risk", as the balancing item of the specific valuation reserve in equity (item "120. Valuation reserves"); the same applies, in a mirror-like way, to recoveries on part or all write-downs made in previous periods.

Equity instruments for which the option was exercised for their classification in this category are measured at fair value; profits or losses from fair value measurement are recognized as a balancing item of a specific equity reserve (item "120. Valuation reserves"). These reserves shall never be recycled to the income statement, including where allocated by selling the asset; in that case, the accumulated balance of the reserve is not recycled through profit or loss, but it is classified under retained earnings reserves in equity (item "150. Reserves"). Moreover, these assets shall not be written down in the Income Statement as they are not subject to impairment. The only component recognized in the Income Statement is collected dividends.

Fair value is determined using the standards adopted for "Financial assets measured at fair value through profit or loss". For the equity instruments included in this category, which are not quoted in an active market, the cost approach is used as the fair value estimate to a residual extent only and in very few circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there is a wide range of possible measurements of fair value, of which cost is the most significant estimate. For more information on fair value measurement, please refer to paragraph 16 "Other Information - Fair Value Measurement" and to "Part A.4 - Fair value reporting".

DERECOGNITION

Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Lastly, financial assets which have been sold are derecognized if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, without relevant delay to other third parties.

3. Financial assets measured at amortized cost

CLASSIFICATION

This category consists of financial assets, specifically debt securities and loans, that meet both the following conditions:

- The financial asset is managed in accordance with the "Hold to Collect" Business Model whose objective is achieve by collecting the contractual cash flows;
- The contractual terms of the financial asset provide for, at specified date, cash flows that are solely payments of principal and interest on the principal amount outstanding and, therefore the SPPI test.

More specifically, this category includes loans to customers and banks – in any technical form – and debt securities that meet the requirements referred to above. This item also reports finance lease loans under FRS16.

This category also includes operating loans and receivables linked to the provision of financial services, as defined by the Italian Consolidated Law on Banking (T.U.B.) and by the Italian Consolidated Law on Finance (T.U.F.) (e.g. for the distribution of financial products and servicing activities).

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS 9 para. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS9, IAS 39 and IAS32)" paragraph in Part A.2 herein.

RECOGNITION

These financial assets are initially recognized at the settlement date for debt securities and, as regards loans, at their origination date. This asset item reports separately:

- Due from banks;
- Loans to customers.

Financial assets classified in this category are initially recognized at fair value, including any costs and revenues directly attributable to them.

Specifically, for loans, their origination date is usually the same as the date of contract signing. Should this not be the case, upon contract signing a commitment to disburse funds shall be recognized and derecognized on the loan origination date.

Loans and receivables are initially recognized at their fair value that is is equal to the amount disbursed, or subscription price, including costs and revenues directly attributable to the individual loan and determinable from the inception of the transaction, even if settled at a later time.

The initially recognized amount does not include costs to be reimbursed by the borrower or that can be classified as normal administrative overhead costs, despite having the above characteristics.

Repurchase agreements or reverse repurchase agreements are recognized as funding or lending transactions. Specifically, repurchase agreements are recognized as due and payables for the spot amount received, whereas reverse repurchase agreements are recognized as loans and receivables for the spot amount paid.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Following initial recognition, these financial assets are measured at amortized cost using the effective interest rate method.

Measurement at amortized cost entails that the asset is recognized at an amount equal to its initial recognition value less principal repayment, plus or minus accumulated amortization in accordance with the aforementioned effective interest rate method, of the difference between the initial amount and the amount at maturity (typically attributable to costs/income directly pertaining to the individual asset) and adjusted by any loss coverage provision.

The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the asset in terms of principal and interest, to the amount disbursed including costs and revenues attributable to the asset. Expected cash flows shall be estimated taking account of all contractual terms of the financial instrument, but irrespective of expected losses on loans and receivables. The calculation includes all fees and commissions, transaction costs and all other premiums or discounts. This measurement method uses a financial approach and allows the economic effect of the costs/income directly attributable to a financial asset to be spread over its expected remaining lifetime. For more exhaustive reporting on this matter, please refer to paragraph 16 “Other information - Amortized Cost Measurement”.

The amortized cost method is not used for assets that have short lifetime, as their discounting is expected to have negligible effects, for those with indefinite maturity and revocable loans. These assets are measured at historical cost and the costs/revenues attributable to them are recognized in the Income Statement on an accrual basis throughout their contractual term of validity.

The book value of financial assets at amortized cost is adjusted in order to report any provision for expected loss coverage. Indeed, at every reporting date, these assets are tested for impairment in order to estimate any Expected Credit Losses (ECL).

This scope includes non-performing loans (so-called “Stage 3” loans) classified as bad, unlikely- to-pay or non-performing past due in accordance with the rules issued by the Supervisory Authorities; this scope also includes performing loans classified as “Stage 1” and “Stage 2”, to which the “Expected credit losses” concept applied on a 12-month or lifetime basis, respectively.

The used bases of measurement are exhaustively described in the paragraph “Financial instruments (IFRS9, IAS 39 and IAS32) - Impairment for credit risk)” in Part A.2 of this document and, as already said, are strictly linked to the classification of these instruments in one of the three stages (credit risk stages) provided for by IFRS 9.

The model of impairment (provisioning) for credit risk comprises:

- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee…), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

Impairment is recognized in the income statement under item “130. Net impairment/recoveries for credit risk”.

The original value of the financial assets is written back in following financial years if the exposure credit quality improves vs. the one that entailed the previous write-down. Impairment recoveries are recognized in the Income Statement under the same item and the value of the loan after the writeback shall in no event exceed the amortized cost that the asset would have had if the prior adjustment had not been made.

For non-performing exposures, accrued interests recognized in the Income Statement under item “10. Interest and similar income” are calculated based on amortized cost. The same item reports interest income due to the passage of time, calculated within the measurement of non-performing financial assets based on the original effective interest rate.

A specific item in the income statement reports interest income calculated with the effective interest method in accordance with Bank of Italy Circular 262.

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:

- Contractual rights to the cash flows from the assets have expired;
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if legal title has been transferred. In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one. Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.
- Financial assets are written off where their recovery can no longer be reasonably expected, including in case of waivers of the rights to the asset;
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements).
- The contract undergoes modifications that qualify as “substantial”. In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

4. Hedging

In compliance with the decision made by the Crédit Agricole Group, the Crédit Agricole Italia Banking Group has not applied the “hedge accounting” section of the IFRS 9, exercising the option given by the IFRS9 itself. All hedges have continued to be reported in accordance with IAS 39, up to the date of application of the supplement on fair value macro hedging (after its endorsement by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with the IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to the IFRS 9.

CLASSIFICATION

The “Hedging Derivatives” asset and liability items report financial derivatives held for hedging, which, as at the reporting date, have positive or negative fair values, respectively.

Hedging transactions are used to neutralize potential losses occurring on a given item or group of items attributable to a given risk, should the risk event take place.

The following types of hedges are used:

- Fair value hedges: these are used to hedge exposures to changes in the fair value (attributable to the different types of risk) of assets and liabilities or portions thereof, groups of assets and liabilities, irrevocable commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39, which was endorsed by the European Commission;
- Cash flow hedges: these are used to hedge exposures to changes in future cash flows caused by certain risks associated with financial statement items. This type of hedge is essentially used to stabilize interest cash flows from variable-rate funding to the extent it concerns fixed-rate loans. In some cases, similar hedges are used for some variable-rate loans;
- Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency.

RECOGNITION

Hedging derivatives, like all derivatives, are initially recognized at subscription date and measured at fair value.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Hedging derivatives are measured at fair value. Specifically:

- in case of fair value hedging, changes in the fair value of the hedged item are offset against changes in the fair value of the hedging instrument.
- This offsetting is recognized in the Income Statement under item "90. Net profit (loss) on hedging activities" by reporting value changes regarding both the hedged item and the hedging instrument. Any difference that may arise, since it represents the partial ineffectiveness of the hedge, also represents its net effect through profit or loss.
- Cash flow hedges: these are used to hedge exposures to changes in future cash flows caused by certain risks associated with financial statement items. This type of hedge is essentially used to stabilize interest cash flows from variable-rate funding to the extent it concerns fixed-rate loans. In some cases, similar hedges are used for some variable-rate loans; Changes in the fair value of the derivative are recognizes in equity (item "120. Valuation reserves"), for the effective portion of the hedge, and are recognized through profit or loss only when the cash flow change to be offset occurs regarding the hedged item;

Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency and it is recognized as cash flow hedges are.

The derivative instrument is classified as held for hedging where there is formal documentation of the relationship between the hedged item and the hedging instrument and where it is effective at inception and throughout its life.

The effectiveness of the hedge depends on the degree to which changes in fair value of the hedged instrument or the relative expected cash flows are offset by changes in that of the hedging instrument. Accordingly, the actual effectiveness is gauged by comparing the above-mentioned changes, taking into account the intention of the company at the inception of the hedge.

Hedging is deemed effective when changes in the fair value (or the cash flows) of the hedging instrument almost entirely – i.e. within an interval of between 80% and 125% - offset changes in the value of the hedged item for the hedged risk factor.

Effectiveness is assessed at every reporting date, using:

- Prospective tests, which justify the application of hedge accounting, since they demonstrate the expected effectiveness of the hedge;
- Retrospective tests, which show the degree of effectiveness of the hedge achieved during the reference period. In other words, they measure how actual results deviate from the perfect hedge.

Any hedge ineffectiveness caused by economic circumstances that are expected to return to normal as confirmed by prospective tests is not taken into account.

Termination of the hedging relationship

It the hedge effectiveness is not proved by the verifications and tests carried out, from that time on hedge accounting, as described above, shall be terminated, the derivative contract shall be reclassified to "Financial assets measured at fair value through profit or loss" and, specifically, to "Financial assets held for trading".

In case of fair value hedges, the hedged item is measured with the original measurement approach of the category it belongs to; for instruments measured at amortized cost, any accumulated recoveries/losses recognized subsequent to the fair value change of the hedges risk are recognized in the Income Statement under interest income and interest expense throughout the residual life of the hedged item, based on the effective interest rate. If the hedged item is sold or repaid, the fair value portion that has not yet been amortized shall be immediately recognized in the Income Statement.

Furthermore, the hedging relationship terminates when:

- The derivative matures, is terminated or exercised;
- The hedged item is sold, matures or is repaid;
- The hedged future transaction is no longer highly probable.

Hedging of portfolios of assets and liabilities

The hedging of portfolios of assets and liabilities (“macrohedging”) and its consistent recognition can be done after:

- Identifying the portfolio to be hedged and breaking it down by maturity;
- Designating the item to be hedged;
- Identifying the interest rate risk to be hedged;
- Designating the hedging instruments;
- Determining effectiveness.

The portfolio hedged against interest rate risk may contain both assets and liabilities. This portfolio is broken down by maturity in terms of collection or repricing of the interest rate, after analyzing the cash flow structure. Fair value changes occurred in the hedged item are recognized in the Income Statement under item “90 Net profit (loss) on hedging activities” and in the Balance Sheet under item “60. Fair value change of financial assets in macro-hedge portfolios” or under item “50. Fair value change of financial liabilities in macro-hedge portfolios. Fair value changes occurred in the hedging instrument are recognized in the Income Statement under item “90. Net profit (loss) on hedging activities” and in the Balance Sheet under asset item “50. Hedging Derivatives” or under liability item “40. Hedging derivatives”.

In case of early termination of fair value macrohedging, the accumulated recoveries/losses are recognized in the Income Statement under interest income or interest expense throughout the residual duration of the original hedging relationships, granted that it is verified that the related requirements are met.

5. Equity investments

This item reports equity investments held in associates and joint ventures that are recognized using the equity method.

Joint ventures are companies in which the voting rights and the control of its business activities are shared equally, directly or indirectly, between the Parent Company and another party. Joint arrangements also include equity investments in which, despite the lack of equal voting rights, control over the business activities and the strategic policies of the investee company is shared with other parties under contractual agreements.

Associates are companies over which the Group exercises significant influence, holding, directly or indirectly, at least 20% of the voting rights (including “potential” voting rights that may be exercised) or having the power to participate in determining its financial and management policies, despite holding less than 20% of the voting rights, owing to specific legal ties, such as being party to a shareholders’ agreement.

RECOGNITION

These financial assets are initially recognized at the settlement date. At initial recognition, these financial assets are recognized at cost, including any goodwill paid upon acquisition which, therefore, is not separately recognized.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Equity investments are measured using the equity method. After initial recognition, the carrying amount of the financial asset is increased or decreased in order to recognize the portion of profit and losses of the investees attributable to the Group and realized after the equity investment acquisition, as the balancing item of the Consolidated Income Statement item “250. Profit (losses) on equity investments”. Dividends received from an investee are recognized as a reduction in the carrying amount of the equity investment.

Where there is evidence that the value of an equity investment may be impaired, its recoverable value is determined, taking into account the present value of future cash flows that the equity investment could generate, including its value upon divestment.

If the recoverable value is lower than the book value, the difference is recognized in the Income Statement.

If the reasons for the impairment are removed subsequent to an event occurred after the impairment loss recognition, a writeback is taken to the Income Statement.

DERECOGNITION

Equity investments are derecognized in case of any sale that transfers essentially all rights and rewards associated with their ownership.

In case significant influence or joint control can no longer be exercised, any residual investment shall be reclassified to the portfolios of financial assets in accordance with IFRS 9.

6. Property, Plant and Equipment

CLASSIFICATION

“Property, plant and equipment” includes land, operating property, investment property, technical plants, furniture, furnishings and equipment of any type, works of art and property, plant and equipment inventories governed by IAS 2.

These assets are held to be used in production or supply of goods and services (property, plant and equipment used in operations in accordance with IAS 16), to be rented out to third parties or for investment purposes (investment property governed by IAS 40) and are intended to be used for longer than one period.

This item also reports the rights-of-use of property, plant and equipment assets acquired with lease contracts in which the Bank is the lessee, irrespective of their specific legal form.

RECOGNITION

“Property, plant and equipment” items are initially recognized at cost, which includes, in addition to the purchase cost, all costs directly attributable to purchasing and placing the asset in service. Extraordinary maintenance expenses that increase the future economic benefits generated by such assets are recognized as an increase in the value of the assets, while ordinary maintenance costs are recognized in the Income Statement.

The initial measurement of the right-of-use asset includes the present value of future lease payments, the lease payments made on or before the lease contract effective date, initial direct costs and any estimated costs for dismantling, removal or restoration of the lease underlying asset, less any lease incentives received by the lessee.

As pointed out in the paragraphs below, the lessee may apply also IAS 40 to measure the Right-of-Use asset.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Property, plant and equipment assets, including investment property and right-of-use assets, are measured at cost less depreciation and impairment.

These assets are systematically depreciated over their useful life on a straight-line basis, as reported in the table below:

Description	Duration
Land	No depreciation
Operating property	33 years[1]
Other investment property	
– Other	33 years[(1)]
– High-end property and property inventories (ias2)	No deprecation
Furniture, fittings, alarm systems and motor-vehicle	From 4 to 10 years IIT
equipment and electronic machines	From 3 to 10 years
Works of art	No depreciation

(1) It is specified that, in few specific cases and for specific property units, their useful life, appropriately calculated, may have different duration.

Lease right-of-use assets are depreciated on a straight-line basis overt the lease term as determined in accordance with the Group's IFRS 16 policy.

Properties are depreciated at a rate based on a useful life deemed fit to appropriately represent the deterioration of the assets over time due to use, taking into account any extraordinary maintenance costs, which increase the value of the asset, and ordinary maintenance costs, which maintain the value of the assets for longer periods of time. However, the assets' remaining useful life is verified on a regular basis.

The depreciation cost for property, plant and equipment is recognized in the Income Statement in the item "210 Net adjustments of/recoveries on property, plant and equipment".

The following assets are not depreciated:

- Land, whether acquired separately or incorporated in the value of the building, since it has an indefinite useful life. Where its value is incorporated in the value of the building, under the components approach, the land is considered separable from the building. The division between the value of the land and the value of the building is based on appraisals by independent experts, for buildings entirely owned by, and, therefore, fully available to the Company, including the land;
- High-end property;
- Property, plant and equipment inventories governed by IAS 2 and measured at the lower between cost and fair value;
- Works of art, since their useful life cannot be estimated and their value normally increases over time.

If there is evidence of impairment of the asset, the asset's book value is compared to its recoverable value. For more exhaustive reporting, please refer to paragraph "16 Other Information – Method to calculate impairment – Other non-financial assets".

Any adjustments are recognized in the Income statement under item "210 Net adjustments to/recoveries on property, plant and equipment".

If the reasons for impairment cease to exist, a writeback is recognized. The book value following the writeback shall not exceed the value the asset would have had, net of depreciation, in the absence of the prior writedown.

DERECOGNITION

Property, plant and equipment items are derecognized when disposed of or when the asset is permanently withdrawn from use and no future benefits are expected from its disposal.

7. Intangible Assets

CLASSIFICATION

Intangible assets are non-monetary assets that are identifiable and not physical, stem from legal or contractual rights, are held to be used for several years and are expected to generate future economic benefits. The main types of intangible assets are:

- Software acquired from external sources or under licence for use;
- In-house developed software;
- Residual goodwill recognized as the difference between purchase cost and the fair value of the assets and liabilities acquired and contingent assets and liabilities recognized upon acquisition in accordance with the IFRS 3 determination criteria;
- The intangibles representing business with Customers are recognized subsequent to the application of IFRS 3.

RECOGNITION

Separately acquired and internally generated intangible assets are initially recognized at cost adjusted by any ancillary expenses, only if the economic benefits from the asset are likely to be generated and if its cost can be reliably determined. Otherwise, the intangible asset cost is recognized in the Income Statement for the period in which it is borne. Intangible assets acquired through business combinations are recognized at fair value as at the acquisition date.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, intangible assets are recognized net of the accumulated amortization and of any accumulated impairment losses. Intangible assets' useful life is assessed as finite or indefinite.

Intangible assets with finite useful life are amortized over their useful life and are tested for impairment every time signals of possible impairment are detected. The amortization period and approach for intangible assets with finite useful life are reassessed at least at the end of every year. Changes in the expected useful life or in the modalities with which the future economic benefits linked to the assets occur, are recognized through the change of the period or amortization approach, as the case may be, and are considered as accounting estimate changes. The amortization cost for intangible assets with finite useful life is recognized in the Income Statement in the item "220 Net adjustments of/recoveries on intangible assets".

Generally, software useful life is estimated as being five years. In compliance with IAS 38, paragraph 104, some large projects have been specifically identified and their useful life has been measured as being ten years. Intangibles consisting of business with Customers and recognized under IFRS 3 are assigned finite useful life, determined based on the available time series on the rates of customer turnover.

Intangible assets with indefinite useful life, including goodwill are not amortized, but are tested for impairment annually, both at individual level and at a cash-generating unit level.

The amount of any impairment is calculated based on the difference between the recoverable value of the cash-generating unit and its book value.

This recoverable value is the higher of the fair value of the cash-generating unit, net of any selling costs, and its value in use. Any subsequent adjustments are recognized in the Income Statement.

DERECOGNITION

Intangible assets are derecognized from the Balance Sheet when disposed of or when no future economic benefits are expected to be generated by the asset.

Profits or losses resulting from the derecognition of intangible assets are calculated as the difference between the net disposal revenue and the book value of the intangible asset and are recognized in the income statement for the year in which the derecognition is made.

8. Non-current assets/liabilities held for sale and discontinued operations

RECOGNITION, CLASSIFICATION AND MEASUREMENT

"Non-current assets held for sale and discontinued operations" and "Liabilities in respect of assets held for sale" report non-current assets or groups of assets/liabilities which are in the process of being divested and for which a sale is considered highly probable. In case of transactions subject to authorization to be issued by Supervisory Authorities, the Group's accounting policy, since it attaches an essential value to such authorization, provides for "Non-current Assets/Liabilities and discontinued operations" to be recognized as from the date of receipt of the such authorization (whether express or tacit).

These assets/liabilities are measured at the lower between their book value and their fair value net of disposal costs, except for some types of assets -comprising for instance all financial instruments in IFRS 9 scope of application - to which, in accordance with IFRS 6, the measurement bases as per the reference standard shall continue to be applied.

income and expenses linked to assets and liabilities held for sale and discontinued operations, if linked to discontinued operations under IFRS 5), are presented in the income statement, net of tax effects, in item "320. Profit (Loss) after tax from discontinued operations", while if linked to single non-current assets held for sale, they are recognized in the most appropriate item in the income statement.

"Discontinued operations" must be understood as an important self-standing part of business or geographical area of operations, also within a single coordinate divestment programme, or a subsidiary that has been acquired solely in order to be resold.

9. Current and deferred taxes

RECOGNITION, CLASSIFICATION AND MEASUREMENT

These items report current and deferred tax assets and current and deferred tax liabilities, respectively, as regards income taxes.

Income taxes, calculated in accordance with the Italian tax legislation, are recognized on an accrual basis, consistently with the recognition of the costs and revenues generating them. Therefore, they represent the expense, equal to the balance of current and deferred tax assets and current and deferred tax liabilities, for taxes on income for the period. Income taxes are recognized in the Income Statement, except for those related to items debited or credited directly in equity, for which the related taxes are recognized, for consistency purposes, in equity.

The effects of current taxes and deferred tax assets and liabilities are recognized at the applicable tax rates.

Provisions for income taxes are calculated on the basis of prudential forecasts of the current tax liability and deferred tax assets and liabilities. Specifically, deferred tax assets and liabilities are calculated on the basis of temporary differences – without time restrictions – between the value attributed to an asset or a liability pursuant to the Italian Civil Code and the corresponding values used for tax purposes.

In March 2016, the national tax consolidation scheme was adopted, with effects since the 2015 tax period, by the Crédit Agricole S.A. Group in Italy; such scheme was introduced with Article 6 of Italian Legislative Decree No. 147 of 14 September 2015, according to which also the Italian "sister" companies, whose controlling Company is resident in a EU Member State, may exercise the option for consolidated taxation.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss) to the Consolidating Entity Crédit Agricole Italia, which calculates a single taxable income or a single tax loss of the Group for the Italian corporate income tax (IRES), as the algebraic sum of the income and/or losses of the single Companies, and recognizes a single tax account payable to or receivable from the Italian Inland revenue Service.

In the consolidating entity's financial statements, the intra-group balances resulting from the tax consolidation scheme are reported under the "Financial assets measured at amortized cost - due from banks" item for the provisions for Corporate Income Tax (IRES) allocated by the scheme member entities net of withholdings due and down-payments made (in the "Financial liabilities measured at amortized cost - due to banks" item if the down-payments made are higher than the provisions). In the same financial statement items, the scheme member entities recognize the receivable or payable balances resulting from their respective taxable income contributions to the consolidating entity.

Deferred tax liabilities are calculated using the so-called balance-sheet liability method.

Deferred tax assets, relating to deductible temporary differences or future tax benefits that can be gained by carrying forward tax losses, are recognized to the extent their recovery is deemed likely and after the probability test, which is to be run on a yearly basis, in accordance with IAS 12.

Deferred tax liabilities are recognized for all taxable temporary differences, except for the reserves subject to tax deferral arrangements, since the amount of available reserves already subject to taxation makes it likely that no taxable operations will be carried out.

Deferred tax assets and liabilities are recognized in the Balance Sheet with open balances without any offsetting, the former under the "Tax Assets" item, the latter under the "Tax Liabilities" one.

Deferred tax assets and liabilities are systematically measured to reflect any changes in tax regulations or rates, as well as in any other situation specifically applying to the Company. The effects are recognized in the Income Statement, except when these regard changes in the temporary differences in items for which accounting policies require recognition directly in equity, in which case the change in the deferred tax liability or asset is taken directly to equity.

10. Provisions for risks and charges

Allocations to provisions for risks and charges are made when:

- A present obligation (legal or implicit) exists resulting from a past event;
- It is likely that resources will have to be used in order to generate the economic benefits necessary to fulfil the obligation;
- The obligation amount can be reliably estimated.

Where the time factor is significant, provisions are discounted. The allocation to provision is recognized in the Income Statement, which also reports interest expense accrued on provisions that have been discounted.

POST-EMPLOYMENT BENEFITS

The company pension plans, created pursuant to corporate agreements, qualify as "defined-benefit plans".

The liabilities referring to these plans and the relating social security costs for employees currently on staff are determined based on actuarial assumptions by applying the Projected Unit Credit (PUC) method. Under this method, future outlays are projected based on analyses of time series and the demographic curve and the discounting of these cash flows using market interest rates, as set forth in the relevant tables in the Note to the Financial Statements.

Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

Actuarial profits and losses, defined as the difference between the liability book value and the present value of the commitments as at the reporting date, are fully recognized directly in equity, under the item "Valuation reserves".

PROVISIONS FOR RISKS AND CHARGES REGARDING COMMITMENTS AND GUARANTEES GIVEN

This sub-item of the "provisions for risks and charges" item reports credit risk allowances recognized for commitment to disburse funds and for guarantees given within the scope of application of the impairment rules pursuant to IFRS 9. In principle, for these cases, the same methods apply for the allocation to the three credit risk stages and for the calculation of the expected loss as reported with regard to financial assets measured at amortized cost or at fair value through other comprehensive income.

OTHER PROVISIONS

Other provisions for risks and charges include provisioning for legal or other obligations associated with employment relationships or disputes, including tax disputes, resulting from a past event for which a cash outflow to settle the obligation is likely, granted that its amount can be reliably estimated.

Where the time factor is significant, provisions are discounted using current market rates. The amount allocated to provision is recognized in the Income Statement under item "200. Net provisions for risks and charges" and reports the increases in the provisions due to the passage of time.

This item also reports long-term employee benefits, the liabilities for which are determined using the same actuarial assumptions described for post-employment benefits. Actuarial gains and losses are immediately recognized in full in the Income Statement.

11. Financial liabilities measured at amortized cost

CLASSIFICATION

The "Due to banks", "Due to customers" and "Debt securities issued" items report all forms of interbank and customer funding, repurchase agreements and funding through certificates of deposit, bonds and other funding instruments issued, less any amounts repurchased.

This item also reports lease liabilities recognized by the entity as the lessee.

RECOGNITION

These financial liabilities are initially recognized upon the signing of the relevant contract, which is usually the date of receipt of the funds raised or of the issue of debt securities.

These financial liabilities are initially recognized at fair value, which usually is equal to the amount collected or the issue price plus any additional expenses/income that can be directly attributed to the single financing or issue transaction. Internal administrative expenses are excluded.

Repurchase agreements or reverse repurchase agreements are recognized as funding or lending transactions. Specifically, repurchase agreements are recognized as due and payables for the spot amount received, whereas reverse repurchase agreements are recognized as loans and receivables for the spot amount paid.

Lease liabilities are recognized based on the present value of future lease payments still to be made as at the lease contract effective date in accordance with IFRS16.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, these financial liabilities are measured at amortized cost with the effective interest rate method. The result of the application of this method is taken to the income statement in item "20 Interest and similar expenses". Accrued interest income on financial liabilities is recognized, in accordance with its algebraic sign, under item "10 Interest and similar income".

This does not apply to short-term liabilities which are recognized in the amount collected since the time factor is negligible.

After the lease contract effective date, the lessee shall redetermine its lease liabilities in order to take account of the changes to lease payments; the amount of the redetermined lease liabilities shall be recognized as an adjustment of the right-of-use assets.

DERECOGNITION

Financial liabilities are derecognised when they mature or are settled. Financial liabilities are also derecognized when previously issued securities are repurchased.

The difference between the liability book value and the amount paid to purchase such liability is recognized in the Income Statement under item 100 “Net profit (loss) on sale or repurchase of financial liabilities”.

The subsequent placement of repurchased securities on the market is treated as a new issue and is recognized at the new placement price, with no effect through profit or loss.

12. Financial liabilities held for trading

RECOGNITION

These financial instruments are recognized, at the date of subscription or at the date of issue, at cost that is equal to the instrument fair value, without taking into account any directly attributable transaction costs or income.

CLASSIFICATION

This item also reports the negative value of derivative contracts held for trading, as well as the negative value of derivatives that are embedded in complex contracts but that are not strictly connected to such contracts.

It also includes liabilities originating from technical overdrafts generated by securities trading.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

All liabilities held for trading are measured at fair value through profit or loss.

For more information on fair value measurement, please refer to paragraph 16 “Other Information - Fair Value Measurement” and to “Part A.4 - Fair value reporting”.

Profits and losses on trading and any capital gains and losses on measurement of the trading book are recognized in the Income Statement under item “80. Net profit (loss) on trading activities”.

DERECOGNITION

Financial liabilities held for trading are derecognized when the contractual rights to the relevant cash flows expire or when the financial liability is sold with substantial transfer of all risks and rewards of ownership.

13. Financial liabilities designated at fair value

No one of the companies of the Crédit Agricole Italia Banking Group has decided to exercise the fair value option for financial liabilities.

CLASSIFICATION

Financial liabilities are designated at fair value if one of the following conditions is met:

- This classification allows to eliminate or significantly reduce any “accounting mismatching”;
- They belong to groups of liabilities that are managed and their performance is measured based on fair value, in accordance with an appropriately documented risk management strategy.

RECOGNITION

They are initially recognized at fair value, without taking into account any transaction income or costs.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

These liabilities are recognized at fair value with the related effects recognized in accordance with the following rules laid down by IFRS 9:

- Any fair value changes attributable to changes in the entity's credit rating shall be recognized in a specific valuation reserve (item "120. Valuation reserve") net of the related tax effect in the Statement of Comprehensive Income (Equity);
- Any other fair value changes shall be recognized in the Income Statement under item "110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss.

For more information on fair value measurement, please refer to paragraph 16 "Other Information - Fair Value Measurement" and to "Part A.4 - Fair value reporting".

The amounts recognized in the Statement of Comprehensive Income shall not be later recycled through profit or loss, including when the liability has expired or has been settled; in this case, the accumulated Profit (Loss) shall be reclassified to the specific valuation reserve under another Equity item (item "150. Reserves"). This recognition approach shall not be applied if the recognition of the effects of the entity's credit rating in Equity determines or increases any accounting mismatch in the Income Statement. In this case, profits or losses associated with the liability, including those resulting from any changes in the entity's credit rating, shall be recognized through profit or loss.

After initial recognition, these financial liabilities are measured at fair value.

To measure the fair value of financial instruments that are quoted in an active market, market prices are used.

Where there is no active market, fair value is measured using generally accepted estimation methods and measurement models that are based on information available on the market, such as: methods based on the price of listed instruments with similar features, discounted cash flows, option pricing models and values reported for recent comparable transactions.

DERECOGNITION

Financial liabilities are derecognised when they mature or are settled. Liabilities are also derecognized when previously issued securities are repurchased. The difference between the liability book value and the amount paid to purchase such liability is recognized in the Income Statement under item 110 "Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss".

14. Foreign currency transactions

RECOGNITION

Transactions in a foreign currency are initially recognized in the reporting currency by translating the foreign currency amount at the exchange rate in force on the date of the transaction.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

At each annual and interim financial reporting date, foreign currency items are measured as follows:

- Monetary items are translated at the exchange rate in force as at the reporting date;
- Non-monetary items measured at historical cost are translated at the exchange rate in force as at the transaction date;
- Non-monetary items measured at fair value are translated at the exchange rate in force as at the reporting date.

Exchange rate differences resulting from the settlement of monetary items or from the translation of monetary items at exchange rates other than the initial translation rate, or the translation of previous Financial Statements, are recognized in the Income Statement for the period in which they emerge.

When gains or losses relating to a non-monetary item are recognized in equity, the exchange rate difference for the item is also recognized in equity.

Conversely, when a profit or a loss is recognized in the Income Statement, the related exchange rate difference is also recognized in the Income Statement.

15. Insurance assets and liabilities

The Financial Statements of the Group do not report any assets or liabilities bearing insurance risks.

16. Other Information

ADJUSTMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES IN MACRO-HEDGE PORTFOLIOS

These items report changes in the fair value of financial assets and liabilities macro-hedged against interest rate risk, based on their respective balances, either positive or negative. The recognition of hedges is reported in point 4 “Hedging” of this section.

LEASES

IFRS 16 “Leases” requires entities to determine whether a contract is (or contains) a lease, based on the right to control the use of an identified asset for a given period of time; therefore, rental, hire, lease or loan for use contracts are in the scope of application of the new standard.

Leases in which the Group is the lessee

IFRS 16 provides for a single lessee accounting model, requiring lessees to apply it to both operating and finance leases, with a “Rights-of-use” approach (hereinafter “right of use” or “RoU”)

0Therefore, for all leases in which it is the lessee, the reporting entity shall recognize the items listed below in its balance sheet:

- Future lease payments, which shall be recognized under financial liabilities as Lease Liability, which reports the obligation to make future payments and is discounted at the incremental borrowing rate (the liability decreases in accordance with payments made and increases by the amount of accrued interest due);
- The right of use, as expressed in the contracts, which shall be recognized as a lease asset reporting its value in a separate row in the Balance Sheet, under Property, plant and equipment (RoU Asset) to be calculated as the sum of the lease liability, the initial direct costs, any payments made on or before the contract effective date (net of any lease incentives received) and of dismantling and restoration costs.

The following are recognized in the income statement:

- The expenses for depreciation of right of use asset over the lease term of validity on a straight-line basis (impact on income from operations);
- Interest expenses accrued on the financial liability (impact on financial expenses and on financial income).

In case of any subsequent “finance” sublease of the asset, the related right-of-use asset is derecognized and the account receivable for the financial sublease is concomitantly recognized, amounting to the total contractual rent income discounted; any differences between the derecognized right of use and the recognized receivable shall be immediately taken to the income statement. Over the contract residual duration, interest expenses on the head lease liability and interest income on the financial sublease loan shall be taken to the income statement. In case of “operating” sublease, the rent income accrued and collected as the lessor shall be recognized in the income statement, continuing to recognize the right-of-use and the head lease liability, along with the related effects on profit or loss. An intermediate lessor shall assess whether the sublease is a finance or operating lease within the scope of the asset consisting in the right of use rather than in the underlying actual asset.

The minimum disclosure requirements for the lessee include:

- The subdivision of underlying assets into “classes”;

- Breakdown by maturity of lease liabilities;
- Information potentially useful to better understand the lessee's business with reference to the lease contracts (e.g. early repayment or extension options).

In determining the scope of application of the new standard, the Group exercised the options for the exemptions listed below:
- Exclusion of short-term lease contracts, i.e. with duration of less than 12 months);
- Leases of low-value assets (lease contracts for assets with unit value of less than Euro 5 thousand).

Furthermore, it is specified that, based on the IFRS 16 requirements and the clarifications given by IFRIC (document "Cloud Computing Arrangements" of September 2018), software shall not fall in the IFRS 16 scope; therefore, all software shall be recognized in accordance with IAS 38 and the related requirements.

Leases in which the Group is the lessor

IFRS16 keeps the distinction between operating leases and finance leases provided for by IAS 17.

Leases are considered finance leases if they transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

For finance lease contracts entered into by the Crédit Agricole Italia Banking Group as the lessor, the leased assets are recognized as receivables in the Balance Sheet with a value equal to the lease net investment, while interest income (financial components of lease fees) is recognized in the Income Statement, and the fee part representing principal repayment reduces the receivable value.

For operating leases, the lease payments accrued are recognized under the "Other income" item.

Sale and leaseback transactions

In a sale and leaseback transaction, an entity (seller-lessee) sells an asset to another entity (buyer lessor) which then leases it back to the seller-lessee; therefore, under the lease contract, the seller-lessee keeps its right to use of the sold asset.

In order to determine the appropriate accounting treatment under IFRS 16, it must first be assessed whether the transaction qualifies as a sale complying with the IFRS 15 requirements.

If the transaction qualifies as a sale, the seller-lessee shall derecognize the sold asset and recognize the acquired right of use in accordance with the methods laid down by IFRS16 para.100 *et seq*.

Specifically, the lessee shall measure the right-of-use asset for an amount equal to the percentage of the previous book value representing the right of use it has kept; consequently, *the gain or loss that the seller-lessee shall recognize refers only to the transferred rights and, therefore, it is not quantified simply as the difference between the asset fair value and its book value, but it shall be determined as equal to the consideration portion attributable to the portion of the asset the control on which has been transferred to the buyer-lessor minus the portion of the asset book value attributable to the period after the end of the lease, when control is transferred to the buyer-lessor.* If the sale consideration is not consistent with the asset fair value or the lease payments are not consistent with market ones, the differences shall be recognized as other liabilities or advance payment.

If the transaction does not qualify as a sale under IFRS15, the seller-lessee shall continue to recognize the transferred asset and a financial liability under IFRS 9 equal to the transfer proceeds; the buyer-lessor shall not recognize the transferred asset but shall recognize a financial asset under IFRS 9 resulting from the transfer.

TREASURY SHARES

The Parent Company Crédit Agricole Italia does not hold treasury shares. No company of the Group holds shares in the Parent Company. The treasury shares held by the companied consolidated on a line-item basis and recognized under the "Treasury shares" item in the separate financial statements, as at 31 December 2021 were reclassified under the "Reserves" item in the consolidated financial statements.

Any treasury shares held are deducted from Equity. Similarly, the original costs of these shares and any gains or losses resulting from their subsequent sale are recognized as changes in Equity.

OTHER ASSETS

This item reports assets that cannot be classified under other asset items in the Balance Sheet. By way of example, this item may report:

- Gold, silver and precious metals;
- Accrued income other than capitalized on the related financial assets;
- Receivables associated with the supply of non-financial goods and services;
- Tax due and payables other than those recognized under item “110. Tax assets”.

It also reports leasehold improvement expenses other than those recognized under item “90. Property, plant and equipment”, as they cannot be separated by the assets they refer to and, therefore, cannot be used separately. It can also report any remaining assets (“debt balance”) of transit and suspended items not recognized in the relevant accounts as long as their total amount is negligible.

ACCRUALS AND DEFERRALS

Accrued income and prepaid expenses and accrued expenses and deferred income for the period on assets and liabilities are recognized as adjustments to the assets and liabilities they refer to.

LEASEHOLD IMPROVEMENT

The costs of renovating leased property are capitalized in consideration of the fact that, for the duration of the lease, the lessee Company has control over and enjoys the future economic benefits of the assets. These costs, classified among “Other Assets” as required by the Bank of Italy in the aforementioned Circular No. 262/2005, are amortized over a period that does not exceed the residual duration of the lease.

The balancing item in the Income Statement of the above provisions is recognized under “Other operating expenses”.

EMPLOYEE SEVERANCE BENEFITS

Until 31 December 2006, the employee severance benefits of Italian companies were considered defined-benefit plans. The regulation of these benefits was amended by Italian Law No. 296 of 27 December 2006 (Italy’s “2007 Finance Act”) and subsequent Decrees and Regulations issued in the first months of 2007. In the light of such amendments, this item is now to be considered a defined-benefit plan exclusively for the portions accrued before 1 January 2007 (and not yet settled as at the reporting date), whereas, after such date, it is treated as a defined-contribution plan.

Therefore, with reference to the defined-benefit plan component the benefit cost is calculated separately for each plan using the actuarial unitary credit projection method. Under this method, future outlays are projected based on an analysis of time series and the demographic curve, and the discounting of these cash flows using a market interest rate. Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

The expenses for the plan are recognized under personnel expenses, include interests accrued, while employees’ severance benefits accrued in the year, following the supplementary pension scheme reform introduced with the 2007 Financial Act, are entirely allocated to the “defined-contribution plan”.

Actuarial gains and losses, including revaluation of the portions accrued in the previous years, based on the reference ISTAT (Italian National Institute of Statistics) index, are taken to a specific equity reserve, starting from 2010.

Based on the employees’ choice, the amounts are allocated to supplementary pension schemes or to the Treasury fund managed by INPS (Italian Social Security Institute). The portions allocated to the defined-contribution plan are calculated based on the contributions due for each year without applying actuarial calculation methods.

SHARE-BASED PAYMENTS

Share-based remuneration plans for employees are recognized in the Income Statement, with a corresponding increase in Equity, based on the fair value of the financial instruments allocated at the awarding date, divided over the time period covered by the plan.

The fair value of any options is calculated using a model that takes into account information such as the exercise price and term of the option, the current price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the plan specific features The measurement model separately measures the options and the probability that the conditions for granting the options will be achieved.

Any reduction in the number of financial instruments awarded is reported as derecognition of a portion of such instruments.

REVENUE RECOGNITION

Revenues are recognised when realized or when it is probable that future benefits will be received and these future benefits can be reliably determined. Specifically:

- interest revenues are recognized on an accrual basis, using the contractual interest rate or the effective interest rate where the amortized cost method is applied;
- Default interest, if any is contractually provided for, is recognized in the Income Statement only upon collection;
- Dividends are recognized in the income statement when their distribution is authorized;
- Fee and commission income for revenues from services is recognized, where the relevant agreements exist, in compliance with IFRS 15 (fee and commission income considered in the amortized cost for determining the effective interest rate are recognized under interest income);
- Revenues from intermediation of financial instruments held for trading, calculated as the difference between the transaction price and the instrument fair value, are recognized in the Income Statement when the transaction is recognized, if the fair value can be determined with reference to parameters or transactions recently observed in the same market in which the instrument is traded.

If these values cannot be easily detected or the instrument is not highly liquid, the financial instrument is recognized at a value equal to the transaction price, less the business profit; the difference with the fair value is recognized in the Income Statement over the transaction duration with progressive reduction, in the measurement model, of the correction factor relating to the instrument's low liquidity.

REVENUES FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

Fee and commission revenues and expenses are recognised in the Income Statement based on the nature of services they refer to.

Fees and commissions that are an integral part of the effective yield on a financial instrument are recognised as an adjustment to the yield on the instrument and included in its effective interest rate.

The recognition of other types of fees and commissions in the income statement shall reflect the time of transfer to the customer of control of the goods or services sold.

The net income from a transaction associated with the provision of services is recognised under Fee and commission income at the time of transfer of control of the service to the customer, if this can be reliably estimated. This transfer may occur as the service is provided (ongoing service) or on a specific date (one-off service).

a) Fee and commission income from ongoing services (fees and commissions on payment instruments, for example) shall be recognised through profit or loss according to the degree of progress of the service provided.
b) Fees and commissions collected or paid as consideration for one-off services shall be fully recognized through profit or loss when the service is provided.

Fees and commissions to be paid or collected, or not yet earned, shall be progressively recognized as the performance obligation is satisfied over time. These estimates shall be updated at every reporting date. In practice, this condition can result in the deferred recognition of certain items of performance-related fee and commission income until such income has been definitively acquired.

CONTRIBUTIONS TO THE SINGLE RESOLUTION FUND

The Bank Recovery and Resolution Directive (BRRD – 2014/59/EU) lays down the resolution rules applying since 1 January 2015 to all the banks within the European Union.

The relevant measures shall be financed by the National Resolution Fund, which, on 1 January 2016, was merged into the Single Resolution Fund – SRF, managed by the Single Resolution Board – SRB.

The Single Resolution Fund shall reach a target level of financial resources by 31 December 2023 through the payment of a yearly *ex-ante* contribution, which, normally, pursuant to the Delegated Regulation of the European Commission No. 2015/81, may be paid also with irrevocable payment commitments (IPC). For 2021, credit institutions were allowed to use such commitments for 15% of total contributions, as in the two previous years. To secure full payment of the total contributions, intermediaries are required to give eligible assets as collateral, which may consist only of cash.

In 2021, the Bank of Italy, in its capacity as the Resolution Authority, provided the Italian Banks that are subject to the above regulation with a communication setting forth the ordinary contribution due for the 2021 financial year, calculated pursuant to Delegated Regulations of the European Commission No. 2015/63 and Council Implementing Regulation no. 2015/81. This contribution was determined by the Single Resolution Board in cooperation with the Bank of Italy.

It is reported that the Banks of the Group exercised the option to settle 15% of its total contribution through irrevocable payment commitments.

The *ex-ante* ordinary contribution to the Single Resolution Fund, net of IPCs, to be paid by the Crédit Agricole Italia Banking Group for 2021 amounts to Euro 21.6 million.

Moreover, in June 2021, the Bank of Italy requested additional contributions to the Italian National Resolution Fund in order to handle further financial needs. This contribution paid by the Crédit Agricole Italia Banking Group, including Creval, amounted to Euro 11.3 million.

These contributions are recognized in the Income Statement under “Other administrative expenses”.

CONTRIBUTIONS TO THE DEPOSIT GUARANTEE SCHEME

The Deposit Guarantee Scheme Directive - 2014/49/EU (DGSD) laid down an harmonized regulatory framework applying throughout the European Union on deposit guarantee schemes.

The Deposit Guarantee Scheme provides coverage of Euro 100,000 per depositor. In Italy, it is managed by the Interbank Deposit Protection Fund.

The Scheme requires member banks to give an *ex-ante* contribution, which is intended to achieve the financial target level, i.e. 0.8% of the amount of the covered deposits of all authorized credit institutions in all Member States, by 3 July 2024.

If the Scheme does not have the resources to intervene where needed, an extraordinary contribution (ex-post) may be requested.

The contribution paid by the Crédit Agricole Italia Banking Group for 2021 amounted to Euro 57 million.

These contributions are recognized in the Income Statement under “Other administrative expenses”.

BUSINESS COMBINATIONS

Business combinations are recognized in accordance with IFRS 3 “Business Combinations”.

This standard requires business combinations to be recognized using the “acquisition method” of accounting, based on which assets, liabilities and contingent liabilities of the acquiree are measured at acquisition-date fair value.

Any portion of the price paid exceeding the acquisition-date fair values shall be recognized as goodwill or as other intangible assets; if the price is lower than acquisition-date fair value, the difference shall be taken to the Income Statement (negative goodwill).

The "acquisition method" shall be applied from the acquisition date, i.e. the date on which control over the acquiree is actually obtained. Therefore, profit or losses of a subsidiary acquired in the period are reported in the Consolidated Financial Statements starting from the date of its acquisition. Conversely, profit or losses of a subsidiary sold in the period are reported in the Consolidated Financial Statements up to the date on which control is transferred.

Business combinations between entities under common control are not within IFRS 3 scope of application, nor are they governed by other IFRSs; therefore, these business combinations are defined in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Indeed, IASs/IFRSs provide specific guidelines to be followed for any transactions that are not within the IFRS scope of applications, which are described in paragraphs 10–12 of IAS 8 and require the Management to consider also the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards.

IFRS 3 gives limited accounting guidelines regarding transactions under common control, previously described in the Accounting Principles Board (APB) Opinion. This method ("pooling of interest") requires, for these transactions, assets and liabilities to be recognized at the historical values (book valued) of the combined entities, rather than at their respective fair values without recognizing goodwill.

In Italy, this approach was essentially endorsed and adopted by the Italian Association of Auditors of the Accounts (Assirevi), with Documents OPI No. 1R regarding the accounting treatment of "business combinations of entities under common control" and OPI No. 2R regarding the accounting treatment of mergers.

Therefore, "intra-group" business combinations or business combinations between "entities under common control" within the Crédit Agricole Italia Banking Group are recognized based on the book value of the transferred entities. If the consideration paid to acquire the equity interest is different from the book value of the transferred entity, because of recognized goodwill, the difference shall be recognized as a decrease in equity of the acquirer Company and the transaction shall be classified as extraordinary distribution of reserves.

Exactly in the same way, if an entity is sold, the received consideration shall be recognized directly in an equity reserve, since it is essentially a capital contribution made by the other companies of the Group the reporting entity belongs to.

FAIR VALUE MEASUREMENT

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price) on the main (or more advantageous) market, irrespective of whether this price can be directly observed or is estimated using a valuation technique. Fair value applies to every financial asset or liability on an individual basis. As an exception, it can be estimated at a portfolio level, if the strategy for risk management and monitoring allows it and if appropriate documentation is provided. However, certain fair value parameters are calculated on a net basis, when a group of financial assets and financial liabilities is managed based on its net exposure to market or credit risks. This is the case for calculation of Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA) for derivatives.

More exhaustive reporting on these parameters is given in Part A.4 of the Note to the Financial Statements.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

For financial instruments, fair value is determined using prices from financial markets in the case of financial instruments listed in active markets, or using internal measurement models for other financial instruments.

A market is considered active if quoted prices, representing actual and regular market transactions occurring during an appropriate reference period, are readily and regularly available from sources such as stock exchanges, stockbrokers, intermediaries, industry companies, pricing services or authorized bodies.

Collective investment schemes (EFT), spot exchange transactions, futures, options and equity securities listed on a regulated market are considered as traded on a regulated market. Bonds for which at least two executable prices can be detected on a quotation service with a bid-asking spread that is less than an interval deemed consistent are also considered as quoted. Otherwise, all securities, derivatives and hedge funds that do not belong to the above categories are not considered as traded on an active market.

For financial instruments traded on active markets, the price is used which is defined as "official", as at the closure of the reference period.

In the case of financial instruments for which the bid-ask spread is immaterial, or for financial assets and liabilities capable of offsetting market risk, a "mid-price" is used, i.e. the average market price (on the last day of the reference period) instead of the bid or ask price.

Where there is no active, liquid market, the fair value of financial instruments is defined mainly by using standard measurement techniques designed to establish what the transaction price would have been on the measurement date in an arm's length trade carried out for normal market reasons. In incorporating all the factors that operators would consider in setting the price, development of the valuation models takes into account the time value of money at the risk-free rate, the volatility of the financial instrument, as well as, where applicable, exchange rates, commodity prices and stock prices.

With finance products for which the fair value determined with measurement techniques cannot guarantee a sufficient degree of reliability, the value is prudentially calculated as the fair value at the reference date communicated by the parties with which the transactions were signed.

The measurement method chosen for a financial instrument is applied consistently over time and may only be altered if significant changes in market conditions or the subjective condition of the issuer of the financial instrument occur.

For bonds and derivative contracts, globally accepted valuation models have been set, which refer to market parameters, to the time value of money and to risk-free rates.

Specifically, fixed-rate bonds relating to financial assets or liabilities are measured using the discounted cash flow method pursuant to the security contractual scheme; floating-rate bonds are measured by discounting back future cash flows estimated on the basis of the forward rates with the application of index-linking parameters.

Derivative contracts are measured using specific calculation algorithms and specific numerical procedures according to the type of the different categories of transactions.

Stocks are measured considering the direct transactions, that is, significant transactions on the security registered in a sufficiently short timeframe with respect to the time of measurement and in constant market conditions, comparable transactions by companies operating in the same sector and supplying the same type of products/services as the associated company being evaluated provides, application of the average of significant stock exchange multiples of companies of a comparable financial size to the financial aggregates of the investee and, finally, financial, income and equity measurement methods.

The fair value of units in funds resulting from loan management initiatives is determined in accordance with *Bank of Italy/Consob/IVASS Joint Document no. 8 – Coordination table between Consob, the Bank of Italy and IVASS regarding the application of the. IAS/IFRS of 14 April 2020; therefore, for fair value determination, the Crédit Agricole Italia Banking Group asks the Asset Manager to periodically provide an estimate of the Fund made by an independent expert and compliant* with IFRS13 and with the Joint Document. Said Fair Value is the value the fund units are measures and recognized at.

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS

For financial instruments held for sale and for those assets and liabilities recognized at cost or amortized cost, the fair value for reporting purposes or given as disclosure in the Note to the Financial Statements is calculated as follows:

- The fair values of medium/long-term assets and liabilities are primarily measured by discounting future cash flows, taking account of the riskiness of the relevant portfolio;

- A good approximation of the fair value of demand or short-term assets and liabilities is their book value as initially recognized and net of collective/individual writedowns;
- The book value of non-performing loans (bad loans, unlikely-to-pay and past-due positions) is deemed to be a reasonable fair value approximation;
- the book value initially recognized of floating-rate and short-term fixed-rate securities is deemed a reasonable fair value approximation, due to the fact that it reflects both the change in rates and the measurement of the credit risk associated with the issuer.

An analogous approach is applied for the fair value measurement of medium-/long-term fixed-rate securities and structured securities that are hedged against interest rate risk, for which the book value determined for hedge accounting purposes already takes account of interest rate risk measurement. For the latter, in determining the fair value reported in the Note to the Financial Statements, changes in their credit spread were not taken into account, considering the same within the Group.

With regard to real estate, for which the fair value is calculated only for the purposes of disclosure in the Note to the Financial Statements, reference is made to a value primarily based on appraisals by independent experts, considering transactions at current prices in an active market for similar properties in the same geographical area and under the same conditions for leases and other contracts.

AMORTIZED COST MEASUREMENT

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization, calculated using the effective interest method, of any difference between the initial amount and the amount at maturity, and minus any impairment loss.

The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the financial asset or liability up to maturity or the subsequent repricing date to the present value of the financial asset or liability.

To calculate the present value, the effective interest rate is applied to future cash flows or payments over the life of the financial asset or liability or for a shorter period of time under certain conditions (for example, changes in market rates).

Subsequent to initial recognition, the amortized cost method makes it possible to allocate revenues and costs pertaining to the instruments over their expected lifetime. The determination of the amortized cost varies according to whether the financial assets/liabilities being measured are at fixed or variable rate, and - in the latter case - according to whether the rate variability is known or not beforehand. For fixed-rate instruments, or instruments with fixed rate over specified time ranges, future cash flows are measured using the known interest rate (single or variable) over the life of the loan. For floating rate financial assets and liabilities whose variability is not known ahead of time (e.g. because it is linked to an index), cash flows are determined using the last known rate. Each time the rate is changed, the amortization schedule is recalculated, as is the effective rate of return over the entire useful life of the instruments, i.e. to maturity. Any adjustments are recognized as expense or income in the Income Statement.

Measurement at amortized cost applies to financial assets measured at amortized cost and to financial assets measured at fair value through other comprehensive income, as well as to financial liabilities measured at amortized cost.

Financial assets and liabilities traded on an arm's length basis are initially recognized at fair value, which is normally equal to the amount received or paid, including, for instruments measured at amortized cost, directly attributable transaction costs, fees and commissions.

Transaction costs are marginal internal or external costs or revenues that are directly attributable to the issue, acquisition or disposal of a financial instrument and that cannot be charged to the customer. These fees and commissions, which must be directly attributable to individual financial assets or liabilities, affect the original effective rate of return and cause the effective interest rate associated with the transaction to vary from the contractual interest rate. Transaction costs do not include costs and revenues that apply, indiscriminately, to more than one transaction and do not include components relating to events that could occur over the life of the instruments that are not certain at the time the instrument is initially prepared, such as: commissions for retrocession, failure to use a credit line, early repayment.

Furthermore, the amortized cost calculation does not take account of the costs that the Group would bear independently of the transaction (for example, administrative costs, recording and communication expenses), of the costs that, though specifically attributable to the transaction, fall within normal loan management practices (for example, activities associated with disbursement of the loan), as well as fees and commissions for services collected for the completion of Structured Finance operations, which would however have been collected irrespectively of the subsequent financing of the transaction (such as, for example, arrangement fees and commissions).

With specific reference to loans, costs attributable to the financial instrument include commission paid to distribution channels, fees paid for advice/assistance regarding the organization and/or participation in syndicated loans and expenses borne for loans acquired by subrogation; while the revenues considered in the calculation of amortized cost are up-front commissions relating to loans granted at lower-than-market rates, fees and commissions for participation in syndicated transactions and brokerage fees linked to commissions paid by intermediation companies.

With regard to securities not measured at "fair value through profit or loss", transaction costs include fees and commissions on contracts with stockbrokers operating in Italian markets, fees and commissions paid to intermediaries operating in foreign stock and bond markets based on set fee and commission schedules. The amortized cost does not include stamp duties, as these are deemed immaterial.

For securities issued, amortized cost is calculated taking into account fees and commissions for placing debenture loans paid to third parties, legal expenses, fees paid to stock exchanges and fees paid to auditors for work done on each individual issue, while the amortized cost excludes fees and commissions paid to rating agencies, legal and advice/audit expenses for the annual update of prospectuses, expenses for the use of indices and fees and commissions that arise during the life of the debenture loan issued.

Following initial measurement, they are measured at amortized cost, reporting effective interest rates that are higher or lower than the nominal rates.

Hedged financial assets and liabilities, for which changes in fair value with respect to the hedged risk are recognized in the income statement, are not measured at amortized cost. However, the financial instrument is once again measured at amortized cost where the hedge terminates. From that moment, previously recognized changes in fair value are amortized, calculating the new effective interest rate that takes account of the value of the loan adjusted for the fair value of the hedged item, up to the originally scheduled expiry of the hedge. Moreover, as previously stated in the section on measuring loans and receivables, debt and debt securities issued, the amortized cost method does not apply to short-term financial assets and liabilities since the impact of discount is negligible, and does not apply to loans without a specified maturity or revocable loans.

IMPAIRMENT OF FINANCIAL ASSETS

FINANCIAL ASSETS

In compliance with IFRS 9, the Crédit Agricole Italia Banking Group recognizes impairment with write-downs representing Expected Credit Losses (ECL) on the categories of financial assets given below:

- Financial assets recognised at amortised cost or at fair value through equity with recycling (loans and receivables, debt securities);
- Financing commitments which are not measured at fair value through profit or loss;
- Guarantee commitments that fall within IFRS 9 scope of application and that are not measured at fair value through profit or loss;
- Lease receivables falling under financial assets;
- Trade receivables generated by transactions under IFRS 15 scope of application.

The model of impairment (provisioning) for credit risk has three stages:

- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee…), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently,

if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

The Expected Credit Loss (ECL) is the weighted expected value of the discounted credit loss (principal and interest).

To define the IFRS 9 parameters required to calculate ECL, the Crédit Agricole Italia Banking Group has primarily relied on its internal rating system and on the other regulatory processes already implemented. The assessment of credit risk is based on an expected loss model and extrapolation based on reasonable future scenarios. All information that is available, pertinent, reasonable and justifiable, including forward-looking information, shall be taken into account.

Therefore, in compliance with the requirements laid down by the standard, in order to estimate parameters, a set of forward-looking scenarios is used, each one of which is weighted by the related probability of occurrence.

The ECL calculation formula combines the probability of default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) parameters.

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments.

Within the review of its impairment model for the non-performing portfolio, already essentially based on the discounting of future recovery flows in accordance with IAS 39, the further requirement of IFRS 9 to estimate a multi-scenario and forward-looking ECL was complied with combining the scenario pursuant to IAS 39 (internal recovery) with an alternative recovery scenario consisting in the sale of the single non-performing exposure on the market.

Expected credit losses are discounted at the effective interest rate (EIR) used for the initial recognition of the financial instrument.

OTHER NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets with a finite useful life are tested for impairment if there is evidence that the book value of the asset can no longer be recovered.

The recoverable value is calculated for each single asset, except in case this asset generates cash flows that are not widely independent of those generated by other assets or groups of assets.

If the book value of an asset is higher than its recoverable value, that asset is impaired and consequently written down to the recoverable value.

The recoverable value is determined with reference to the fair value of the asset, excluding disposal costs, or value in use, if calculable and higher than the fair value.

The fair value of property is mainly determined on the basis of appraisals by independent experts. The appraisal is updated whenever there is a change in the property market trend that could affect the validity of the previous estimates and, in any case, every three years. Impairment losses are recognized only when the fair value, net of sale costs, or the value in use of the asset is lower than its book value for three consecutive years.

For other Property, plant and equipment items and intangible assets (other than goodwill), the Group determines the value in use as the present value of the estimated future cash flows using a discount rate before-taxes reflecting market data (the present value of money and asset-specific risks).

SEGMENT REPORTING METHOD

The Crédit Agricole Italia Banking Group is required to present segment reporting, in accordance with IFRS 8.

The sectors of economic activity covered by segment reporting are determined based on the Group's organizational and management structure.

Considering Creval acquisition, for smooth comparison to 2020 figures, Creval contribution and the non-recurring effects of its acquisition have been reported separately from the operating segments.

The Group's business segments are:
- Retail/Private Banking (including the Financial Advisors channel and the Digital Business Unit);
- Corporate Banking (Large-corporate/Mid-corporate);
- Creval;
- Other/sundry.

For segment reporting purposes, management figures, appropriately reconciled with Financial Statement figures, have been used. The methods used for the impairment testing of goodwill are reported in point No. 10.3 - Assets.

A.3 Reporting on transfers between financial asset portfolios

A.3.1 Transfers between portfolios

This case does not apply.

A.4 Fair value reporting

QUALITATIVE DISCLOSURES

CLASSIFICATION OF FINANCIAL INSTRUMENTS AND NON-FINANCIAL ASSETS/ LIABILITIES

Reporting on the fair value hierarchy as required by IFRS 13 applies to financial instruments and non-financial assets/liabilities that are measured at fair value (irrespectively of whether they are so measured on a recurring or non-recurring basis).

The standard classifies fair value into three different levels based on the observability of the inputs used for its measurement:
- Level 1: Fair value equal to quoted prices (with no adjustments) in active markets. Level 1 includes financial instruments that are quoted on active markets.

  Specifically, these financial instruments are stocks and bonds quoted in active markets, investment schemes quoted in active markets (EFT) and derivatives traded in regulated markets.

  Markets are considered active if the quotations are easily and regularly available on the stock exchange, from brokers, intermediaries, price quotation services or regulatory agencies and these prices represent actual transactions that are regularly carried out in the market on an arm's length basis.
- Level 2: Fair value determined using measurement models that are universally acknowledged and based on observable or indirectly observable market inputs (for example determining the interest rate curve based on interest rates that are directly observable on the market at a given reference date). Level 2 includes:
  - Stocks and bonds that are quoted on markets considered inactive or that are not quoted on an active market, but whose fair value is determined using a universally acknowledged measurement model based on observable or indirectly observable inputs;
  - Financial instruments whose fair value is determined with measurement models using observable market inputs.
- Level 3: Financial instruments whose fair value is determined using, to a significant extent, inputs that do not meet the set observability requirements.

The fair value of some complex instruments that are not traded in active markets is determined with measurement techniques based on inputs that are not observable on the market.

They are mainly complex interest rate instruments, stock derivatives and structured loans, where the measured correlation or volatility inputs are not directly comparable to market inputs.

CREDIT VALUATION ADJUSTMENT (CVA) AND DEBIT VALUATION ADJUSTMENT (DVA)

In accordance with the IFRS 13 regulatory framework, derivatives shall be priced based on market factors, as well as on the possible effects of the risk of the counterparty's default, which comprises the risk associated to the counterparty's creditworthiness, by calculating the Credit Valuation Adjustment (CVA) and the Debit Valuation Adjustment (DVA).

CVA is the value adjustment of an OTC derivative contract entered into by the Bank with an external counterparty, which reflects the possible loss resulting from the worsening of the creditworthiness/default of the counterparty.

In a mirror-like way, the DVA expresses the CVA from the external counterparty's standpoint and consists in an adjustment of the derivative fair value based on the change in the creditworthiness of the Bank.

Based on the above, the value of a portfolio of OTC derivatives that are in force with a market counterparty is equal to the value of the same risk-free portfolio less the CVA plus the DVA.

As provided for by IFRS13, in certain conditions, risk mitigation tools may be used, such as ISDA master agreements and Credit Support Annexes (CSA).

By signing ISDA Master Agreements, which are framework agreements that amount to the reference international standard on OTC derivatives, the Bank can calculate the CVA and DVA by netting set or by counterparty, after assessing the netting effect potentially resulting from such Agreements, rather than calculating it by single derivative.

Much in the same way, risks can be mitigated by finalizing Credit Support Annexes (CSA), which are attached to the ISDA Mater Agreement and provide for the deposit with the creditor of an amount equal to the mark-to-market value of the exposure as collateral.

Such collateral allows the present exposure and the subsequent risk to be reduced and provides, on a regular basis, for the exposure to be recalculated in order to verify that the deposited amount is consistent.

In accordance with IFRS 13, the Crédit Agricole Italia Banking Group has adopted a model implemented by the Parent Company Crédit Agricole SA; in addition to the effects of any changes in the counterparty's creditworthiness (Credit Valuation Adjustment – CVA), this model also expresses any changes in the Group's creditworthiness (Debit Value Adjustment – DVA).

In accordance with the model, the calculation of the CVA depends on the exposure, on the probability of default (PD) and on the Loss Given Default (LGD) of the counterparties.

This model provides for the use of a forward-looking PD as a function of the type of counterparty, to which a CDS spread or a CDS proxy is assigned. For this purpose, external counterparties are classified into three categories:

- The first category includes the counterparties for which CDS input parameters are directly observable in the market;
- The second category includes counterparties for which there is no official quoted parameter, but to which a CDS proxy can be assigned, based on the observable market value that is given to counterparties with the same characteristics in terms of economic activity sector, rating and geographical area;
- The third category includes the counterparties to which a proxy cannot be assigned and for which, therefore, historical data are used.

On the other hand, the DVA calculation depends on the Bank's exposure, probability of default (PD) and Loss Given Default (LGD) and this measure expresses the potential earnings from the change in the market prices of the relevant derivative, due to the worsening of the creditworthiness/default of the Bank.

In this case, a forward-looking PD is used which reflects the Group's credit risk.

As at 31 December 2021, the CVA value for the Crédit Agricole Italia Banking Group, calculated in accordance with the method reported above, was Euro 5.48 million.

Similarly, as at 31 December 2021, the DVA value was Euro 0.67 million.
The difference between the CVA and DVA amounts as calculated (equal to Euro 4.81 million for the Group), net of the same component already recognized as at 31 December 2020 (equal to Euro 13.19 million), is a positive income component and, as such, has been recognized in the Income Statement.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

Level 2: this level includes all financial instruments for which there is no active market, but whose measurement is based on observable market inputs. Therefore, universally acknowledged measurement models have been set, which refer to observable market inputs.

Specifically, fixed-rate bonds relating to financial assets or liabilities are measured using the discounted cash flow method pursuant to the security contractual scheme; floating-rate bonds are measured by discounting back future cash flows estimated on the basis of the forward rates with the application of index-linking parameters.

Derivative contracts are measured using specific calculation algorithms according to the type of the different categories of transactions.

Level 3: this level includes all financial instruments for which there is no active market and whose measurement is not based on observable market inputs or using the measurement communicated by qualified market players.

A.4.2 Processes and sensitivity of measurement

The Finance Department of Crédit Agricole Italia S.p.A. is responsible for defining the fair value category of the financial instruments recognized. Choosing between the above methods is not an option, since they shall be applied in a hierarchical order: absolute priority is given to official prices that are available on active markets for assets and liabilities to be measured (Level 1) or for assets and liabilities that are measured using techniques based on parameters that are observable on the market (Level 2); lower priority is given to assets and liabilities whose fair value is determined based on measurement techniques referring to parameters that are unobservable on the market and, thus, more discretionary (Level 3).

IFRS 13 also requires that, for recurring fair value measurements classified as Level 3 of the fair value hierarchy, a narrative description be given of the sensitivity of the fair value measurement to changes in unobservable inputs, if a change in those inputs could result in a significantly higher or lower fair value measurement.

Indeed, unobservable inputs that can affect the measurement of financial instruments classified as Level 3 mainly consist in estimates and assumptions underlying the models used to measure investments in equity securities and OTC derivatives. For these investments no quantitative sensitivity analysis of the fair value based on the change in unobservable inputs was carried out, since either the fair *value was obtained from third-party sources without any adjustments or resulted from a model whose inputs are specific for the entity being measured (for example the company equity values) and for which alternative values cannot be reasonably assumed*.

Reference is made to the breakdown analysis of the composition of these cases, which is reported in the next section on quantitative disclosures.

A.4.3 Fair value hierarchy

For the assets and liabilities recognized, the Finance Department assesses whether transfers between fair value levels have occurred and reviews the fair value categorization at each reporting date.

The Finance Department moves financial instruments from Level 1 to Level 2 only in case of financial instruments that are quoted in a regulated but not active market and that can be measured using the Group's internal standard pricing models. The Finance Department makes transfers to Level 3 only for financial instruments that are no longer listed in a regulated market and that cannot be measured using standard internal pricing models of the Group.

A.4.4 Other information

The cases provided for by IFRS 13 at paragraphs 51, 93 item (i) and 96 did not apply to the Group.

QUANTITATIVE DISCLOSURES

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

Financial assets/liabilities measured at fair value	31 Dec. 2021			31 Dec. 2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss of which	95	70,683	200,556	94	94,497	60,327
a) financial assets held for trading;	95	70,683	-	94	94,497	640
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	200,556	-	-	59,687
2. Financial assets measured at fair value through other comprehensive income	3,848,598	208,996	57,646	3,080,950	202,000	24,095
3. Hedging derivatives	-	634,478	19	-	1,026,601	1
4. Property, Plant and Equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**3,848,693**	**914,157**	**258,221**	**3,081,044**	**1,323,098**	**84,423**
1. Financial liabilities held for trading	-	75,042	-	-	107,469	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	307,641	712,670	-	176,134	610,497
Total	**-**	**382,683**	**712,670**	**-**	**283,603**	**610,497**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

The impact of applying CVA and DVA on the fair value measurement of the derivatives held by the Crédit Agricole Italia Banking Group for trading and hedging came to Euro 4.81 million.

A.4.5.2 Changes for the year in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, Plant and Equipment	Intangible assets
	Total	Of which a) financial assets held for trading	Of which: b) financial assets designated at fair value	Of which c) other financial assets mandatorily measured at fair value				
1. Opening balance	**60,327**	**640**	**-**	**59,687**	**24,095**	**1**	**-**	**-**
2. Increases	**169,802**	**134**	**-**	**169,668**	**44,296**	**18**	**-**	**-**
2.1 Purchases	167,885	125	-	167,760	44,009	-	-	-
of which “from business combinations”	126,186			126,186	43,553			
2.2 Profits	-	-	-	-	-	-	-	-
2.2.1 Income statement	1,875	9	-	1,866	-	18	-	-
- o/w: capital gains	1,119	-	-	1,119	-	18	-	-
2.2.2 Equity		X	X	X	281			
2.3 Transfers from others levels	-	-	-	-	-	-	-	-
2.4 Other increases	42	-	-	42	6	-	-	-
3. Decreases	**29,573**	**774**	**-**	**28,799**	**10,745**	**-**	**-**	**-**
3.1 Sales	14,981	134	-	14,847	498	-	-	-
3.2 Repayments	10,172	640	-	9,532	42	-	-	-
3.3 Losses	-	-	-	-	-	-	-	-
3.3.1 Income statement	4,420	-	-	4,420	-	-	-	-
- o/w capital losses	324	-	-	324	-	-	-	-
3.3.2 Equity	-	X	X	X	7,668	-	-	-
3.4 Transfers to other levels	-	-	-	-	2,537	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**200,556**	**-**	**-**	**200,556**	**57,646**	**19**	**-**	**-**

A.4.5.3 Changes for the year in liabilities measured at fair value on a recurring basis (level 3)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance	**-**	**-**	**610,497**
2. Increases	**-**	**-**	**153,713**
2.1 Issues	-	-	-
2.2 Losses recognized in:	-	-	153,713
2.2.1 Income Statement	-	-	153,713
- of which capital losses	-	-	153,713
2.2.2 Equity	X	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**-**	**-**	**51,540**
3.1 Repayments	-	-	41,309
3.2 Repurchases	-	-	10,231
3.3 Profits recognized in:	-	-	-
3.3.1 Income Statement	-	-	-
- of which Capital gains	-	-	-
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other increases	-	-	-
4. Closing balance	**-**	**-**	**712,670**

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

Assets/Liabilities not measured at fair value or measured at fair value a non-recurring basis	31 Dec. 2021				31 Dec. 2020			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortized cost	92,268,499	12,953,168	14,413,702	66,706,029	66,844,220	7,965,581	8,537,244	51,939,133
2. Investment property	179,260	-	-	196,965	127,515	-	-	139,088
3. Non-current assets held for sale and discontinued operations	226,579	-	-	226,579	5,207	-	-	-
Total	**92,674,338**	**12,953,168**	**14,413,702**	**67,129,573**	**66,976,942**	**7,965,581**	**8,537,244**	**52,078,221**
1. Financial liabilities measured at amortized cost	93,269,092	466,001	76,265,842	16,885,307	66,572,727	-	65,955,399	665,711
2. Liabilities associated with non-current assets held for sale and discontinued operations	16,400	-	-	3,383	-	-	-	-
Total	**93,285,492**	**466,001**	**76,265,842**	**16,888,690**	**66,572,727**	**-**	**65,955,399**	**665,711**

Key:
BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The book value recognized for non-performing loans, classified at Level 3 of the fair value hierarchy is assumed to be a reasonable approximation of the fair value. This assumption is based on the fact that the fair value calculation is mainly affected by the expected recovery from the borrower through internal collection activities based on the account manager's subjective assessment, as well as by the alternative scenario of selling the individual non-performing exposure on the market, which considers the main assessment parameters used by potential buyers; therefore, the recovery value recognized results from the weighting of such scenarios. For more exhaustive reporting, please refer to Part A.2 -Classification and measurement of financial instruments - ECL governance and measurement. On the other hand, it is pointed out that the fair value of performing loans, classified at Level 3, as reported in the table, has been calculated based on models that use mainly unobservable inputs (e.g. internal risk parameters). Therefore, for these loans (stage 1 and stage 2), also because there is no secondary market, the fair value recognized, for disclosure purposes only, could be significantly different from the prices of any disposals.

A.5 REPORTING ON "DAY ONE PROFIT/LOSS"

Paragraph 28 of IFRS 7 governs the specific situation where, in case of purchase of a financial instrument that is designated at fair value but not listed on an active market, the transaction price, which generally is equal to the fair value best estimate upon initial recognition, is different from the fair value determined based on the measurement techniques used by the entity.

In this case, a measurement profit/loss is realized upon acquisition, which shall be adequately reported by financial instrument class.

It is pointed out that this case does not apply to the Group Consolidated Financial Statements.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN

	31 Dec. 2021	31 Dec. 2020(*)
a) Cash	547,671	361,221
b) Current accounts and demand deposits with Central Banks	9,992	-
c) Current accounts and deposits with Banks	287,994	253,698
Total	**845,657**	**614,919**

(*) Current accounts and "sight" deposits with Central Banks and Banks have been reclassified from item "Due from Banks" to item "Cash and cash equivalents" in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

Section 2 – Financial assets measured at fair value through profit or loss – Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY TYPE

Items/Values	31 Dec. 2021			31 Dec. 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance-sheet assets						
1. Debt securities	95	1	-	94	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	95	1	-	94	-	-
2. Equity securities	-	2	-	-	-	-
3. Units of O.I.C.R. collective investment undertakings	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements for lending purposes	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**95**	**3**	**-**	**94**	**-**	**-**
B. Derivatives						
1. Financial derivatives	-	70,680	-	-	94,497	640
1.1 held for trading	-	70,680	-	-	94,497	640
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit Derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**70,680**	**-**	**-**	**94,497**	**640**
Total (A+B)	**95**	**70,683**	**-**	**94**	**94,497**	**640**

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ ISSUER/COUNTERPARTY

Items/Values	31 Dec. 2021	31 Dec. 2020
A. On-balance-sheet assets		
1 Debt securities	**96**	**94**
a) Central Banks	-	-
b) Public administration bodies	93	93
c) Banks	2	1
d) Other financial companies	1	-
of which: insurance undertakings		
e) Non-financial corporations	-	-
2. Equity securities	**2**	**-**
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance undertakings	-	-
c) Non-financial corporations	2	-
d) Other issuers	-	-
3. Units of O.I.C.R. collective investment undertakings	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total (A)	**98**	**94**
B. Derivatives		
a) Central counterparties	-	-
b) Other	70,680	95,137
Total (B)	**70,680**	**95,137**
Total (A+B)	**70,778**	**95,231**

The trading book consists mainly of Over-The-Counter derivatives traded on a matched basis (back-to-back trading). The mismatch vs. the measurement of derivatives held for trading recognized in the “Financial liabilities held for trading” item resulted from the CVA/DVA application to fair value measurement, as reported in Section A.4 of Accounting Policies.

2.5 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY TYPE

Items/Values	31 Dec. 2021			31 Dec. 2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	2,355	-	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	2,355	-	-	-
2. Equity securities	-	-	27,479	-	-	27,551
3. Units of O.I.C.R. collective investment undertakings	-	-	170,722	-	-	32,136
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	-	-	200,556	-	-	59,687

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

Among "Other financial assets mandatorily measured at fair value", item 2 "Equity securities" reports the shares held in Fraer Leasing (Euro 5,211 thousand), Autovie Venete (Euro 18,011 thousand), and Termomeccanica (Euro 4,115 thousand).

The item also reports units in OICR (Collective Investment Undertakings) amounting to Euro 170,722 thousand; the increase was resulted from the contribution to the Group of Creval OICR units portfolio, which, as at 31 December 2021, amounted to approximately Euro 117 million. As regards those units, any further commitments to sell in case of call-in amount to Euro 9,078 thousand.

2.6 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY DEBTOR/ISSUER

Items/Values	31 Dec. 2021	31 Dec. 2020
1. Equity securities	27,479	27,551
of which: banks	142	214
of which: other financial companies	5,211	5,211
of which: non-financial corporations	22,126	22,125
2. Debt securities	2,355	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	2,275	-
of which: insurance undertakings	-	-
e) Non-financial corporations	80	-
3. Units of O.I.C.R. collective investment undertakings	170,722	32,136
4. Loans	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total	200,556	59,687

Section 3 – Financial assets measured at fair value through other comprehensive income – Item 30

3.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY TYPE

Items/Values	31 Dec. 2021			31 Dec. 2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**3,832,255**	**4,471**	**-**	**3,066,208**	**-**	**-**
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	3,832,255	4,471	-	3,066,208	-	-
2. Equity securities	**16,343**	**204,525**	**57,646**	**14,742**	**202,000**	**24,095**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**3,848,598**	**208,996**	**57,646**	**3,080,950**	**202,000**	**24,095**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

As at the reporting date, the exposure in debt securities came to a total of Euro 3,837 million and consisted of Italian Government bonds for Euro 3,643 million and of other bonds for Euro 194 million.

Among equity securities at level 2, the Crédit Agricole Italia Banking Group holds 8,181 shares in the Bank of Italy, equal to 2.7% of its entire share capital. These shares were recognized for a book value of Euro 204.5 million, obtained measuring each share at a unit value of Euro 25,000. These shares resulted from the share capital increase that the Bank of Italy made in 2013 in accordance with Italian Decree Law no. 133 of 30 November 2013, converted with Italian Law no. 5 of 29 January 2014, which determined the issue of new shares for a value of Euro 25,000 each.

Equity securities at level 1 include the shares held in Unipol- Sai capital for an amount of Euro 16.2 million.

Level-3 equity securities include the equity investments in Cassa di Risparmio di Volterra amounting to Euro 3.2 million, Immobiliare Oasi nel Parco Srl amounting to Euro 2.5 million, Fidi Toscana S.p.A. Amounting to Euro 1.9 million, Crédit Agricole Group Infrastructure Platform amounting to Euro 3.5 million, in Astaldi SFP amounting to Euro 3 million and Alba Leasing S.p.A. Amounting to Euro 27.4 million.

3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY DEBTOR/ISSUER

Items/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Debt securities	**3,836,726**	**3,066,208**
a) Central Banks	-	-
b) Public administration bodies	3,642,957	3,066,208
c) Banks	151,121	-
d) Other financial companies	28,322	-
of which: insurance undertakings	3,902	-
e) Financial companies	14,326	-
2. Equity securities	**278,514**	**240,837**
a) Banks	208,005	206,052
b) Other issuers:	70,509	34,785
- Other financial companies	49,851	18,132
of which: insurance undertakings	16,170	14,149
- non-financial corporations	20,658	16,653
- other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
f) Households	-	-
Total	**4,115,240**	**3,307,045**

Line 2.a) reports also the value of the shareholding in the Bank of Italy amounting to Euro 204.5 million.

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value					Total adjustments				Total/ partial write-offs (*)
	Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	POCI assets	Stage 1	Stage 2	Stage 3	POCI assets	
Debt securities	3,840,988	3,333,336	526	-	-	4,782	6	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31 Dec. 2021	**3,840,988**	**3,333,336**	**526**	**-**	**-**	**4,782**	**6**	**-**	**-**	**-**
Total 31 Dec. 2020	**3,069,803**	**3,069,803**	**-**	**-**	**-**	**3,595**	**-**	**-**	**-**	**-**

(*) Value to be stated for disclosure purposes.

Section 4 – Financial assets measured at amortized cost – Item 40

4.1 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE FROM BANKS

Type of transactions/ Values	31 Dec. 2021						31 Dec. 2020(*)					
	Book value			*Fair value*			Book value			*Fair value*		
	Stage 1 and 2	Stage 3	POCI assets	L1	L2	L3	Stage 1 and 2	Stage 3	POCI assets	L1	L2	L3
A. Claims on Central Banks	**13,579,674**	**-**	**-**	**-**	**13,579,674**	**-**	**8,143,109**	**-**	**-**	**-**	**8,143,109**	**-**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Reserve requirement	13,563,576	-	-	X	X	X	8,130,811	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	16,098	-	-	X	X	X	12,298	-	-	X	X	X
B. Due from Banks	**887,212**	**2,074**	**-**	**72,709**	**815,376**	**-**	**390,791**	**3,357**	**-**	**-**	**394,148**	**-**
1. Loans	813,196	2,074	-	-	815,269	-	390,791	3,357	-	-	394,148	-
1.1 Current accounts	148	-	-	X	X	X	247,657	-	-	X	X	X
1.2 Time deposits	5,148	-	-	X	X	X	1,055	-	-	X	X	X
1.3 Other loans:	807,900	2,074	-	X	X	X	142,079	3,357	-	X	X	X
- Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Loans for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	807,900	2,074	-	X	X	X	142,079	3,357	-	X	X	X
2. Debt securities	74,016	-	-	72,709	107	-	-	-	-	-	-	-
2.1 Structured Securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	74,016	-	-	72,709	107	-	-	-	-	-	-	-
Total	**14,466,886**	**2,074**	**-**	**72,709**	**14,395,050**	**-**	**8,533,900**	**3,357**	**-**	**-**	**8,537,257**	**-**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3
(*) Current accounts and "sight" deposits with Central Banks and Banks have been reclassified from item "Due from Banks" to item "Cash and cash equivalents" in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

4.2 FINANCIAL ASSETS MEASURED AT AMORTIZED COSTS: BREAKDOWN BY TYPE OF LOANS TO CUSTOMERS

Type of transactions/ Values	31 Dec. 2021						31 Dec. 2020					
	Book value			*Fair value*			Book value			*Fair value*		
	Stage 1 and 2	Stage 3	POCI assets	L1	L2	L3	Stage 1 and 2	Stage 3	POCI assets	L1	L2	L3
Loans	**62,413,637**	**1,362,200**	**-**	**-**	**-**	**65,524,258**	**48,749,996**	**1,486,146**	**-**	**-**	**-**	**51,768,669**
1.1 Current accounts	2,478,332	272,379	-	X	X	X	1,694,587	301,962	-	X	X	X
1.2 Repurchase agreements for lending purposes	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Mortgage loans	43,121,444	906,169	-	X	X	X	32,098,272	945,848	-	X	X	X
1.4 Credit cards, personal loans and loans repaid by automatic deductions from salaries/pensions	399,974	5,967	-	X	X	X	165,677	4,547	-	X	X	X
1.5. Loans for leases	2,203,489	113,945	-	X	X	X	1,777,233	121,154	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7 Other loans	14,210,398	63,740	-	X	X	X	13,014,227	112,635	-	X	X	X
Debt securities	**14,023,702**	**-**	**-**	**12,880,459**	**18,652**	**1,181,771**	**8,070,821**	**-**	**-**	**7,965,581**	**-**	**170,464**
2.1 Structured Securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	14,023,702	-	-	12,880,459	18,652	1,181,771	8,070,821	-	-	7,965,581	-	170,464
Total	**76,437,339**	**1,362,200**	**-**	**12,880,459**	**18,652**	**66,706,029**	**56,820,817**	**1,486,146**	**-**	**7,965,581**	**-**	**51,939,133**

As regards the values in the first and second stages, the most significant sub-items are reported below:

- Sub-item "1.3 Mortgage loans" also reports loans pledged as collateral for the issues of covered bonds amounting to Euro 12.8 billion;
- Item "2.2 Other debt securities" mainly reports Government securities amounting to Euro 12.8 billion.

4.3 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY BORROWER/ISSUER OF LOANS TO CUSTOMERS

Type of transactions/Values	31 Dec. 2021			31 Dec. 2020		
	Stage 1 and 2	Stage 3	POCI assets	Stage 1 and 2	Stage 3	POCI assets
1. Debt securities	**14,023,702**	**-**	**-**	**8,070,821**	**-**	**-**
a) Public administration bodies	12,782,652	-	-	7,900,358	-	-
b) Other financial companies	1,180,929	-	-	145,628	-	-
of which: insurance undertakings	145,431	-	-	145,628	-	-
c) Non-financial corporations	60,121	-	-	24,835	-	-
2. Loans to:	**62,413,637**	**1,362,200**	**-**	**48,749,996**	**1,486,146**	**-**
a) Public administration bodies	347,591	45	-	278,700	2	-
b) Other financial companies	5,438,473	18,106	-	5,925,531	10,706	-
of which: insurance undertakings	105,644	1	-	82,578	3	-
c) Non-financial corporations	25,158,628	958,318	-	17,846,306	1,040,043	-
d) Households	31,468,945	385,731	-	24,699,459	435,395	-
Total	**76,437,339**	**1,362,200**	**-**	**56,820,817**	**1,486,146**	**-**

4.4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value					Total adjustments				Total/ partial write-offs (*)
	Stage 1	of which: low (*) credit risk instruments	Stage 2	Stage 3	POCI assets	Stage 1	Stage 2	Stage 3	POCI assets	
Debt securities	14,108,921	9,795,895	5,048	-	-	16,120	131	-	-	-
Loans	72,512,833	144,037	4,797,119	2,928,154	-	237,583	265,859	1,563,883	-	8,194
Total 31 Dec. 2021	**86,621,754**	**9,939,932**	**4,802,167**	**2,928,154**	**-**	**253,703**	**265,990**	**1,563,883**	**-**	**8,194**
Total 31 Dec. 2020	**62,775,383**	**8,075,865**	**3,136,229**	**3,050,258**	**-**	**103,778**	**199,419**	**1,560,755**	**-**	**39,419**

(*) Value to be stated for disclosure purposes.

4.4a LOANS MEASURED AT AMORTIZED COST UNDER COVID-19-RELATED SUPPORT MEASURES: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value					Total adjustments				Total/ partial write-offs (*)
	Stage 1	of which: low credit risk instruments	Stage 2	Stage 3	POCI assets	Stage 1	Stage 2	Stage 3	POCI assets	
1. Loans under EBA-compliant concessions	152,204	-	232,434	3,729	-	1,754	12,176	503	-	-
2. Loans under moratoria in force no longer GL-compliant and not assessed as forborne	200,244	-	53,249	73,124	-	627	2,296	18,567	-	-
3. Loans with other concession measures	-	-	36,709	80,222	-	-	2,653	21,400	-	-
4. New loans	4,641,361	-	247,442	40,596	-	21,094	18,544	11,890	-	-
Total 31 Dec. 2021	**4,993,809**	**-**	**569,834**	**197,671**	**-**	**23,475**	**35,669**	**52,360**	**-**	**-**
Total 31 Dec. 2020	**7,578,346**	**-**	**1,326,287**	**75,650**		**25,488**	**83,209**	**13,952**	**-**	**-**

(*) Value to be stated for disclosure purposes.

Section 5 – Hedging derivatives – Item 50

5.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF HEDGE AND BY LEVEL

	Fair value 31 Dec. 2021			NV 31 Dec. 2021	*Fair value* 31 Dec. 2020			NV 31 Dec. 2020
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**634,478**	**19**	**22,984,380**	**-**	**1,026,601**	**1**	**22,958,256**
1) Fair value	-	634,478	19	22,984,380	-	1,026,601	1	22,958,256
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**634,478**	**19**	**22,984,380**	**-**	**1,026,601**	**1**	**22,958,256**

Key:
NV = Notional Value
L1 = Level 1
L2 = Level 2
L3 = Level 3

5.2 HEDGING DERIVATIVES: BREAKDOWN BY HEDGED PORTFOLIO AND BY TYPE OF HEDGE

Transactions/ Type of hedge	*Fair value*							Cash flows		Foreign Investments
	Micro-hedging						Micro-hedging	Micro-hedging	Macro-hedging	
	Debt securities and interest rates	Equity securities and equity indices	Foreign exchange and gold	Credit	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income	26,467	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortized cost	151,641	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**178,108**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	456,389	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**456,389**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Hedging interest rate risk has the objective of immunizing the Banking Book from changes in the fair value of funding and lending, caused by adverse movements in the yield curve.

The “Hedging derivatives” item referring to financial assets measured at *fair value* through other comprehensive income amounting to Euro 26,467 thousand regards the hedging of fixed-rate Italian Government securities through Interest Rate Swaps.

The “Hedging derivatives” item referring to financial assets measured at amortized cost amounting to Euro 151,641 thousand and reports the hedging of:

- Variable-rate mortgage loans with CAP option. Hedging uses Interest Rate Options traded in order to hedge the risk that a variable-rate mortgage loan contract, once having reached its cap, becomes a fixed-rate item, with subsequent increase in the Bank’s financial leverage;
- Fixed-rate mortgage loans. The hedging purpose is to manage interest rate risk within the wider scope of measuring the impacts that changes in interest rates generate on the bank’s assets and liabilities (interest rate gap analysis). That purpose is pursued by entering into Interest Rate Swaps, which essentially convert the fixed interest rates collected on mortgage loans to Customers into variable rates;
- Fixed-rate Italian Government securities, hedged with Interest Rate Swaps.

The “Hedging Derivatives” item referring to financial liabilities consisted of Euro 210,077 thousand for hedging own bonds issued and Euro 246,312 thousand for macrohedging of demand deposits; specifically, the hedged item is limited to the portion referring to interest rate risk. Hedging uses IRS in which the fixed-rate leg equalizes the debenture loan rate and the variable-rate leg is determined as the Euribor (1, 3 or 6 months) +/- spread. To hedge demand deposits, within the wider scope of the measurement of the impacts that changes in rates have on the bank’s assets and liabilities (interest rate gap analysis),a “fictitious” bond-equivalent is simulated, which is designed to identify the hedged item obtained.

Section 6 – Fair value change of financial assets in macro-hedge portfolios – Item 60

6.1 FAIR VALUE CHANGE OF HEDGED ASSETS BREAKDOWN BY HEDGED PORTFOLIO

Adjustments of hedged assets/Values	31 Dec. 2021	31 Dec. 2020
1. Positive fair value change	**27,623**	**138,522**
1.1 of specific portfolios:	27,623	138,522
a) financial assets measured at amortized cost	27,623	138,522
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2. Negative fair value change	**-31,529**	**-1,213**
2.1 of specific portfolios:	-31,529	-1,213
a) financial assets measured at amortized cost	-31,529	-1,213
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
Total	**-3,906**	**137,309**

The hedged assets are to two types:

- Variable-rate mortgage loans with CAP option. Hedging uses IRO traded in order to hedge the risk that a variable-rate mortgage loan contract, once having reached its cap, becomes a fixed-rate item, with subsequent increase in the Bank’s financial leverage.
- Fixed-rate mortgage loans. The hedging purpose is to manage interest rate risk within the wider scope of measuring the impacts that changes in interest rates generate on the bank’s assets and liabilities (interest rate gap analysis). That purpose is pursued by entering into Interest Rate Swaps, which essentially convert the fixed interest rates collected on mortgage loans to Customers into variable rates;

For both types of assets, macro-hedges are used on open sets of mortgage loans.

Section 7 – Equity investments – Item 70

7.1 EQUITY INVESTMENTS: DISCLOSURE ON EQUITY INVESTMENTS IN OTHER ENTITIES

Name	Registered Office	Operating HQ	Type of control (1)	Equity investment		% of votes available (*)
				Investor	% held	
A. Joint arrangements						
1. Rajna Immobiliare S.r.l.	Sondrio	Sondrio	7	Credito Valtellinese	50%	
B. Investees subject to significant influence						
1. Fiere di Parma Spa	Parma	Parma	4	Crédit Agricole Italia	32.42%	
2. Le Village by CA Milano S.r.l.	Milano	Milano	4	Crédit Agricole Italia	38.91%	
3. Sondrio Città Futura S.r.l.	Milano	Milano	4	Stelline Real Estate	49.00%	
4. Valtellina Golf Club S.p.A	Caiolo (SO)	Caiolo (SO)	4	Credito Valtellinese	43.08%	
5. Generalfinance S.p.A.	Milano	Milano	4	Credito Valtellinese	46.81%	
6. Global Broker S.p.A.	Milano	Milano	4	Credito Valtellinese	30.00%	

Key:
(1) Type of control:
1= Majority of the voting rights in the General Meeting of Shareholders
2= dominant influence in the General Meeting of Shareholders
3= agreements with other Shareholders
4= Investee subject to significant influence
5= unitary management pursuant to Article 26, paragraph 1, of Italian Legislative Decree No. 87/92
6= unitary management pursuant to Article 26, paragraph 2, of Italian Legislative Decree No. 87/92
7= joint control
8= other type of control/shareholding
(*) The percentage of votes available is not set forth when it is equal to the shareholding.

7.4 NON-SIGNIFICANT EQUITY INVESTMENTS: ACCOUNTING DATA

Company name	Equity investment book value	Total assets	Total liabilities	Total revenues	Profit (Loss) after tax on continuing operations	Profit (loss) after tax from discontinued operations	Profit (Loss) for the period (1)	Other comprehensive income after tax (2)	Comprehensive income (3) = (1) + (2)
A. Joint arrangements									
1. Rajna Immobiliare S.r.l.	315	743	18	132	38	-	38	-	38
B. Investees subject to significant influence									
1. Fiere di Parma Spa	20,483	79,324	41,722	12,137	-8,882	-	-8,882	-	-8,882
2. Le Village by CA Milano S.r.l.	68	4,648	5,626	1,566	-458	-	-458	-	-458
3. Sondrio Città Futura S.r.l.	-	10,868	10,808	210	-40	-	-40	-	-40
4. Valtellina Golf Club S.p.A	-	6,866	5,066	416	-110	-	-110	14	-96
5. Generalfinance S.p.A.	23,532	210,210	187,645	21,245	5,328	-	5,328	-30	5,298
6. Global Broker S.p.A.	753	8,634	6,084	2,721	738	-	738	-	738

The accounting data of non-significant equity investments refer to financial statements approved by the General Meetings of their respective shareholders as at 31 December 2020.

7.5 EQUITY INVESTMENTS: CHANGES FOR THE YEAR

	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Opening balance	**20,483**	**20,483**
B. Increases	**24,673**	**-**
B.1 Purchases	21,753	-
B.1 of which "from business combinations"	20,753	
B.2 Recoveries	-	-
B.3 Revaluations	2,914	-
B.4 Other changes	6	-
C. Decreases	**5**	**-**
C.1 Sales	-	-
C.2 Value adjustments	2	-
C.3 Impairment/writedowns	-	-
C.4 Other changes	3	-
D. Closing balance	**45,151**	**20,483**
E. Total recoveries	**7,959**	**-**
F. Total adjustments	**1,231**	**-**

7.6 SIGNIFICANT CONSIDERATIONS AND ASSUMPTIONS TO ASSESS WHETHER JOINT CONTROL OR SIGNIFICANT INFLUENCE EXISTS

The existence of significant influence was assessed based on IFRS 10.

Investees are considered jointly controlled (joint arrangements) when there are contract arrangements in place under which control is shared by and between the Group and one or more other investors, that is to say, when decisions on the investee's relevant activities require unanimous approval by all investors sharing control.

As at 31 December 2021 Rajna Immobiliare S.r.l. was a joint arrangement. The investee is based in Sondrio, has two shareholders owning 50% each and the equity investments has been recognized with the equity method.

Investees are considered subject to significant influence (associates) when the Group holds at least 20% of the voting rights (including "potential" voting rights) or, even though holding a lower percentage of the voting rights, it has the power to participate in determining the investee's financial and management policies based on specific legal ties, such as being a party to shareholder agreements providing for vote pooling.

Significant influence is not ascribed to interests equal to or higher than 20%, in which the Company holds only equity rights to a portion of the return on the investments, does not have a say in the investee's management policies and can exercise governance rights only to the extent required to protect its equity investment.

7.7 COMMITMENTS REFERRING TO EQUITY INVESTMENTS IN JOINT-ARRANGEMENTS

As at 31 December 2021, there were no commitments referring to joint arrangements.

7.8 COMMITMENTS REFERRING TO EQUITY INVESTMENTS IN ENTITIES SUBJECT TO SIGNIFICANT INFLUENCE

As at 31 December 2021, there were no commitments referring to entities subject to significant influence

7.9 DISCLOSURE OF SIGNIFICANT RESTRICTIONS

As at 31 December 2021, there were no significant restrictions pursuant to IFRS 12, paragraphs 13 and 22 a).

Section 9 – Property, plant and equipment – Item 90

9.1 OPERATING PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN OF ASSETS REVALUED AT COST

Assets/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Owned	**791,585**	**622,425**
a) land	196,170	164,337
b) buildings	496,798	373,152
c) furniture	14,331	15,993
d) electronic plants	6,793	5,431
e) other	77,493	63,512
2. Rights of use acquired through leases	**293,210**	**196,952**
a) land	172	172
b) buildings	273,228	194,640
c) furniture	-	-
d) electronic plants	681	-
e) other	19,129	2,140
Total	**1,084,795**	**819,377**
of which: obtained through the enforcement of guarantees received	-	-

9.2 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Book value	*Fair value*			Book value	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Owned	165,887	-	-	183,592	121,729	-	-	133,302
a) land	50,784	-	-	51,251	43,075	-	-	45,077
b) buildings	115,103	-	-	132,341	78,654	-	-	88,225
2. Rights of use acquired through leases	13,373	-	-	13,373	5,786	-	-	5,786
a) land	-	-	-	-	-	-	-	-
b) buildings	13,373	-	-	13,373	5,786	-	-	5,786
Total	**179,260**	**-**	**-**	**196,965**	**127,515**	**-**	**-**	**139,088**
of which: obtained through the enforcement of guarantees received	46,817	-	-	54,963	28,552	-	-	33,590

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

The assets obtained through the enforcement of received guarantees consisted of buildings with the related plots of land, which were previously granted under finance leases, were returned to the Group subsequent to the termination of the related contracts and for which no credit claim remains towards the contractual obligors.

9.5 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT GOVERNED BY IAS 2; BREAKDOWN

Assets/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Inventories of assets obtained through the enforcement of guarantees received	**14,736**	**1,974**
a) land	-	-
b) buildings	14,736	1,974
c) furniture	-	-
d) electronic plants	-	-
e) other	-	-
2. Other inventories of property, plant and equipment	**12,725**	**2,971**
Total	**27,461**	**4,945**
of which: measured at fair value net of sale costs	12,912	5,208

9.6 OPERATING PROPERTY, PLANT AND EQUIPMENT: CHANGES FOR THE YEAR

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**164,509**	**917,924**	**130,767**	**83,555**	**307,797**	**1,604,552**
A.1 Total net impairment writedowns	-	350,132	114,774	78,124	242,145	785,175
A.2 Net opening balance	164,509	567,792	15,993	5,431	65,652	819,377
B. Increases	**33,580**	**298,882**	**3,315**	**12,099**	**53,825**	**401,701**
B.1 Purchases	33,580	282,398	3,315	12,073	53,581	384,947
B.1 o/w "from business combinations"	33,580	249,904	2,247	8,241	27,944	321,916
B.2 Capitalized improvement expenses	-	6,168	-	-	-	6,168
B.3 ecoveries/writebacks	-	-	-	-	-	-
B.4 Fair value gains recognized in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from Investment property	-	3,472	X	X	X	3,472
B.7 Other changes	-	6,844	-	26	244	7,114
C. Decreases	**1,747**	**96,648**	**4,977**	**10,056**	**22,855**	**136,283**
C.1 Sales	478	865	3	-	12,037	13,383
C.2 Depreciation	-	60,213	4,951	5,809	8,185	79,158
C.3 Impairment recognized through:	-	6,048	-	2,624	1,779	10,451
a) equity	-	-	-	-	1,432	1,432
b) profit or loss	-	6,048	-	2,624	347	9,019
C.4 Fair Value losses recognized in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to	1,236	-	10	1	65	1,312
a) investment property	1,236	-	X	X	X	1,236
b) Non-current assets held for sale and discontinued operations	-	-	10	1	65	76
C.7 Other changes	33	29,522	13	1,622	789	31,979
D. Net closing balance	**196,342**	**770,026**	**14,331**	**7,474**	**96,622**	**1,084,795**
D.1 Total net impairment writedowns	10,121	616,680	208,747	85,932	347,173	1,268,653
D.2 Net closing balance	206,463	1,386,706	223,078	93,406	443,795	2,353,448
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

All the asset classes in the table have been measured at cost.

9.6bis CHANGES FOR THE PERIOD IN PROPERTY PLANT AND EQUIPMENT RECOGNIZED APPLYING IFRS 16

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**172**	**255,997**	**-**	**-**	**3,733**	**259,902**
A.1 Total net impairment writedowns	-	61,357	-	-	1,593	62,950
A.2 Net opening balance	172	194,640	-	-	2,140	196,952
B. Increases	**-**	**150,782**	**-**	**3,762**	**19,748**	**174,292**
B.1 Purchases	-	144,165	-	3,736	19,505	167,406
B.1 of which "from business combinations"		111,622		3,736	1,331	116,689
B.2 Capitalized improvement expenses	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-
B.4 Fair value gains recognized in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from Investment property	-	-	X	X	X	-
B.7 Other changes	-	6,617	-	26	243	6,886
C. Decreases	**-**	**72,194**	**-**	**3,081**	**2,759**	**78,034**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	36,805	-	1,457	1,932	40,194
C.3 Adjustments recognized through:	-	5,880	-	-	-	5,880
a) equity	-	-	-	-	-	-
b) profit or loss	-	5,880	-	-	-	5,880
C.4 Fair Value losses recognized in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to	-	1	-	-	64	65
a) investment property	-	-	X	X	X	-
b) Non-current assets held for sale and discontinued operations	-	1	-	-	64	65
C.7 Other changes	-	29,508	-	1,624	763	31,895
D. Net closing balance	**172**	**273,228**	**-**	**681**	**19,129**	**293,210**
D.1 Total net impairment writedowns	-	135,538	-	5,920	4,870	146,328
D.2 Net closing balance	172	408,766	-	6,601	23,999	439,538
E. Measurement at cost	**-**	**-**	**-**		**-**	**-**

9.7 INVESTMENT PROPERTY: CHANGES FOR THE YEAR

	Total 31 Dec. 2021	
	Land	Buildings
A. Opening balance	**43,075**	**84,440**
B. Increases	**9,005**	**61,485**
B.1 Purchases	7,769	59,101
B.1 of which "from business combinations"	7,769	56,111
B.2 Capitalized improvement expenses	-	2,384
B.3 Fair value gains	-	-
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	1,236	-
B.7 Other changes	-	-
C. Decreases	**1,296**	**17,449**
C.1 Sales	296	3,317
C.2 Depreciation	-	3,202
C.3 Fair Value losses	-	-
C.4 Adjustments	675	3,640
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to:	-	3,812
a) operating assets	-	3,472
b) Non-current assets held for sale and discontinued operations	-	340
C.7 Other changes	325	3,478
D. Closing balance	**50,784**	**128,476**
E. Measurement at fair value	**51,251**	**152,409**

All the asset classes in the table have been measured at cost.

9.7bis CHANGES FOR THE PERIOD IN PROPERTY PLANT AND EQUIPMENT RECOGNIZED APPLYING IFRS 16

	Total 31 Dec. 2021	
	Land	Buildings
A. Opening balance	-	5,786
B. Increases	**-**	**11,725**
B.1 Purchases	-	11,491
B.1 of which "from business combinations"		8,393
B.2 Capitalized improvement expenses	-	-
B.3 Fair value gains	-	-
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	-	-
B.7 Other changes	-	234
C. Decreases	**-**	**4,138**
C.1 Sales	-	-
C.2 Depreciation	-	637
C.3 Fair Value losses	-	-
C.4 Adjustments	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to:	-	-
a) operating assets	-	-
b) Non-current assets held for sale and discontinued operations	-	-
C.7 Other changes	-	3,501
D. Closing balance	**-**	**13,373**
E. Measurement at fair value	**-**	**13,373**

9.8 INVENTORIES OF PROPERTY PLANT AND EQUIPMENT GOVERNED BY IAS 2: CHANGES FOR THE YEAR

	Inventories of property, plant and equipment from recoveries of nonperforming loans					Other inventories of property, plant and equipment	Total
	Land	Buildings	Furniture	Electronic equipment	Other		
A. Opening balance	**-**	**1,974**	**-**	**-**	**-**	**2,971**	**4,945**
B. Increases	**-**	**14,269**	**-**	**-**	**-**	**12,570**	**26,839**
B.1 Purchases	-	14,257	-	-	-	12,380	26,637
B.1 of which "from business combinations"		14,257				9,991	24,248
B.2 Recoveries	-	-	-	-	-	-	-
B.3 Positive foreign exchange differences	-	-	-	-	-	-	-
B.4 Other changes	-	12	-	-	-	190	202
C. Decreases	**-**	**1,507**	**-**	**-**	**-**	**2,816**	**4,323**
C.1 Sales	-	1,507	-	-	-	2,477	3,984
C.2 impairment losses	-	-	-	-	-	339	339
C.3 Negative foreign exchange differences	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	-	-
D. Closing balance	**-**	**14,736**	**-**	**-**	**-**	**12,725**	**27,461**

9.9 COMMITMENTS FOR PURCHASES OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2021, there were no commitments for purchases of property, plant and equipment.

Section 10 – Intangible assets – Item 100

10.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Assets/Values	Total 31 Dec. 2021		Total 31 Dec. 2020	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**1,315,925**	**X**	**1,315,925**
A.1.1 Group:	X	1,315,925	X	1,315,925
A.1.2 Minority shareholders:	X	-	X	-
A.2 Other intangible assets	**310,735**	**-**	**302,758**	**-**
of which: sofware	8	-	-	-
A.2.1 Assets measured at cost:	310,735	-	302,758	-
a) Internally generated intangible assets	7,381	-	6,750	-
b) Other assets	303,354	-	296,008	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**310,735**	**1,315,925**	**302,758**	**1,315,925**

The cost of intangible assets with finite life is amortized on a straight-line basis over their useful life, which, for software, is generally 5 year. The estimated useful life of some specifically-identified types of software is 10 years.

Intangible assets representing business with customers have been assigned a finite useful life, based on the time series available on the rate of customer turnover in the retail segment, of 15 years as regards the transactions finalized in 2007 and 2011, of 13 years for the transactions finalized in 2017 and of about 8 years for the Creval transaction finalized in 2021.

10.2 INTANGIBLE ASSETS: CHANGES FOR THE YEAR

	Goodwill	Other intangible assets: internally generated		Other intangible assets other:		Total
		FINITE	INDEFINITE	FINITE	INDEFINITE	
A. Opening balance	**1,575,536**	**24,924**	**-**	**1,086,649**	**-**	**2,687,109**
A.1 Total net impairment	259,611	18,174	-	790,641	-	1,068,426
A.2 Net opening balance	1,315,925	6,750	-	296,008	-	1,618,683
B. Increases	**-**	**12,801**	**-**	**117,943**	**-**	**130,744**
B.1 Purchases	-	10,390	-	116,998	-	127,388
B.1 of which "from business combinations"		10,390		52,731	-	63,121
B.2 Increases in Internal intangible assets	X	2,411	-	945	-	3,356
B.3 Recoveries	X	-	-	-	-	-
B.4 Fair value increases	-	-	-	-	-	-
- through equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**12,170**	**-**	**110,597**	**-**	**122,767**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	12,170	-	110,298	-	122,468
- Depreciation and amortization	X	6,362	-	105,139	-	111,501
- Impairment writedowns:	-	5,808	-	5,159	-	10,967
+ equity	X	-	-	-	-	-
+ profit and loss	-	5,808	-	5,159	-	10,967
C.3 Fair value decreases:	-	-	-	-	-	-
- through equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
C.4 Transfers to non-current assets Held for sale	-	-	-	137	-	137
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	162	-	162
D. Net closing balance	**1,315,925**	**7,381**	**-**	**303,354**	**-**	**1,626,660**
D.1 Total net impairment	-	50,915	-	979,056	-	1,029,971
E. Gross closing inventories	**1,315,925**	**58,296**	**-**	**1,282,410**	**-**	**2,656,631**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

10.3 INTANGIBLE ASSETS: OTHER INFORMATION

To test intangible assets with indefinite useful life for impairment, the latest 2022-2026 income forecasts were used, which already factor in the Covid effects (Sources: Crédit Agricole S.A. Economic Research Unit, which independently prepares the economic scenarios) by the Bank's Board of Directors at its meeting held on 25 January 2022.

Crédit Agricole Italia Board of Directors then approved, pursuant to IAS 36, the negative outcomes of the impairment test on intangible assets with indefinite useful life (goodwill recognized in the consolidated and separate financial statements as at 31 December 2021).

On the other hand, the Group verified that there were no impairment indicators regarding intangible assets with finite useful life, as more exhaustively described below.

For intangible assets with finite useful life, the Directors deemed nonetheless appropriate to perform an additional verification, confirming the exercise of the impairment test, also including the assets in the carrying amount to be compared with the recoverable amount.

Analysis of intangible assets with finite useful life

The book value as in the consolidated financial statements as at 31 December 2021 regarding intangible assets with finite useful life, resulting from the business combinations made by the Group was of Euro 143,422 thousand. Said assets are broken down below, reporting also their analysis:

Intangible assets resulting from the business combination made in 2007

The value of the intangible assets recognized in the consolidated financial statements as at 31 December 2021 is Euro 6,654 thousand.

At the end of 2021, the performance of the elements regarding business with customers, which constitute the intangible assets recognized in the consolidated financial statements as at 31 December 2021 was verified. For said components, the amortization period had been set as lasting 15 years (in 2022 those intangible assets will be completely amortized). Based on the evidence found on the changes in the components of the intangible asset recognized, no impairment indicators were found vs. its book value.

Intangible assets resulting from the business combination made in 2011

The value of the intangible assets recognized in the consolidated financial statements as at 31 December 2021 is Euro 37,780 thousand.

At the end of 2021, the performance of the elements regarding business with customers, which constitute the intangible assets recognized in the consolidated financial statements as at 31 December 2021 was verified. The amortization period for said components is 15 years. Based on the evidence found on the changes in the components of the intangible asset recognized, no impairment indicators were found vs. its book value.

Intangible assets resulting from the business combination made in 2017

The value of the intangible assets in the consolidated financial statements as at 31 December 2021 was of Euro 57,462 thousand and comprises business with customers resulting from the acquisition of Cassa di Risparmio Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato.

At the end of 2021 the performance of the elements that constitute the intangible assets recognized in the consolidated financial statements as at 31 December 2021 was verified. The amortization period for said components is 13 years. Based on the evidence found on the changes in the components of the intangible asset recognized, no impairment indicators were found vs. its book value.

Intangible assets resulting from the business combination made in 2021

In 2021, within Creval business combination, an intangible asset with finite useful life was recognized amounting to Euro 45,513 thousand. In the consolidated financial statements as at 31 December 2021, that intangible asset was recognized in an amount of Euro 41,526 thousand.

Despite the considerable loss reported by Creval as at 31 December 2021 (a loss of Euro 234.6 million) the intangible asset was not written down considering the fact that the "*Individually Managed Accounts*" constituting it, in the period between 30 April 2021 and 31 December 2021, increased. The amortization period for said components is approximately 8 years.

Impairment testing of goodwill

As required by IASs/IFRSs, the goodwill resulting from the purchases of Crédit Agricole FriulAdria, of the 180 Crédit Agricole Italia branches and of the 29 Crédit Agricole FriulAdria branches (made in 2007), of the 81 Crédit Agricole Italia branches and of the 15 Crédit Agricole FriulAdria branches (made in 2011), of Crédit Agricole Leasing Italia (made in 2009) and of Crédit Agricole Carispezia (made in 2011) was tested for impairment. Consistently with the segment reporting given in the Annual Report and Consolidated Financial Statements, the goodwill determined after the allocation of the purchase price paid within the above-described transactions was initially allocated, in the Group consolidated financial statements, to the two Cash Generating Units (CGU) identified in the Retail and Private Banking Business Segment and in the Corporate Banking Segment. After having been written down in the previous years, the goodwill paid within the four above-described transactions is now fully allocated to the Retail and Private Banking CGU for an amount of Euro 1,316 thousand.

The CGU value in use was determined in accordance with the method used by the Crédit Agricole S.A. Group, namely the Dividend Discount Model ("DDM") in its Excess Capital version. The DDM estimates the company value as the sum of the present value of the theoretical future cash flows distributed to shareholders in the explicit period and the Terminal Value. Specifically, in its "Excess Capital" variant, this method provides for the economic value of a financial company to be calculated by discounting a dividend flow determined based on full compliance with the capital requirements set by the Supervisory Authority

For the calculation of future cash flows, starting from the 2021 expected performance, a model has been used, which consists of two stages:

- For the first stage (2022-2026), the following forecasts have been used: the 2022 Budget for 2023-2026 and medium- and long-term financial forecasts;
- The second stage considers the Terminal Value: the cash flow after taxes for the last year was, therefore, projected into perpetuity using a long-term growth rate "g" (2.00%). This rate falls in an interval that is consistent with the industry measurement practices.

The forecasts used in the impairment test provided for growth rates that are consistent with the Italian banking industry performance taking into account the Group's positioning and record of performances. The profitability ratios considered are also in line with those of the Italian banking industry.

The cash flows (after taxes) thus determined have then been discounted at a rate (ke) calculated based on the Capital Asset Pricing Model (i.e. based on a risk-free rate plus the product of the beta coefficient multiplied by the risk premium), totalling 8.80% (the same used in 2020).

Allocated own funds have been measured based on a 9.48% rate of RWA, as done by Crédit Agricole SA. and in compliance with the applicable regulatory requirements.

The components of the discount rate ke and the relating comparison with the parameters used in 2020 are reported below:

	2021	2020
Cost of equity (ke)	8.80%	8.80%
- Of which risk-free rate	2.77%	2.76%
- Of which Beta	1.2	1.2
- Of which risk premium	5.04%	5.01%

Specifically, These parameters:

- risk-free rate: 2.77% in 2021, represents the average yield in the last 12 years of the 10Y BTP 1benchmark;
- beta: 1.2 equal to the beta used by the Parent Company CA.sa;
- risk premium: 5.04% in 2021, determined based on the 12-year surveys of infoproviders Datastream and Kepler.

The value in use of the Retail-Private Banking Business Segment was determined based on the average weight of the CGU on the profit for period over the last 10 years in a range between 70% and 75% of the consolidated figure.

For The CGU, the calculation showed its value in use higher than its book value, with a positive difference between.1,267 and 1,626 million Euros, (with the 70% and 75% weight on the consolidated profit, respectively). Furthermore, that positive difference was calculated considering also intangible assets with finite useful life in the book value. If those assets were excluded, the positive difference would increase coming to a figure between 1,411 and 1,769 million Euros (with the 70% and 75% weight on the consolidated profit, respectively).

Sensitivity to variations in the used parameters was also analyzed. Specifically, this sensitivity analysis was developed calculating the threshold levels of each parameter above which impairment would arise.

The analysis results show that, as regards risk premium, the book value is equal to the value in use at a much higher level than the one used for the test (6.82%), and the same can be said for the risk-free rate (4.84%) and for the beta parameter (1.63).

Lastly, it was verified at which discounting rate or at which long-term growth rate "g" the value in use becomes equal to the book value. This analysis showed that the book value is equal to the value in use only with a marked increase in the discount rate ke (11.5%). Lastly, if the long-term growth rate "g" were set at zero, the Retail-Private Banking CGU would continue to have a value in use higher than its book value.

Considering the threshold levels considered in the sensitivity analysis on the quantitative parameters, in the light of the information currently available, it is quite reasonable to say that the impairment test would be passed also in a worse scenario taking into account the Russia- Ukraine war.

Section 11 – Tax Assets and Tax Liabilities – Item 110 of Assets and Item 60 of Liabilities

11.1 DEFERRED TAX ASSETS: BREAKDOWN

	31 Dec. 2021	31 Dec. 2020
A. Gross deferred tax assets	2,312,396	1,125,827
A1. Loans and receivables (including asset-backed securities)	655,088	316,491
A2. Other financial instruments	1,162	22
A3. Goodwill	431,361	326,378
A4. Long-term liabilities	15,191	-
A5. Tangible Fixed Assets	42,375	3,574
A6. Provisions for risks and charges	111,936	75,407
A7. Entertainment expenses	-	-
A8. Staff expenses	91,795	-
A9.1 Tax losses	490,668	136,517
A9.2 Tax losses converted into tax credits	118,567	22,462
A10. Unused tax receivables to be deducted	3,795	-
A11. Other	350,458	244,977
B. Offset against deferred tax liabilities		-
C. Net deferred tax assets:	2,312,396	1,125,827

As regards the recognition of DTAs, especially those relating to tax losses, the probability test was carried out and confirmed their full recoverability.

Said verification was performed having regard to Article 1, paragraph 233 *et seq.* of Italian Law no. 178 of 30 December 2020, for the merger by absorption of Creval into Crédit Agricole Italia, scheduled for April 2022, under which Deferred Tax Assets- (DTA) relating to tax losses carried forward or to Corporate Equity Allowance (ACE) excess not used until the 2020 tax period, whether on-balance-sheet or off-balance-sheet, can be converted into tax credits.

The DTA tested for impairment amount to Euro 939.9 million of which Euro 88.8 million resulting from the tax realignment.

For the probability test calculation, profits and losses for tax purposes in the coming FYs were simulated, starting from the assumed profit or losses for those FYs and taking into account, for that purpose, the permanent increases and decreases that can be estimated, as well as the release of temporary differences, both positive and negative, expected for that period.

Besides the recovery of the aforementioned temporary differences, the calculation also showed that the DTA for tax losses can be recovered over a modest time horizon, which, in the most likely scenario, is five years. Other possible scenarios of more severe, albeit reasonable, stress were also assumed, taking into account decreases in profits or higher recovery of temporary difference assets than deemed likely, and recoverability was confirmed. It may be useful to point out that the main portion of the recognized DTAs consists of so-called “convertible” DTAs, i.e. DTAs whose recoverability does not depend on future profit or loss, as they may be converted in true tax credits, receivable form the Inland Revenue Agency in case of statutory or tax losses.

Furthermore, as regards Italian Corporate income tax (IRES) DTAs, it is to be considered that the companies of the Crédit Agricole Italia Banking Group are members of a tax consolidation scheme under Article 117 *et seq.* of Italian Presidential Decree 917/86, which includes also other resident entities that are directly or indirectly controlled by Crédit Agricole S.A. A tax profit is expected on the tax consolidation scheme in the coming FYs, which is further ground supporting the recoverability of the recognized DTA for IRES.

11.2 DEFERRED TAX LIABILITIES: BREAKDOWN

	31 Dec. 2021	31 Dec. 2020
A. Gross deferred tax liabilities:	**132,932**	**102,421**
A1. Capital gains spreading	14,822	18,711
A2. Goodwill	-	-
A3. Tangible Fixed Assets	11,516	7,359
A4. Financial Instruments	38,956	-
A5. Staff expenses	-	-
A6. Other	67,638	76,351
B. Offset against deferred tax assets		**-**
C. Net deferred tax liabilities	**132,932**	**102,421**

11.3 CHANGES IN DEFERRED TAX ASSETS (THROUGH PROFIT OR LOSS)

	31 Dec. 2021	31 Dec. 2020
1. Opening balance	**1,106,835**	**1,170,720**
2. Increases	**1,373,992**	**79,384**
2.1 Deferred tax assets recognized in the year	460,034	51,002
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) Recoveries	-	-
d) other	460,034	51,002
2.2 New taxes or increases in tax rates	23	-
2.3 Other increases	913,935	28,382
of which "from business combinations"	907,034	
3. Decreases	**206,535**	**143,269**
3.1 Deferred tax assets derecognized in the year	146,848	103,483
a) reversals	146,562	103,483
b) writedowns for supervening non-recoverability	20	-
c) change in accounting policies	-	-
d) other	266	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	59,687	39,786
a) conversion into tax credits pursuant to L. 214/2011	26,725	-
b) other	32,962	39,786
4. Closing amount	**2,274,292**	**1,106,835**

Item "2.1.d) Other" also reports the increases in DTA amounting to Euro 88.8 million and item "3.1.a) recycling" reports the decreases in DTA amounting to Euro 20.0 million, resulting from the update of the DTA amounts showing the pre-existing mismatches and the new amounts determined with the Realignment under Article 110 of Italian Decree Law 104/2020.

11.4 CHANGES IN DEFERRED TAX ASSETS PURSUANT TO ITALIAN LAW 214/2011

	31 Dec. 2021	31 Dec. 2020
1. Opening balance	**659,350**	**707,164**
2. Increases	**438,498**	**24,848**
of which "from business combinations"	375,384	
3. Decreases	**100,619**	**50,304**
3.1 Reversals	73,893	50,269
3.2 Conversion into tax credits	26,726	-
a) from losses for the year	4	-
b) from tax losses	26,722	-
3.3 Other decreases	-	35
4. Closing amount	**997,229**	**681,708**

11.5 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH PROFIT OR LOSS)

	31 Dec. 2021	31 Dec. 2020
1. Opening balance	**87,300**	**82,476**
2. Increases	**95,265**	**20,591**
2.1 Deferred tax liabilities recognized in the year	3,491	19,491
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	3,491	19,491
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	91,774	1,100
of which "from business combinations"	90,530	-
3. Decreases	**63,799**	**15,767**
3.1 Deferred tax liabilities derecognized in the year	63,771	15,710
a) reversals	63,771	15,710
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	28	57
4. Closing amount	**118,766**	**87,300**

Item "2.1.c) Other" also reports the increases in DTL amounting to Euro 2.7 million and item "3.1.a) recycling" reports the decreases in DTL amounting to Euro 40.9 million, resulting from the update of the DTL amounts showing the pre-existing mismatches and the new amounts determined with the Realignment under Article 110 of Italian Decree Law 104/2020.

11.6 CHANGES IN DEFERRED TAX ASSETS (THROUGH EQUITY/OCI)

	31 Dec. 2021	31 Dec. 2020
1. Opening balance	**18,992**	**29,301**
2. Increases	**19,652**	**1,528**
2.1 Deferred tax assets recognized in the year	738	1,117
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	738	1,117
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	18,914	411
of which "from business combinations"	18,149	-
3. Decreases	**540**	**11,837**
3.1 Deferred tax assets derecognized in the year	151	1,138
a) reversals	22	1,138
b) writedowns for supervening non-recoverability	-	-
b) due to change in accounting policies	-	-
d) other	129	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	389	10,699
4. Closing amount	**38,104**	**18,992**

11.7 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH EQUITY/OCI)

	31 Dec. 2021	31 Dec. 2020
1. Opening balance	**15,121**	**7,916**
2. Increases	**10,710**	**26,493**
2.1 Deferred tax liabilities recognized in the year	4,411	26,493
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	4,411	26,493
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	6,299	-
of which "from business combinations"	6,262	-
3. Decreases	11,665	19,288
3.1 Deferred tax liabilities derecognized in the year	11,378	18,653
a) reversals	11,378	18,653
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	287	635
4. Closing amount	**14,166**	**15,121**

Section 12 – Non-current assets held for sale and discontinued operations – Item 120 of Assets and Item 70 of Liabilities

12.1 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS: BREAKDOWN BY TYPE OF ASSET

	31 Dec. 2021	31 Dec. 2020
A. Assets held for sale		
A.1 Financial assets	223,560	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	75	5,207
Of which from recovery of NPLs	-	-
A.4 Intangible assets	137	-
A.5 Other non-current assets	2,807	-
Total (A)	**226,579**	**5,207**
Of which measured at cost	3,396	5,207
Of which measured at fair value level 1	-	-
Of which measured at fair value level 2	-	-
Of which measured at fair value level 3	223,182	-
B. Discontinued operations		
B.1. Financial assets measured at fair value through profit or loss	-	-
Financial assets held for trading		
- financial assets designated at fair value;		
- other financial assets mandatorily measured at fair value		
B.2. Financial assets measured at fair value through other comprehensive income	-	-
B.3. Financial assets measured at amortized cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: obtained through the enforcement of guarantees received		
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total (B)	**-**	**-**
Of which measured at cost	-	-
Of which measured at fair value level 1	-	-
Of which measured at fair value level 2	-	-
Of which measured at fair value level 3	-	-
C. Liabilities associated with assets held for sale		
C.1 Due and payables	-3,383	-
C.2 Securities	-	-
C.3 Other liabilities	-13,017	-
Total (C)	**-16,400**	**-**
o/w measured at cost	-13,017	-
Of which measured at fair value level 1	-	-
Of which measured at fair value level 2	-	-
Of which measured at fair value level 3	-3,383	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortized cost	-	-
D.2Financial liabilities held for trading	-	-
D.3Financial liabilities designated at fair value	-	-
D.4 Funds	-	-
D.5 Other liabilities	-	-
Total (D)	**-**	**-**
Of which measured at cost	-	-
Of which measured at fair value level 1	-	-
Of which measured at fair value level 2	-	-
Of which measured at fair value level 3	-	-

The above item also report all assets and liabilities from Creval PiùFactor, a company that will be sold by the end of H1 2022.

Section 13 – Other assets – Item 130

13.1 OTHER ASSETS: BREAKDOWN

	31 Dec. 2021	31 Dec. 2020
Consolidation adjustments	-	-
Sundry debits in process	69,504	45,703
Revenue stamps and other instruments	58	57
Items being processed	97,855	56,630
Accrued income not allocated to other items	3,563	7,527
Prepaid expenses not allocated to other items	9,268	8,718
Protested bills and cheques	4,371	5,227
Leasehold improvements	11,507	12,325
Tax advances paid on behalf of third parties	120,422	56,300
Sundry	151,788	121,969
Purchased tax credits	422,476	2,633
Total	**890,812**	**317,089**

Liabilities

Section 1 – Financial liabilities measured at amortized cost – Item 10

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO BANKS

Type of transactions/Values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	BV	*Fair value*			BV	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**16,270,550**	**X**	**X**	**X**	**9,449,764**	**X**	**X**	**X**
2. Due to banks	**1,964,435**	**X**	**X**	**X**	**1,931,134**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	426,214	X	X	X	537,368	X	X	X
2.2 Time deposits	86,932	X	X	X	56,912	X	X	X
2.3 Loans	1,403,425	X	X	X	1,329,183	X	X	X
2.3.1 Repurchase agreements For funding purposes	-	X	X	X	-	X	X	X
2.3.2 Other	1,403,425	X	X	X	1,329,183	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	1,732	X	X	X	1,148	X	X	X
2.6 Other due and payables	46,132	X	X	X	6,523	X	X	X
Total	**18,234,985**	**-**	**18,234,985**	**-**	**11,380,898**	**-**	**11,380,899**	**-**

Key:
BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Item "Due to central banks" reports Targeted Longer-Term Refinancing Operations)(TLTRO) with the European Central Bank. TLTROS provide the Eurosystem credit institutions with the possibility to obtain loans with multi-year maturity, intended to improve the monetary policy transmission mechanism supporting bank lending to the real economy.

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO CUSTOMERS

Type of transactions/Values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	61,464,991	X	X	X	43,945,712	X	X	X
2. Time deposits	1,012,651	X	X	X	6,948	X	X	X
3. Loans	189,733	X	X	X	777	X	X	X
3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
3.2 Other	189,733	X	X	X	777	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	351,487	X	X	X	232,796	X	X	X
6. Other due and payables	304,060	X	X	X	291,148	X	X	X
Total	**63,322,922**	**-**	**47,041,285**	**16,290,487**	**44,477,381**	**-**	**44,188,448**	**18,933**

Key:
BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

1.3 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF SECURITIES ISSUED

Type of securities/values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	11,152,338	466,001	10,904,484	120,895	10,067,667	-	10,386,052	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	11,152,338	466,001	10,904,484	120,895	10,067,667	-	10,386,052	-
2. Other securities	558,847	-	83,072	475,941	646,781	-	-	646,778
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	558,847	-	83,072	475,941	646,781	-	-	646,778
Total	**11,711,185**	**466,001**	**10,987,556**	**596,836**	**10,714,448**	**-**	**10,386,052**	**646,778**

Key:
BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Item "1. Bonds" includes Euro 8.9 billion in covered bonds and 1.5 billion in senior non preferred bonds.

Item "2. Other securities" includes banker's drafts and certificates of deposit.

1.4 BREAKDOWN OF SUBORDINATED LIABILITIES/SECURITIES

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in the rep. currency	Book value
Lower Tier II deposit	15.12.2021	15.12.2026	at maturity	3M Euribor + 266 bps	Euro	80,000	80,073
Lower Tier II deposit	28.06.2017	28.06.2027	at maturity	3M Euribor + 219 bps	Euro	250,000	250,033
Lower Tier II deposit	11.12.2017	11.12.2027	at maturity	3M Euribor + 162 bps	Euro	400,000	400,207
Lower Tier II deposit	14.12.2018	14.12.2028	at maturity	3M Euribor + 571 bps	Euro	100,000	100,242
Lower Tier II deposit	02.08.2019	02.08.2029	at maturity	3M Euribor + 213 bps	Euro	80,000	80,207
Lower Tier II deposit	28.03.2019	28.03.2029	at maturity	(3M Euribor + 475 bps)	Euro	30,000	30,000
Lower Tier II security	20.09.2010	20.09.2022	at maturity	3.75% fixed-rate	Euro	8,875	9,114
Lower Tier II security	31.05.2010	30.11.2023	at maturity	4% fixed-rate	Euro	4,050	4,272
Lower Tier II security	12.04.2017	12.04.2027	at maturity	8.25%	Euro	150,000	168,477

Total subordinated deposits came to Euro 941 million, whereas total Lower Tier 2 securities came to Euro 182 million. On the Lower tier II security maturing in 2027 (issuer Creval) there is an early repayment option effective as of 12 April 2022.

1.5 BREAKDOWN OF STRUCTURED LIABILITIES

At the end of 2021 there were no structured liabilities to banks and to customers.

1.6 LEASE LIABILITIES

For reporting on lease liabilities and the breakdown of maturities and cash flows, please see Part M of this Note to the financial statements.

Section 2 – Financial liabilities held for trading – Item 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY TYPE

Type of transactions/Values	Total 31 Dec. 2021					Total 31 Dec. 2020				
	Nominal or notional value	*Fair Value*			*Fair value*(*)	Nominal or notional value	*Fair Value*			*Fair value*(*)
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to Customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-		-	-	-	-	-
3.1 Bonds	-	-	-	-		-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-		-	-	-	-	
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives		-	75,042	-			-	107,469	-	
1.1 Held for trading	X	-	75,042	-	X	X	-	107,469	-	X
1.2 Associated with the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit Derivatives		-	-	-			-	-	-	
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**75,042**	**-**	**X**	**X**	**-**	**107,469**	**-**	**X**
Total (A+B)	**-**	**-**	**75,042**	**-**	**-**	**-**	**-**	**107,469**	**-**	**X**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair value (*) = fair value calculated excluding value changes resulting from an alteration in the issuer's credit rating after the date of issue.

2.2 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": SUBORDINATED LIABILITIES

At the end of 2021, there were no subordinated liabilities held for trading.

2.3 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": STRUCTURED LIABILITIES

At the end of 2021, there were no structured liabilities held for trading.

Section 4 – Hedging derivatives – Item 40

4.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF HEDGE AND BY HIERARCHY LEVEL

	Fair value 31 Dec. 2021			NV 31 Dec. 2021	*Fair value* 31 Dec. 2020			NV 31 Dec. 2020
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**307,641**	**712,670**	**9,262,746**	**-**	**176,134**	**610,497**	**7,508,516**
1) Fair value	-	307,641	712,670	9,262,746	-	176,134	610,497	7,508,516
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**307,641**	**712,670**	**9,262,746**	**-**	**176,134**	**610,497**	**7,508,516**

Key:
NV = Notional Value
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 HEDGING DERIVATIVES: BREAKDOWN BY HEDGED PORTFOLIO AND BY TYPE OF HEDGE

	Fair value							Cash flows		Investments in foreign operations
	Micro-hedging						Macro-hedging	Macro-hedging	Macro-hedging	
	Debt securities and interest rates	Equity securities and equity indices	Foreign exchange and gold	Credit	Commodities	Other				
1. Financial assets at fair value; through other comprehensive income	206,125	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortized cost	724,059	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**930,184**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	90,127	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X

Item “Hedging derivatives” referring to financial assets measured at amortized cost reports Euro 2,940 thousand in hedges of mortgage loans, Euro 721,119 thousand in hedges of fixed-rate Italian Government securities; financial assets measured at fair value through other comprehensive income hedged against interest rate risk consisted of fixed-rate Italian Government securities for Euro 206,125 thousand.

The “Hedging Derivatives” item referring to financial liabilities consisted of Euro 25,242 thousand for hedging debt securities issued and Euro 64,885 thousand for hedging fixed-rate demand deposits.

Section 5 – Fair value change of financial liabilities in macro-hedge portfolios – Item 50

5.1 FAIR VALUE CHANGE OF HEDGED FINANCIAL LIABILITIES

Fair value change of hedged liabilities/Values	31 Dec. 2021	31 Dec. 2020
1. Increase in fair value of hedged financial liabilities	179,423	465,416
2. Decrease in fair value of hedged financial liabilities	13,037	-
Total	**166,386**	**465,416**

The part of demand deposits that is considered stable by the internal model adopted by the Group is the hedged item.

Section 6 – Tax Liabilities – Item 60

Please, see Section 11 - Assets.

Section 8 – Other liabilities – Item 80

8.1 OTHER LIABILITIES: BREAKDOWN

	31 Dec. 2021	31 Dec. 2020
Consolidation adjustments	-	-
Trade payables	325,981	295,915
Amounts due to third parties	361,189	301,874
Credit transfers ordered and being processed	59,314	63,235
Amounts payable to tax authorities on behalf of third parties	82,583	63,436
Advances on loans to mature	155	199
Adjustments for illiquid items	475,665	279,909
Personnel expenses	104,874	86,050
Uncapitalized accrued expenses	14,016	12,772
Deferred income not allocated to other items	10,217	15,355
Sundry	393,906	260,981
Total	**1,827,900**	**1,379,726**

Section 9 – Employee severance benefits – Item 90

9.1 EMPLOYEE SEVERANCE BENEFITS: CHANGES FOR THE YEAR

	31 Dec. 2021	31 Dec. 2020
A. Opening balance	**117,404**	**123,894**
B. Increases	**40,606**	**2,588**
B.1 Provision for the year	277	434
B.2 Other changes	40,329	2,154
B.2 of which "from business combinations"	38,156	-
C. Decreases	**14,385**	**9,078**
C.1 Severance payments	12,654	8,458
C.2 Other changes	1,731	620
D. Closing balance	**143,625**	**117,404**
Total	**143,625**	**117,404**

9.2 OTHER INFORMATION

Information on the characteristics of defined-benefit plans and risks associated with them (IAS 19, paragraph 139)

Employee Severance Benefits

Pursuant to the Italian legislation, at the date of termination of his/her employment contract with a company, each employee is entitled to a severance package called "*Trattamento di Fine Rapporto*" (Employee Severance Benefits or with the Italian acronym TFR) equal to the sum of the Severance Benefits accrued for each year of work for the employer. The benefit accrued each year is equal to 6.91% of the gross annual Pay. This rate is calculated by dividing the ordinary pay by 13.5; to the resulting amount a deduction is made of 0.5%, which is paid directly to the Italian National Social Security Institute (INPS) as a pension contribution.

Moreover, as at 31 December of each year, the Provision for Employees' Severance Benefits is subject to revaluation applying a fixed-rate of 1.5% plus 75% of the increase in the consumer price index for blue-collar and white-collar households for the year.

The revalued amount as calculated above is taxed at a 17% rate, as provided for by the Italian 2015 Stability Law (Italian Law No. 190 of 23 December 2014).

Pursuant to the applicable legislation, employees may ask for advances on their Severance Benefits accrued when the employment relation is still going on. This advance may be obtained only once during the employment relation, after at least 8 years on staff and up to 70% of the Employee Severance Benefits accrued as at the date of request.

With the entry into force of Italian 2007 Finance Act, concerning also the Reform of Supplementary Pension Schemes, the measurement of Employee Severance Benefits, in accordance with IAS 19 Revised, shall take account of the impacts of this Act, as well as of the guidelines for their calculation, which were issued by the Italian National Association of Actuaries and by the *Organismo Italiano di Contabilità* (the Italian National Accounting Body).

Given that, in 2006, the Crédit Agricole Italia Banking Group had an average number of employees higher than 50, it has been considered that the portions of employee severance benefits accruing in the future will be paid to a separate entity (supplementary pension scheme, FONDINPS or to the Fund managed by the Italian State Treasury) irrespective of the employees' choice. It was specifically considered that the Fund managed by the Italian State Treasury through the Italian National Social Security Institute (INPS), pursuant to Article 1, paragraph 5, of the Italian 2007 Finance Act "*ensures that private sector employees receive the severance benefits as provided for in Article 2120 of the Italian Civil Code, in accordance with the contributions paid to the Fund*".

0.5% supplement to employee severance benefits

For the employees of Crédit Agricole Italia, who were formerly employees of the Intesa San Paolo Group (hereinafter referred to as "formerly Intesa") and were already on staff on 31 December 1990, upon employment termination, an amount supplementing their severance benefits is granted, equal to the 0.5% contribution paid to the Italian National Social Security Institute (INPS) by the workers.

Such supplementary amount accrues on a monthly basis and is revalued in accordance with the ISTAT (the Italian National Institute of Statistics) index for the revaluation of employee severance benefits.

Additional 2.75% revaluation of employee severance benefits

For the employees of Crédit Agricole Italia and Crédit Agricole Group Solutions, who used to be employees of the Intesa San Paolo Group (hereinafter former Intesa), in case of employment termination, a supplementary amount is granted, which is calculated by applying an additional fixed revaluation equal to 2.75% to the employee severance benefits accrued since 1992, on a yearly basis. This amount is then revalued, on a yearly basis, according to the reference ISTAT (the Italian National Institute of Statistics) index.

Changes for the year in the defined-benefit plan net liabilities (assets) and in rights to repayment (IAS 19, paragraphs 140 and 141)

The statement of reconciliation for 2021 of the present value of the plan obligation for the Crédit Agricole Italia Banking Group is given below:

Actuarial value of the obligation as at 01.01.2021		117.402
a	Service cost	59
b	Interest cost	157
c	Transfer in/out	-272
d.1	Actuarial gains/losses from changes in financial assumptions	-1,350
d.2	Actuarial gains/losses from changes in demographic assumptions	-
d.3	Actuarial gains/losses from demographic experience	2,125
e	Payments provided for by the Plan	-12,654
f	Entries from business combination	38,158
Actuarial value of the obligation as at 31 Dec. 2021		**143,625**

Disclosure of the fair value of the plan assets (IAS 19, paragraphs 142 and 143)

This point does not apply because no assets covering Employee Severance Benefits have been provided for.

Description of the main actuarial assumptions (IAS 19, paragraph 144)

In order to be able to make the required measurements, appropriate demographic and economic assumptions must be used regarding:

- Mortality;
- Invalidity;
- Termination (resignation or dismissal);
- Requests for advances;
- The workers' future economic career (including the assumptions on promotion to higher positions);
- Performance of the actual purchasing power of money.

Specifically, the following assumptions were used:

a) DEMOGRAPHIC TECHNICAL BASES:

a.1 Annual probability of exclusion due to death of employees on staff were calculated based on IPS55;

a.2 Annual probabilities of exclusion due to causes other than death of employees on staff were calculated based on appropriate smoothing of historical data of the Group and, therefore, an annual frequency of turnover of 3.50% was used;

a.3 The annual probability of request for advances on the accrued severance benefits was calculated based on the Group's experience and was assumed as equal to an average annual rate of 3.00%;

a.4 Retirement is assumed upon meeting the first requirement to qualify for pension.

b) ECONOMIC-TECHNICAL BASES:

b.1 To calculate the Present Value of the various plans, in compliance with the instructions given by the Parent Company Crédit Agricole SA, the following IBOXX AA rates were used:

- Provision for Employees' severance benefits: -0.11% (IBOXX duration 5-7 years);
- Pension Plan 1: 0.11% (IBOXX duration 5-7 years);
- Retirement Fund 2: 0.3% (IBOXX duration 7-10 years).

b.2 The cost of living index for white-collar and blue-collar households, required for the revaluation of the employee severance benefits amounts allocated to provision, was assumed at 1.75%, as per the instructions given by the Parent Company Crédit Agricole SA;

b.3 The pay line, as a function of seniority, increasing by automatic pay increases only, was calculated, on average, with reference to the Company's employees, based on the interpolation and smoothing of the distribution of pays by seniority and on the national and company collective bargaining agreements;

b.4 For the average annual rate of increase in pay for changes in the minimum wage, a 1.75% rate was used;

b.5 Percentage of accrued employee severance benefits requested as advances: 60%. This percentage was inferred based on the Group historical data.

For the provision for severance benefits of Creval's employees, the economic and demographic assumptions used were set in agreement with the Parent Company and there are no differences with the information reported above which may determine material impacts on the actuarial calculation.

Disclosure of amount, timing and uncertainty of cash flows (IAS 19, paragraphs 145, 146 and 147)

The results of the sensitivity analyses for each one of the main assumptions reported in the previous point are given below:

Discount rate

Actuarial value of the obligation as at 31 Dec. 2021		
Central assumption	+50 bp	-50 bp
143,625	138,880	148,633

Inflation rate

Actuarial value of the obligation as at 31 Dec. 2021		
Central assumption	+50 bp	-50 bp
143,625	146,772	140,612

Turnover rate

Actuarial value of the obligation as at 31 Dec. 2021		
Central assumption	+100 bp	-100 bp
143,625	142,799	144,515

Multi-employer plans (IAS 19, paragraph 148)

This point does not apply because the provision for employee severance benefits is not a Multi-employer plan.

Defined-benefit plans that share risks between various entities under common control (IAS 19, paragraphs 149 and 150)

This point does not apply because the provision for employee severance benefits is not a plan that shares risks between various entities under common control.

Section 10 – Provisions for risks and charges – Item 100

10.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

Items/Values	31 Dec. 2021	31 Dec. 2020
1. Provisions for credit risk on commitments and financial guarantees given	62,105	32,102
2. Provisions for other commitments and guarantees given	-	-
3. Company pension plans	34,476	35,816
4. Other provisions for risks and charges	622,100	225,482
4.1 legal and tax-related disputes	90,401	58,410
4.2 personnel expenses	293,901	92,036
4.3 other	237,798	75,036
Total	**718,681**	**293,400**

10.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

	Provisions for other commitments and guarantees given	Pension plans	Other provisions for risks and charges	Total
A. Opening balance	**-**	**35,816**	**225,482**	**261,298**
B. Increases	**-**	**2,977**	**474,712**	**477,689**
B.1 Provision for the year	-	-	312,053	312,053
B.2 Changes due to passage of time	-	15	-	15
B.3 Changes due to alterations in the discount rate	-	-	69	69
B.4 Other changes	-	2,962	162,590	165,552
C. Decreases	**-**	**4,317**	**78,094**	**82,411**
C.1 Use in the year	-	3,296	54,951	58,247
C.2 Changes due to alterations in the discount rate	-	86	-	86
C.3 Other changes	-	935	23,143	24,078
D. Closing balance	**-**	**34,476**	**622,100**	**656,576**

10.3 PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

	Provisions for credit risk on commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
Commitments to disburse funds	4,349	5,264	2,307	-	11,920
Financial guarantees given	4,211	5,289	40,685	-	50,185
Total	**8,560**	**10,553**	**42,992**	**-**	**62,105**

10.4 PROVISIONS FOR OTHER COMMITMENTS AND GUARANTEES GIVEN

As at 31 December 2018, there were no provisions for other commitments and guarantees given.

10.5 COMPANY DEFINED-BENEFIT PENSION PLANS

1. Crédit Agricole Italia pension plans

1.1 Information on the characteristics of the entity's defined benefit plans and risks associated with them

Through its Defied-Benefit Pension Plans, the Group provides pension schemes that are supplementary or complementary to the pensions paid by INPS (Italian National Social Security Institute) on whatsoever ground, in compliance with the specific Regulations of the Pension Funds.

As at today's date, in accordance with the above Regulations, the employees on staff are not entitled to the benefits provided by the Pension Funds.

The plan is funded by a provision accrued by the Company, determined based on the mathematical reserve, certified annually by an independent actuary.

These benefits may consist in a pension assigned directly to the person concerned, in a pension assigned indirectly to the surviving family of the person concerned dying either before or after retirement.

As at 31 December 2021, 489 people (246 women and 243 men) were the beneficiaries of Crédit Agricole Italia Pension Fund, to whom a gross annual supplementary pension is paid amounting to Euro 6,639.40.

The average age of Crédit Agricole Italia beneficiaries is 82.6 years.

1.2 Changes for the year in defined-benefit net liabilities (assets) and in rights to repayment from the plan

The table below reports the 2021 reconciliation figures for Crédit Agricole Italia:

Actuarial value of the obligation as at 01 jan. 2021	35.816
a. Service cost	-
b. Interest cost	-7
c. Transfer in/out	-
d.1 Actuarial gains/losses from changes in financial assumptions	-851
d.2 Actuarial gains/losses from changes in demographic assumptions	1,107
d.3 Actuarial gains/losses from demographic experience	-77
e. Payments provided for by the Plan	-3,296
Actuarial value of the obligation as at 31 Dec. 2021	**32,692**

The value of the mathematical reserve is equal to the amount that the Management should have as at the measurement date, based on the assumptions used, in order to meet all the commitments undertaken towards the participants in the plan.

1.3 Disclosure of the fair value of the plan assets

This point does not apply because no assets covering the plan have been provided for.

1.4 Description of the main actuarial assumptions

In order to be able to make the required measurements, appropriate demographic and economic assumptions must be used, such as:

- Mortality;
- Probability to have a family;
- Performance of the actual purchasing power of money.

The main economic and demographic assumptions are given below, which have been used for the plan measurement and have been made based on the information provided by the Company subject to assessment and on market data/statistics:

- Annual probability of exclusion due to death of employees not on staff were calculated based on A62;
- For assignment to the surviving family in case of the pensioner's death, differentiated technical bases were used according to the age and gender of the member;
- The cost of living index for white-collar and blue-collar households, required for smoothing the annual pension instalments, was assumed at 1.75%, in accordance with the instructions given by the Parent Company Crédit Agricole SA;
- The annual increase in the plan benefits is governed by the relevant regulation, and, therefore, by the applicable regulations in force for INPS (Italian National Social Security Institute) pensions (automatic smoothing pursuant to paragraph 1, Article 34 of Italian Law No. 448/1998, as amended by paragraph 1, Article 69 of Italian Law No. 388/2000);
- To calculate the Present Value, in compliance with the instructions issued by the Parent Company Crédit Agricole SA, the rate used was IBOXX AA (duration 7-10 years) of 0.30%.

1.5 Disclosure of amount, timing and uncertainty of future cash flows

The results of the sensitivity analyses for each one of the aforementioned main assumptions are given below:

Discount rate

Actuarial value of the obligation as at 31 Dec. 2021		
Central assumption	+50 bp	-50 bp
32,692	31,440	34,040

Mortality rate

Actuarial value of the obligation as at 31 Dec. 2021		
Central assumption	+20 bp	-20 bp
32,692	29,717	36,599

2. Credito Valtellinese pension plans

2.1 Information on the characteristics of the entity's defined benefit plans and risks associated with them

Having regard to its pension plans, Credito Valtellinese has an obligation to the Group Pension Plan as to the permanence over time of the technical balance of defined-benefit Section II of the Group Pension Plan until there are no more people entailed to the benefits.

2.2 Changes for the year in defined-benefit net liabilities (assets) and in rights to repayment from the plan

As at 31 December 2021 the actuarial value of the defined-benefit obligation was Euro 8,687 thousand.

In 2021 benefits/repayments totalled Euro 1,123 thousand, service costs came to Euro 7 thousand, interest expenses accrued were Euro 75 thousand, and actuarial gains were recognized amounting to Euro 64 thousand.

2.3 Disclosure of the fair value of the plan assets

The assets serving the plan that was transferred to defined-benefit Section of the Group pension fund consist in cash and cash equivalents amounting to Euro 6,903 thousand.

The net cost of the defined-benefit plan has been recognized.

Actuarial value of the obligation as at 30 apr. 2021 (combination date)	1.840
Benefits	-
Interest expenses	15
Actuarial gains/losses	-3
Changes for non-recurring transactions	-68
Actuarial value of the obligation as at 31 Dec. 2021	**1,784**

2.4 Description of the main actuarial assumptions

The main assumptions used for the measurement are represented below.

- Annual probabilities of exclusion due to death of employees not on staff were calculated based on A62I;
- Discount rate 0.80%;
- Rate of growth of CV benefits: Rate of growth of former CA benefits: 0.99%.

Multi-employer plans

This point does not apply because no one of the plans is a Multi-employer plan.

Defined-benefit plans that share risks between various entities under common control

This point does not apply because no one of the plans under examination is a plan that shares risks between various entities under common control.

10.6 PROVISIONS FOR RISKS AND CHARGES - OTHER PROVISIONS

Sub-item 4.2 “Other provisions – personnel expenses” of Table 10.1 also reports the provisions allocated in 2021 and the remaining portion of those allocated in 2020, 2019 and 2018 by the Group, for the liabilities resulting from the Trade Union agreement that gave the possibility to interested employees, who are already eligible for pension or will become eligible in the next few years, to voluntarily terminate their employment receiving incentives.

As specified in Part A of this Note to the financial statements, on 1 October 2021 the Voluntary Redundancy Agreement was signed with the Trade unions and afterwards 840 people joined the scheme. As the Agreement was signed and considering the number of people who joined the scheme, the Group recognized non-recurring costs totalling Euro 189.5 million under “Personnel expenses” with that amount allocated to the Provision for personnel charges.

Some years ago several disputes were started with the *Agenzia delle Entrate* (the Italian Revenue Agency) as the Agency reclassified the transfers of branches from the Intesa Sanpaolo Group to Crédit Agricole Italia and Crédit Agricole FriulAdria and the subsequent transfer of the received equity investments to the institutional Shareholders of the two Banks as sales of business units.

Although favourable judgements were obtained and believing that its conduct has always been fair and lawful, considering the very modest costs, in agreement with the parties jointly and severally involved, it was deemed appropriate to exercise the option provided for by Italian Decree Law 119/2018 (so-called tax amnesty measures). The competent authorities have already proceeded with the first formalizations of the dispute termination.

Nevertheless, two disputes are still open concerning the transfers made in 2011 to Crédit Agricole Italia, for a total tax amount of Euro 11.7 million, plus interest, claimed from all the parties in the transfer on a joint and several basis; as regards these disputes in agreement with all parties concerned, it was decided not to exercise the Tax Amnesty option, as the cost would have been excessive.

On the transaction requalification, favourable fist -and second-instance court judgements have already been obtained and the Italian Court of Cassation's ruling is pending. Having said that, also in this case, the Group believes that its conduct has always been fair and lawful and expects a favourable outcome of the dispute,, also on the grounds of the aforementioned judgements, considering that the charge - if any - would be shared between the parties jointly and severally involved under specific agreements, on a prudential basis Crédit Agricole Italia has still a provision of Euro 1.15 million

Other minor disputes are underway for taxes totalling Euro 3.5 million, plus any interest and penalties, for which the Group believes it has good grounds as its conduct has always been fair and lawful, as substantiated, in several cases, by fully or partially favourable judgements.

More specifically:

- A dispute involving Crédit Agricole Italia for alleged failure to pay a tax account receivable under Italian Decree Law 185/2008 for the amounts credited by it to Customers relating to the State contribution on floating-rate mortgage loans that were taken out by 31 October 2008. The total amount claimed is Euro 1.3 million, including penalties. The first-instance judgement upheld the tax claim but ruled out any penalties. As its arguments are believed to be valid, it was decided to continue the dispute and the second instance hearing is pending;
- Some disputes on registration tax on legal deeds coming from the merged entity Cassa di Risparmio di Rimini, for a total amount of Euro 0.36 million;
- A dispute coming from Crédit Agricole Carispezia, which was absorbed in July 2019, concerning the determination of the taxable base for the Italian Regional Tax on Productive Activities (IRAP) for 2013, for a total amount, including tax, interest and penalties, of Euro 0.177 million; the first-instance judgement was in favour of the Group and the second-instance judgement was pending on the reporting date;; a similar dispute regarding 2014, for a total amount of Euro 0.26 million including tax, penalties and interest,, on which the first instance judgement was issued in February 2022 in favour of the Group; for the same reasons and again concerning Credit Agricole Carispezia, two similar disputes started on 2015 and 2016, for a total amount of Euro 0.694 million, on which the first-instance judgement was pending on the reporting date;
- Four disputes of Crédit Agricole Leasing regarding the years 2013, 2014, 2015 and 2016, respectively, and concerning VAT application to certain boat leases for a total amount, including tax, penalties and interest, of approximately Euro 1.5 million. As regards 2013, the first-instance court proceeding of 2019 upheld the Inland Revenue Agency's claim, rejecting penalties, and, as regards 2014, the decision of the court of first instance issued in 2021 upheld the Inland Revenue Agency's claim. For both years, the dispute was continued, waiting for the hearing before the court of second instance. The notices of the assessments on 2015 and 2016 were served in May and June 2021, respectively, and were appealed against by the Group. Although the Group has filed appeal against the aforementioned judgements, a provision of Euro 0.5 million has been made, also considering possible recourse against the Customers, taking the possible recovery into account;
- Some disputes, involving Crédit Agricole Leasing, are still underway concerning the capacity as taxpayer for the Italian Town Property Tax (IMU) on terminated property lease contracts. Considering the uncertainty in the relevant case law, for said claim, totalling Euro 1.15 million, the Company has set aside a provision for risk of Euro 0.358 million, which was calculated based on the claimed amounts, as the disputes had temporarily negative outcomes.

A notice of assessment was also served on Crédit Agricole Italia in its capacity as the designated consolidating entity in the tax consolidation scheme comprising the Italian direct and indirect subsidiaries of Credit Agricole S.A., which actually concerns the determination of a member entity that does not belong to the Crédit Agricole Italia Banking Group, for a total amount including tax, penalty and interest of Euro 2.6 million. On this dispute, the first-instance judgement was issued in February 2022 in favour of the Group. It is also pointed out that any expenses shall be paid for by the tax consolidation member entity, which does not belong to the Crédit Agricole Italia Banking Group.

Section 13 – Parent Company Shareholders' Equity – Items 120, 130, 140, 150, 160, 170 and 180

13.1 "CAPITAL" AND "TREASURY SHARES": BREAKDOWN

As at 31 December 2021, the Parent Company's share capital, fully paid in, consisted of 979,283,340 ordinary shares, with a nominal value of Euro 1 each.

No treasury shares were held as at the reporting date.

Please, see the Management Report for more exhaustive information on the book Equity, Own Funds and Capital Ratios.

13.2 CAPITAL - NUMBER OF SHARES: CHANGES FOR THE YEAR

Items/Types	Ordinary	Other
A. Shares - opening balance	**979,234,664**	**-**
- fully paid in	979,234,664	-
- partially paid in	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	979,234,664	-
B. Increases	**48,676**	**-**
B.1 New issues	48,676	-
- for a consideration:	48,676	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	48,676	-
- other	-	-
- free of charge:	-	-
- to Employees	-	-
- to Directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of businesses	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**979,283,340**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares - closing balance	979,283,340	-
- fully paid in	979,283,340	-
- partially paid in	-	-

For more exhaustive reporting on these increases, please refer to Part A of the Note to the Financial Statements "Section 3" - "4. Other information".

13.3 CAPITAL: OTHER INFORMATION

The unit nominal value of the 979,283,340 ordinary shares is Euro 1.

13.4 RETAINED EARNINGS RESERVES: OTHER INFORMATION

Items/Types Amounts	31 Dec. 2021
Legal reserve	195,847
Reserves provided for by the Articles of Association	1,042,689
Reserve pursuant to Art. 13 of It. Leg. D. 124/93 (*)	314
Reserve for interest on Additional Tier 1 Instruments	- 194,295
Other reserves	359,835
Total	**1,404,390**
Reserve from share-based payments (**)	3,948
Reserve for contributions for share capital increase	416,897
Total reserves	**1,825,235**

(*) Reserve pursuant to Art.13 of Italian Legislative Decree No. 124/93 to take advantage of tax relief on the portions of Employee severance benefits to be used for supplementary pension schemes.
(**) Reserve recognizing the increase in equity resulting from payments based on shares of the controlling company Crédit Agricole SA. made to Employees and Directors.

13.5 EQUITY INSTRUMENTS: BREAKDOWN AND CHANGES FOR THE YEAR

Equity instruments increased from Euro 715 million to Euro 815 million subsequent to the issue of an Additional Tier 1 (AT1) subordinated instrument for Euro 100 million.

Section 14 – Minority interests – Item 190

14.1 BREAKDOWN OF ITEM 190 “MINORITY INTERESTS”

Company name	31 Dec. 2021	31 Dec. 2020
Equity investments in consolidated companies with significant minority interests		
1. Crédit Agricole FriulAdria S.p.A.	3,404	130,449
2. Crédit Agricole Leasing Italia S.r.l.	15,924	15,182
3. Crédit Agricole Group Solutions S.c.p.A.	385	385
4. Le Village by CA Parma S.r.l.	347	338
5. Agricola Le Cicogne S.r.l.	1,776	1,821
6. Le Village by CA Triveneto S.r.l.	775	
Other equity investments	25	14
Total	**22,636**	**148,189**

14.2 EQUITY INSTRUMENTS: BREAKDOWN AND CHANGES FOR THE YEAR

Only Crédit Agricole Italia S.p.A. issued equity instruments. There were no other equity instruments issued by companies within the consolidation scope.

OTHER INFORMATION

1. Commitments and financial guarantees given

	Notional value on commitments and financial guarantees given				Total 31 Dec. 2021	Total 31 Dec. 2020
	Stage 1	Stage 2	Stage 3	POCI		
Commitments to disburse funds	**6,081,030**	**135,175**	**45,394**	**-**	**6,261,599**	**1,339,272**
a) Central Banks	-	-	-	-	-	-
b) Public administration bodies	472,336	31,132	-	-	503,468	7,470
c) Banks	84,933	3,452	-	-	88,385	4,629
d) Other financial companies	642,760	3,128	199	-	646,087	288,763
e) Non-financial corporations	4,080,198	71,046	41,745	-	4,192,989	878,133
f) Households	800,803	26,417	3,450	-	830,670	160,277
Financial guarantees given	**2,983,921**	**285,346**	**68,849**	**-**	**3,338,116**	**2,549,735**
a) Central Banks	-	-	-	-	-	-
b) Public administration bodies	10,716	441	-	-	11,157	6,964
c) Banks	579,092	8,149	-	-	587,241	615,584
d) Other financial companies	81,366	5,190	-	-	86,556	95,300
e) Non-financial corporations	2,205,646	259,027	67,547	-	2,532,220	1,726,594
f) Households	107,101	12,539	1,302	-	120,942	105,293

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount as at 31 Dec. 2021	Amount as at 31 Dec. 2020
1 Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	76,254	-
3. Financial assets measured at amortized cost	6,601,085	14,433,872
4. Property, Plant and Equipment	-	-
- of which: property, plant and equipment inventories	-	-

5. Management and intermediation services

Type of services	Importo
1 Trading on behalf of customers	**-**
a) purchases	-
1. settled	-
2. not yet settled	-
b) sales	-
1. settled	-
2. not yet settled	-
2. Asset management	**-**
a) individual	-
b) collective	-
3. Custody and administration of securities	**87,066,756**
a) third-party securities on deposit held for depository bank services (excluding asset management)	-
1. Securities issued by the reporting Bank	-
2. other securities	-
b) other securities of third parties on deposit (excluding asset management): other	35,090,465
1. Securities issued by the reporting Bank	381,669
2. other securities	34,708,796
c) third-party securities deposited with third parties	34,046,404
d) proprietary securities deposited with third parties	17,929,887
4. Other transactions	**3,606,978**

6. Financial assets subject to offsetting or subject to master netting agreements or similar arrangements

Technical forms	Gross amount of financial assets (a)	Gross amount of financial liabilities offset (b)	Net amount of financial assets recognized (c=a-b)	Related amounts not subject to offsetting		Net amount (f=cd-e) 31 Dec. 2021	Net amount 31 Dec. 2020
				Financial Instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	704,815	-	704,815	674,900	-	29,915	77,653
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31 Dec. 2021	**704,815**	**-**	**704,815**	**674,900**	**-**	**29,915**	**X**
Total 31 Dec. 2020	**1,122,072**	**-**	**1,122,072**	**790,068**	**254,351**	**X**	**77,653**

7. Financial liabilities subject to offsetting or subject to master netting agreements or similar arrangements

Technical forms	Gross amount of financial liabilities (a)	Gross amount of financial assets offset (b)	Net amount of financial liabilities recognized (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31 Dec. 2021	Net amount 31 Dec. 2020
				Financial Instruments (d)	Cash deposits as collateral (e)		
1. Derivatives	1,094,907	-	1,094,907	674,900	405,850	14,157	50,608
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31 Dec. 2021	**1,094,907**	**-**	**1,094,907**	**674,900**	**405,850**	**14,157**	**X**
Total 31 Dec. 2020	**677,464**	**-**	**677,464**	**626,856**	**-**	**X**	**50,608**

IFRS 7 requires specific disclosure on financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, but are recognised in the Balance Sheet without any netting as they are governed by "master netting agreements or similar arrangements" that do not comply with all the requirements laid down by IAS 32 paragraph 42.

As regards instruments that may potentially be offset, at the occurrence of certain events, and to be reported in tables 6 and 7, it is pointed out that, for transactions in OTC, the Banking Group has signed bilateral netting agreements (ISDA) with all banking counterparties it has OTC derivatives if force with, whereby, if certain conditions are met, claims and obligations relating to OTC derivatives may be offset. Furthermore, the Group has signed Credit Support Annexes (CSA) attached to the ISDA agreements, providing for the exchange of collateral with the counterparties in order to reduce net exposure.

In order to prepare the tables and in accordance with IFRS 7 and with the new regulations on Banks' financial statements, it is reported that:

- The effects of the potential offsetting of the balance sheet values of financial assets and liabilities are reported in column (d) "Financial instruments";
- The related cash collaterals are presented in column (e) "Cash deposits received/pledged as collateral";
- Transactions in derivatives are recognized at fair value.

These effects are calculated for each master netting agreement, to the extent of the exposure stated in column (c).

Based on the preparation methods described above, thanks to the netting agreements and the related collateral, the credit/debt exposure to the counterparties can be significantly reduced, as shown in column (f) "Net amount".

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 – Interest – Items 10 and 20

1.1 INTEREST AND SIMILAR INCOME: BREAKDOWN

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Financial assets measured at fair value through profit or loss:	**95**	**-**	**-**	**95**	**1**
1.1 Financial assets held for trading	9	-	-	9	1
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	86	-	-	86	-
2. Financial assets measured at fair value through other comprehensive income	**48,804**	**-**	**X**	**48,804**	**11,859**
3. Financial assets measured at amortized cost:	**151,404**	**913,348**	**-**	**1,064,752**	**842,468**
3.1 Due from banks	872	601	X	1,473	3,243
3.2 Loans to customers	150,532	912,747	X	1,063,279	839,225
4. Hedging derivatives	**X**	**X**	**(181,428)**	**(181,428)**	**(20,378)**
5. Other assets	**X**	**X**	**7,842**	**7,842**	**6,603**
6. Financial liabilities	**X**	**X**	**X**	**146,122**	**58,530**
Total	**200,303**	**913,348**	**(173,586)**	**1,086,187**	**899,083**
of which: interest income on impaired financial assets	-	20,270	-	20,270	37,960
of which: interest income on finance leases	X	37,490	X	37,490	33,909

Item "4. Hedging Derivatives" reports the balance of differentials on hedging derivatives stated not in accordance with the differential sign but rather with the sign of the interest flow that the derivatives modify.

Item "6. Financial liabilities" mainly reports interest accrued on financing transactions with the ECB.

1.2 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

1.2.1 Interest income on foreign-currency financial assets

As at 31 December 2021, interest income on foreign-currency financial assets came to Euro 2,206 thousand.

1.3 INTEREST AND SIMILAR EXPENSES: BREAKDOWN

Items/Technical forms	Due and payables	Securities	Other transactions	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Financial liabilities measured at amortized cost	(71,370)	(107,526)	-	(178,896)	(148,502)
1.1 Due to central banks	(28,236)	X	X	(28,236)	(15,536)
1.2 Due to banks	(15,782)	X	X	(15,782)	(17,200)
1.3 Due to customers	(27,352)	X	X	(27,352)	(19,555)
1.4 Debt securities issued	X	(107,526)	X	(107,526)	(96,211)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(2,521)	(2,521)	(471)
5. Hedging derivatives	X	X	230,725	230,725	224,935
6. Financial assets	X	X	X	(12,369)	(2,995)
Total	**(71,370)**	**(107,526)**	**228,204**	**36,939**	**72,967**
Of which: interest expenses on lease liabilities	(7,843)	X	-	(7,843)	4,205

1.4 INTEREST AND SIMILAR EXPENSES: OTHER INFORMATION

1.4.1 Interest expense on foreign-currency liabilities

As at 31 December 2021, interest expenses on foreign-currency financial liabilities came to Euro 907 thousand.

1.5 DIFFERENTIALS ON HEDGING TRANSACTIONS

Items	31 Dec. 2021	31 Dec. 2020
A. Positive differentials on hedging transactions	341,992	313,371
B. Negative differentials on hedging transactions	(292,695)	(108,814)
C. Balance (A-B)	**49,297**	**204,557**

Section 2 – Fees and Commissions – Items 40 and 50

2.1 FEE AND COMMISSION INCOME: BREAKDOWN

Type of services/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
a) Financial instruments	**286,661**	**209,750**
1. Placement of securities	272,229	197,081
1.1 With firm commitment underwriting and/or based on an irrevocable commitment	-	-
1.2 Without irrevocable commitment	272,229	197,081
2. Receipt and transmission of orders and trading on customers' behalf	13,502	11,867
2.1 Receipt and transmission of orders for one or more financial instruments	13,500	11,867
2.2 Trading on behalf of customers	2	-
3. Other fees and commissions on activities in financial Instruments	930	802
Of which: proprietary trading	627	797
Of which: individual portfolio management	158	5
b) Corporate Finance	**674**	**-**
1. M&A advice	-	-
2. Treasury services	674	-
3. Other fees and commissions on corporate finance services	-	-
c) Investing advice	**231**	**227**
d) Clearing and settlement	**-**	**-**
e) Collective portfolio management	**-**	**-**
f) Custody and administration	**5,257**	**4,774**
1. Depositary bank services	23	-
2. Other fees and commissions on custody and administration	5,234	4,774
g) Central administrative services for collective portfolio management	**-**	**-**
h) Fiduciary activities	**-**	**-**
i) Payment services	**381,443**	**291,598**
1. Current accounts	248,835	213,880
2. Credit cards	44,635	22,124
3. Debit cards and other payment cards	32,267	22,423
4. Credit transfers and other payment orders	29,752	10,133
5. Other fees and commissions on payment services	25,954	23,038
j) Distribution of third-party services	**379,829**	**312,839**
1. Collective portfolio management	-	-
2. Insurance products	325,355	276,030
3. Other products	54,474	36,809
Of which: individual portfolio management	11,581	8,490
k) Structured finance	**34,096**	**23,522**
l) Securitization servicing	**-**	**-**
m) Commitments to disburse funds	**-**	**-**
n) Financial guarantees given	**23,964**	**19,668**
Of which: credit derivatives	-	-
o) Financing transactions	**30,491**	**7,170**
Of which: for factoring	2,650	-
p) Foreign exchange trading	**6,844**	**3,845**
q) Commodities	**-**	**-**
r) Other fee and commission income	**53,943**	**47,238**
Of which: for management of multilateral trading facilities	-	-
Of which: management of organized trading facilities	-	-
Total	**1,203,433**	**920,631**

2.2 FEE AND COMMISSION EXPENSES: BREAKDOWN

Channels/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
a) Financial instruments	**(4,380)**	**(4,021)**
Of which trading in financial instruments	(537)	-
Of which: placement of financial instruments	(3,843)	(2,302)
Of which: individual portfolio management	-	**(1,719)**
- On own account	-	-
- Delegated by third parties	-	(1,719)
b) Clearing and settlement	**(81)**	**-**
c) Collective portfolio management	**-**	**-**
1. On own account	-	-
2. Delegated by third parties	-	-
d) Custody and administration	**(2,988)**	**(1,390)**
e) Collection and payment services	**(24,651)**	**(10,022)**
Of which: credit cards, debit cards and other payment cards	(20,263)	(6,918)
f) Securitization servicing	**-**	**-**
g) Commitments to receive funds	**-**	**-**
h) Financial guarantees received	**(13,956)**	**(13,517)**
Of which: credit derivatives	(513)	-
i) Off-premises distribution of financial instruments, products and services	**-**	**-**
j) Foreign exchange trading	**(1)**	**-**
k) Other fee and commission expenses	**(12,546)**	**(11,757)**
Total	**(58,603)**	**(40,707)**

Sub-item “e) other services” mainly reports fee and commissions on e-money services.

Section 3 – Dividend and similar income – Item 70

3.1 DIVIDEND AND SIMILAR INCOME: BREAKDOWN

Items/Income	Total 31 Dec. 2021		Total 31 Dec. 2020	
	Dividend income	Similar income	Dividend income	Similar income
A. Financial assets held for trading	8	-	-	205
B. Other financial assets mandatorily measured at fair value	505	447	11	-
C. Financial assets measured at fair value through other comprehensive income	10,469	-	10,233	-
D. Equity investments	-	-	-	-
Total	**10,982**	**447**	**10,244**	**205**

The main dividends for the reporting year referred to the shareholding in the Bank of Italy, which was classified in the “Financial assets measured at fair value through other comprehensive income” portfolio (Euro 9,157 thousand).

Similar income relating to “B. Other financial assets mandatorily measured at *fair value*” mainly consists of income from OICR (Collective Investment Undertakings) units.

Section 4 – Net profits (losses) on trading activities – Item 80

4.1 NET PROFITS (LOSSES) ON TRADING ACTIVITIES: BREAKDOWN

Transactions/income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets held for trading	**10**	**160**	**(71)**	**(31)**	**68**
1.1 Debt securities	-	90	(6)	(15)	69
1.2 Equity securities	-	70	(65)	(5)	-
1.3 Units of O.I.C.R. collective investment undertakings	10	-	-	(11)	(1)
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Due and payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**7,418**
4. Derivatives	**82,724**	**55,304**	**(72,618)**	**(44,191)**	**22,610**
4.1 Financial derivatives:	82,724	55,304	(72,618)	(44,191)	22,610
- On debt securities and interest rates	82,724	55,301	(72,617)	(44,191)	21,217
- On equity securities and equity indices	-	3	(1)	-	2
- On foreign exchange and gold	X	X	X	X	1,391
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Of which: natural hedges associated with The fair value option	X	X	X	X	-
Total	**82,734**	**55,464**	**(72,689)**	**(44,222)**	**30,096**

Section 5 – Net profits (losses) on hedging activities – Item 90

5.1 NET PROFITS (LOSSES) ON HEDGING ACTIVITIES: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Income from:		
A.1 Fair value hedging derivatives	326,996	482,943
A.2 Hedged financial assets (fair value)	94,210	72,769
A.3 Hedged financial liabilities (fair value)	705,605	6,710
A.4 Financial derivatives hedging cash flows	-	-
A.5. Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**1,126,811**	**562,422**
B. Expenses for:		
B.1 Fair value hedging derivatives	(798,207)	(236,135)
B.2 Hedged financial assets (fair value)	(283,301)	(17,449)
B.3 Hedged financial liabilities (fair value)	(52,282)	(320,967)
B.4 Financial derivatives hedging cash flows	-	-
B.5. Assets and liabilities in foreign currencies	-	-
Total expenses on hedging activities (B)	**(1,133,790)**	**(574,551)**
C. Net profit (loss) on hedging activities (A - B)	**(6,979)**	**(12,129)**
of which: fair value adjustments in hedge accounting on net positions	-	-

Section 6 – Profits (losses) on disposal/repurchase – Item 100

6.1 PROFITS (LOSSES) ON DISPOSAL/REPURCHASE: BREAKDOWN

Items/Income components	Total 31 Dec. 2021			Total 31 Dec. 2020		
	Profits	Losses	Net profit (loss)	Profits	Losses	Net profit (loss)
A. Financial Assets						
1. Financial assets measured at Amortized cost	78,222	(201,516)	(123,294)	29,120	(36,954)	(7,834)
1.1 Due from banks	183	-	183	-	-	-
1.2 Loans to customers	78,039	(201,516)	(123,477)	29,120	(36,954)	(7,834)
2. Financial assets measured at fair value through other comprehensive income	66,305	(37,359)	28,946	15,160	(16,430)	(1,270)
2.1 Debt securities	66,305	(37,359)	28,946	15,160	(16,430)	(1,270)
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**144,527**	**(238,875)**	**(94,348)**	**44,280**	**(53,384)**	**(9,104)**
B. Financial liabilities measured at amortized cost						
1. Due to banks	-	-	-	-	-	-
2. Due to Customers	-	-	-	-	-	-
3. Debt securities issued	44	(6)	38	86	(37)	49
Total liabilities (B)	**44**	**(6)**	**38**	**86**	**(37)**	**49**

Section 7 – Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss – Item 110

7.2 NET CHANGE IN VALUE OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: BREAKDOWN OF OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE

Transactions/income components	Capital gains (A)	Profits on realization (B)	Capital losses (C)	Losses on realization (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets	**2,834**	**775**	**(1,995)**	**(4,198)**	**(2,584)**
1.1 Debt securities	1,084	557	(1,992)	(4,095)	(4,446)
1.2 Equity securities	48	190	(3)	(99)	136
1.3 Units of collective investment undertakings	1,702	28	-	(4)	1,726
1.4 Loans	-	-	-	-	-
2. Financial assets and liabilities in foreign currencies: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**2,834**	**775**	**(1,995)**	**(4,198)**	**(2,584)**

Section 8 – Net adjustments/recoveries for credit risk – Item 130

8.1 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN

Items/Income components	Losses (1)						Recoveries (2)				Total 31 Dec. 2021	Total 31 Dec. 2020
	Stage 1	Stage 2	Stage 3		POCI assets		Stage 1	Stage 2	Stage 3	POCI assets		
			Write-off	Other	Write-off	Other						
A. Due from Banks	(301)	(1)	-	(1,283)	-	-	27	2	-	-	(1,556)	2,431
- Loans	(288)	(1)	-	(1,283)	-	-	25	2	-	-	(1,545)	2,431
- Debt securities	(13)	-	-	-	-	-	2	-	-	-	(11)	-
B. Loans to customers	(67,826)	(104,018)	(118,057)	(331,328)	-	-	39,709	94,804	35,883	-	(450,833)	(391,374)
- Loans	(61,542)	(104,018)	(118,057)	(331,328)	-	-	39,255	94,746	35,883	-	(445,061)	(384,369)
- Debt securities	(6,284)	-	-	-	-	-	454	58	-	-	(5,772)	(7,005)
Total	(68,127)	(104,019)	(118,057)	(332,611)	-	-	39,736	94,806	35,883	-	(452,389)	(388,943)

8.1A NET ADJUSTMENTS FOR CREDIT RISK ON LOANS MEASURED AT AMORTIZED COSTS UNDER COVID-19-RELATED SUPPORT MEASURES: BREAKDOWN

Transactions/income components	Net adjustments						Total 31 Dec. 2021	Total 31 Dec. 2020
	Stage 1	Stage 2	Stage 3		POCI assets			
			Write-off	Other	Write-off	Other		
1. Loans with GL-compliant concessions	(96)	(321)	-	(274)	-	-	(691)	(35,516)
2. Loans under moratoria in force no longer GL-compliant and not assessed as forborne	165	(49)	-	(7,464)	-	-	(7,348)	-
3. Loans with other concession measures	-	-	-	-	-	-	-	-
4. New loans	518	(14,521)	-	(4,908)	-	-	(18,911)	(20,253)
Total 31 Dec. 2021	587	(14,891)	-	(12,646)	-	-	(26,950)	-
Total 31 Dec. 2020	(54,921)	-	(847)	(10,231)	-	-	-	(55,769)

8.2 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN

Transactions/income components	Adjustments (1)						Recoveries (2)				Total 31 Dec. 2021	Total 31 Dec. 2020
	Stage 1	Stage 2	Stage 3		POCI assets		Stage 1	Stage 2	Stage 3	POCI assets		
			Write-off	Altre	Write-off	Altre						
A. Debt securities	(3,184)	-	-	-	-	-	360	95	-	-	(2,729)	(1,072)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(3,184)	-	-	-	-	-	360	95	-	-	(2,729)	(1,072)

Section 9 – Profits/losses on contract modifications without derecognition – Item 140

9.1 PROFITS (LOSSES) ON CONTRACT MODIFICATIONS: BREAKDOWN

Losses on contract modifications without derecognition came to Euro 219 thousand.

This item reports the impacts resulting from contract modifications on medium/long-term loans to customers, which, as they do not classify as substantial in accordance with IFRS 9, do not entail derecognition of the assets, but recognition in the Income Statement of the modifications made to contractual cash flows.

Section 12 – Administrative expenses – Item 190

12.1 PERSONNEL EXPENSES: BREAKDOWN

Type of expense/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1) Employees	(1,077,609)	(708,224)
a) wages and salaries	(625,613)	(507,973)
b) social security contributions	(172,941)	(135,299)
c) severance benefits	(7,639)	(789)
d) pensions	-	-
e) provisioning for employee severance benefit	(355)	(434)
f) allocation to provision for post-employment and similar obligations:	(16)	(209)
- definite-contribution	-	-
- defined-benefit	(16)	(209)
g) payment to external supplementary pension schemes:	(51,615)	(45,201)
- definite-contribution	(51,615)	(45,201)
- defined-benefit	-	-
h) costs from share-based payment agreements	(2,580)	-
i) other employee benefits	(216,850)	(18,319)
2) Other staff	(427)	(318)
3) Directors and Auditors	(3,131)	(2,268)
4) Retired personnel	(1)	-
5) Expense recovery for employees seconded to other companies	1,966	-
6) Expense refund for third parties' employees seconded to the company	(712)	-
Total	**(1,079,914)**	**(710,810)**

12.2 AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

	31 Dec. 2021
Employees:	11,225
a) Senior Managers	137
b) Junior Managers	5,170
c) other Employees	5,918
Other staff	59

The figures reporting the number of employees take account of incoming and outgoing secondments; the "Other staff" figure refers exclusively to non-employees.

12.3 COMPANY DEFINED-BENEFIT PENSION PLANS: COSTS AND REVENUES

Type of expense/Values	31 Dec. 2021	31 Dec. 2020
Provision for the year	-	-
Changes due to passage of time	7	(209)

Changes due to passage of time (interest cost) have a positive sign because of the release of the discount made in the previous year to negative rates.

12.4 OTHER EMPLOYEE BENEFITS

These mainly consisted of the costs incurred for the voluntary redundancy provision, for incentives to voluntary redundancy, for non-occupational policies, of the costs for financed education, refresher and training, and for employee benefits, as well as contributions to the employees' recreational club.

12.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Type of expenses/Values	31 Dec. 2021	31 Dec. 2020
Direct and indirect taxes	(144,558)	(113,547)
IT services, data processing	(77,888)	(43,378)
Facility rental and management	(7,219)	(7,176)
Expenses for advisory services	(57,463)	(27,513)
Mail, telegraph and delivery services	(5,894)	(6,933)
Telephone and data transmission	(9,839)	(8,052)
Legal expenses	(5,277)	(7,152)
Property maintenance	(9,903)	(10,674)
Furnishing and plant maintenance	(16,490)	(16,681)
Marketing, promotion and entertainment expenses	(15,463)	(10,281)
Transport services	(20,920)	(23,345)
Lighting, heating and air conditioning	(17,878)	(11,301)
Printed material, stationery and consumables	(4,369)	(6,029)
Staff training expenses and reimbursements	(4,286)	(5,812)
Security services	(4,974)	(4,557)
Information and title searches	(8,387)	(4,247)
Insurance premiums	(196,567)	(180,745)
Cleaning services	(9,075)	(9,894)
Leasing of other property, plant and equipment	(27,800)	(14,831)
Management of archives and document handling	(8,111)	(8,021)
Reimbursement of costs to Group companies	(22,273)	(25,120)
Contributions to support the banking system	(114,962)	(58,027)
Sundry expenses	(46,109)	(38,745)
Total	**(835,705)**	**(642,061)**

Section 13 – Net provisions for risks and charges – Item 200

13.1 NET PROVISIONS FOR CREDIT RISK ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BREAKDOWN

The “Net provisions for credit risk on commitments and guarantees” item came to Euro 5,275 thousand.

13.2 NET PROVISIONS FOR OTHER COMMITMENTS AND OTHER GUARANTEES GIVEN: BREAKDOWN

Item “Net provisions for other commitments and other guarantees given” came to Euro 1,736 thousand.

13.3 NET PROVISIONS FOR OTHER RISKS AND CHARGES: BREAKDOWN

The “Net provisions for other risks and charges” item for 2021 reports a negative mismatch of Euro 71,990 thousands and consists of Euro 7,611 thousand for non-lending-related disputes, Euro 6,279 thousand for lending disputes and Euro 58,100 thousand for other provisions, of which Euro 30 million in provisions for NPEs disposed of.

Section 14 – Net adjustments to/recoveries on property, plant and equipment – Item 210

14.1 NET VALUE ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN

Assets/Income components	Depreciation and amortization (a)	Impairment losses (b)	Recoveries/ writebacks (c)	Net profit (loss) (a+b-c)
A. Property, plant and equipment:				
1. Operating assets	(96,439)	(9,018)	-	(105,457)
- owned	(47,361)	(3,138)	-	(50,499)
- Rights of use acquired through leases	(49,078)	(5,880)	-	(54,958)
2. Investment property	(8,028)	(4,315)	-	(12,343)
- owned	(4,838)	(4,315)	-	(9,153)
- Rights of use acquired through leases	(3,190)	-	-	(3,190)
3. Inventories	X	(339)	-	(339)
Total	**(104,467)**	**(13,672)**	**-**	**(118,139)**

Section 15 – Net adjustments of/recoveries on intangible assets – Item 220

15.1 NET ADJUSTMENTS TO INTANGIBLE ASSETS: BREAKDOWN

Assets/Income components	Amortization (a)	Impairment losses (b)	Recoveries/ writebacks (c)	Net profit (loss) (a+b-c)
A. Intangible assets				
of which: software	(846)	-	-	(846)
A.1 Owned	(111,500)	(10,967)	-	(122,467)
- Internally generated	(7,208)	(5,808)	-	(13,016)
- Other	(104,292)	(5,159)	-	(109,451)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(111,500)**	**(10,967)**	**-**	**(122,467)**

Section 16 – Other operating expenses and income – Item 230

16.1 OTHER OPERATING EXPENSES: BREAKDOWN

Type of expense/Values	31 Dec. 2021	31 Dec. 2020
Expenses for finance lease transactions	(5,732)	(5,230)
Amortization of expenditure for leasehold improvements	(5,456)	(6,350)
Other expenses	(12,025)	(42,026)
- Consolidation adjustments	-	-
Total	**(23,213)**	**(53,606)**

16.2 OTHER OPERATING INCOME: BREAKDOWN

Type of expense/Values	31 Dec. 2021	31 Dec. 2020
Rental income and recovered expenses on real estate	3,984	3,027
Income from finance lease contracts	2,085	1,940
Taxes and levies recovered	124,949	98,007
Insurance costs recovered	193,522	180,360
Other expenses recovered	9,340	8,594
Service recovery	3,244	3,195
Other income	13,662	44,489
- Consolidation adjustments	496,865	-
Total	**847,651**	**339,612**

Section 17 – Profits (losses) on equity investments – Item 250

17.1 PROFITS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN

Type of expense/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1) Joint arrangements		
A. Income	2,937	9,761
1. Revaluations	2,937	-
2. Profits on disposal	-	-
3. Recoveries	-	-
4. Other income	-	9,761
B. Expenses	(20)	-
1. Writedowns	-	-
2. Impairment	(20)	-
3. Losses on disposal	-	-
4. Other expenses	-	-
2) Investees subject to significant influence		
A. Income	-	-
1. Revaluations	-	-
2. Profits on disposal	-	-
3. Recoveries	-	-
4. Other income	-	-
B. Expenses	-	(115)
1. Writedowns	-	-
2. Impairment	-	(115)
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**2,917**	**9,646**

Section 18 – Net profit (loss) from property, plant and equipment and intangible assets measured at fair value – Item 260

18.1 NET PROFIT (LOSS) FROM PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS AT FAIR VALUE (OR REVALUED AMOUNT) OR AT THEIR EXPECTED REALIZABLE VALUE: BREAKDOWN

Assets/income components	Revaluations (a)	Write-downs (b)	Exchange differences		Net profit (loss) (a-b+c-d)
			Positive (c)	Negative (d)	
A. Property, plant and equipment	178	-	-	-	178
A.1 Operating assets:	-	-	-	-	-
- owned	-	-	-	-	-
- rights of use acquired through leases	-	-	-	-	-
A.2 Investment property	-	-	-	-	-
- owned	-	-	-	-	-
- rights of use acquired through leases	-	-	-	-	-
A.3 Inventories	178	-	-	-	178
B. Intangible assets	-	-	-	-	-
B.1 Owned:	-	-	-	-	-
- Internally generated	-	-	-	-	-
- Other	-	-	-	-	-
B.2 Rights of use acquired through leases	-	-	-	-	-
Total	**178**	**-**	**-**	**-**	**178**

Section 20 – Profits (losses) on disposal of investments – Item 280

20.1 PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Real estate	1,139	66,080
- Profits on disposal	1,455	66,865
- Losses on disposal	(316)	(785)
B. Other assets	(1)	-
- Profits on disposal	-	-
- Losses on disposal	(1)	-
Net profit (loss)	**1,138**	**66,080**

Section 21 – Taxes on income from continuing operations: Item 300

21.1 TAXES ON INCOME FROM CONTINUING OPERATIONS: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Current taxes (-)	(110,663)	(19,596)
2. Changes in current taxes for previous years (+/-)	1,097	48
3. Reduction in current taxes for the year (+)	756	682
3.bis Reduction in current taxes for the year for tax receivables pursuant to Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	313,186	(52,504)
5. Change in deferred tax liabilities (+/-)	60,280	(3,781)
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	264,656	(75,151)

21.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

	31 Dec. 2021
Theoretical taxable income	**343,716**
Income taxes - Theoretical tax liability at the ordinary rate	**-94,522**
effect of expenses that are fully or partially non-deductible and income that is fully or partially non-taxable at 27.5%	20,503
- badwill effect	136,638
- consolidation effect	153
Income tax – actual tax liability	**62,772**
- lower taxes for patent box relief	6,060
- effect of realignment under Art. 110 D.L. 104/2020	97,183
- effect of the commission for tax loss/ACE DTA conversion L.178/2021	-72,589
- effect of deduction and tax credits	658
- recognition of DTA for tax losses carried forward	172,954
IRAP - Theoretical tax liability	**-19,179**
- effect of income/expenses that do not contribute to the taxable base	-111,527
- effect of other changes	100,430
- badwill effect	27,725
- consolidation effect	170
- effect of change in the average tax rate	
IRAP - Actual tax liability	**-2,382**
Actual tax liability recognized	**264,656**
of which: actual tax liability on continuing operations	264,656
actual tax liability on discontinued operations	

Section 23 – Profit (loss) for the period attributable to minority interests – Item 340

23.1 BREAKDOWN OF ITEM 340 "PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS"

Company name	31 Dec. 2021	31 Dec. 2020
Equity investments in consolidated companies with significant minority interests		
1. Crédit Agricole FriulAdria S.p.A.	230	8,115
2. Crédit Agricole Leasing S.r.l.	743	196
3. Crédit Agricole Group Solutions S.c.p.A.	-	-
Other equity investments	(44)	(87)
Total	**929**	**8,224**

Profit attributable to minority interests came to Euro 929 thousand, mainly regarding Crédit Agricole FriulAdria S.p.A. and Crédit Agricole Leasing Italia S.r.l.

Section 25 – Earnings per share

25.1 AVERAGE NUMBER OF ORDINARY SHARES OF DILUTED CAPITAL

The Bank's share capital consists of 979,283,340 ordinary shares, with a nominal value of Euro 1 each.

PART D – COMPREHENSIVE INCOME

BREAKDOWN STATEMENT OF COMPREHENSIVE INCOME

Items		31 Dec. 2021	31 Dec. 2020
10.	Profit (Loss) for the period	608,372	(45,213)
Other income components not reclassified to profit or loss		**215**	**(10,028)**
20.	Equity securities designated at fair value through other comprehensive income	453	(9,833)
	a) Fair value change	364	(9,833)
	b) Transfers to other equity components (equity securities derecognized)	89	-
30.	Financial liabilities designated at fair value through profit or loss (CHANGES IN own credit RATING)	-	-
	a) Fair value change	-	-
	b) Transfers to other equity components (equity securities derecognized)	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income	-	-
	a) Fair value change (hedged item)	-	-
	a) Changes in fair value (hedging instrument)	-	-
50.	Property, Plant and Equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	(921)	(3,344)
80.	Non-current assets held for sale	20	-
90.	Share of valuation reserves on equity investments measured using the equity method	4	-
100.	Income taxes for other income components not reclassified to profit or LOSS	659	3,149
Other income components reclassified to profit or loss		**(18,220)**	**24,452**
110.	Hedging of investments in foreign operations:	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	of which: gains (losses) on net positions	-	-
140.	Hedging instruments: (elements not designated) (IAS 1 para. 7 letters g) and h))	-	-
	a) Value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(25,715)	36,482
	a) fair value changes	(4,789)	41,892
	b) reclassification to profit or loss	(20,926)	(5,410)
	- adjustments for credit risk	2,249	1,072
	- profit/losses on disposal	(23,175)	(6,482)
	c) other changes	-	-
160.	Non-current assets held for sale	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	Share of valuation reserve on equity investments measured with the equity method:	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	- impairment	-	-
	- profit/losses on disposal	-	-
	c) other changes	-	-
180.	Income taxes for other income components reclassified to profit or loss	7,495	(12,030)
190.	**Total other comprehensive income**	**(18,005)**	**14,424**
200.	**Comprehensive income (10+190)**	**590,367**	**(30,789)**
210.	Consolidated comprehensive income attributable to Minority Interests	922	8,855
220.	**Consolidated comprehensive income attributable to the Parent Company**	**589,445**	**(39,644)**

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

The Crédit Agricole Italia Banking Group attaches great importance to the measurement, management and control of risks, as an essential factor to achieve sustainable growth.

Crédit Agricole Italia is the operating Parent Company in Italy and is engaged in overall risk guidance and control, acting both as coordinator and as a commercial bank with its own distribution network.

In turn, the system set by Crédit Agricole Italia is based on the Supervisory regulations and on the directions set by Credit Agricole S.A. concerning its subsidiaries.

Its approach to risks takes account of the features of its main reference market and of the guidelines issued by the French Parent Company on the Group's vocation as customer-focused proximity bank, which results in services designed to build and consolidate priority relations with local Customers, by fully understanding their specificities and enhancing their potential for development and growth, as well as by offering lines of dedicated products and services, specialist Branches throughout the geographical areas of operations, by making product specialists available to Customers and by providing training programs that involve also Trade Associations.

The companies of the Group have their own risk management and control structures in compliance with the Group's guidelines, operate in their respective perimeters and benefit from the functions directly performed by Crédit Agricole Cariparma, when centralized.

RISK APPETITE AND CULTURE DISSEMINATION

The Crédit Agricole Italia Banking Group has set down its Risk Appetite Framework consistently with the guidelines and with the strategic plan of the Parent Company Crédit Agricole S.A.

This framework entails a set of global limits, alert thresholds and indicators that are set out in operational terms by the Group Risk Strategy, on a yearly basis. Then, these limits are submitted to the Boards of Directors of the Parent Company and of the single Entities of the Group for their approval.

The Risk Strategy has the objective to provide for and steer credit risk, operational risk, market and financial risks.

In order to constantly ensure effective risk measurement and effective integration of risk management in the Group's governance and operations, as well as dissemination and sharing of risk culture, the Group's organization includes, on a permanent and fully structured basis, specific Committees and Interdepartmental Working Groups, the members of which are the reference roles of all relevant corporate Departments.

To be noted are the Risks and Internal Control Committee and the ALM Committee, which, within their different Risk scopes (Credit Risk, Operational Risk, Financial Risk and Compliance Risk) are responsible for designing and formalizing risk management policies, for structuring and assigning tasks and responsibilities to corporate bodies and departments, for monitoring risk trends and steering the relevant action plans, consistently with the Group's risk appetite and with the guidelines issued by the Parent Company Crédit Agricole and adopted by the Board of Directors.

Going downstream in the organization, important drivers for the dissemination of risk culture are provided by:

- The Operational Risk Manager (ORM), a key role for activity and support, within the reference perimeter, on the identification of operational risks and processing of the relevant practices;
- Preparation of 2.1 controls, which directly involves the relevant structures in defining the scopes to be monitored;
- Scenario analysis and RSA (Risk Self-Assessment, with subsequent implementation of risk mapping), which directly involve the relevant structures in identifying risk and their possible consequences;
- Management support on the outsourcing of important operational functions;
- Specific training.

Risk appetite framework

The Crédit Agricole Italia Banking Group has set down its Risk Appetite Framework - "RAF" at the Board of Directors meetings held on 4 December 2020 and on 11 February 2021. This risk appetite statement is an integral part and plays a pivotal role in the definition of the Governance framework, since, consistently with the maximum risk that may be taken, it includes the business model and the strategic plan, the risk appetite, tolerance thresholds, risk limits, risk governance policies and the reference processes required to define and implement them.

In 2021, the set of documents regarding the Group's Risk Appetite Framework was updated; specifically, in terms of Governance, the following items were revised:

- The RAF Policy, which defines the RAF scope of application, the process to monitor and determine the thresholds, in order to ensure consistency between the Group's operations, complexity and sizes;
- The Policy on Material Transactions ("*Operazioni di Maggior Rilievo*", or with the Italian acronym OMR), which sets forth the methodological approach and the operational aspects of the MRT management process, including the related identification criteria in order to ensure full compliance with the applicable legislation;
- The Stress Test Policy in accordance with Crédit Agricole S.A. guidelines. The Policy sets forth the annual Stress Test programme of the Group, the Governance and the responsibilities of the various players involved and any improvement areas/points scheduled in the year;
- The Risk Appetite Statement (RAS). The document sets forth the Risk Management and Governance process and the roles played by the Group's bodies engaged in management and control functions and the Group's map of material risks. This document also reports the quantitative ratios/indicators expressing the main risks the Group is exposed to, along with exhaustive description of the logic behind the determination of RAF thresholds and limits. For qualitative risks, the document sets forth the control processes and mitigation tools implemented by the Group.

In 2021, the Group performed its regular process for the identification of material risks, based on the setting received from the Controlling Company Crédit Agricole SA and consistently with the ICAAP document and with the Internal Control Annual Report (ICAR or with the Italian acronym RACI) identifying 17 material risks, classifiable in the credit risk, financial risk, strategic risk, operational risk and non-compliance risk macro-categories. Lastly, the Crédit Agricole Italia Banking Group and Agricole SA have always paid close attention to climate and environmental issues and, in 2021 climate risk, in its sub-categories of physical risk and energy transition, was included in the Group's Risk Map, as done in 2020. Given the materiality of climate and environmental risks and to ensure full compliance with supervisory expectations laid down by the ECB in its Guide on climate-related and environmental risks, the Group designed a multi-year action plan, in order to contribute to the plan prepared by its Controlling Company Crédit Agricole S.A. to gradually integrate climate-related and environmental risks in the existing risk framework. In 2021, the Crédit Agricole Italia Banking Group mapped climate-related risks through, first, a materiality screening step, aimed at identifying the climate and environmental risk factors to which the Group is exposed; then the material exposures that were found sensitive to climate and environmental risk factors were measured, considering the impacts of physical and transition risks on the loan portfolio and on the properties pledged as collateral taking into account the geographical and area-related information for the measurement of physical risks and the economic sectors of belonging, as well as the features of the properties for quantifying the transition risk.

The Group's Risk Appetite expresses the risk level that the Group is willing to take for each type of risk. The Group's risk appetite has been determined based especially on its financial policy and on its risk management policy and is expressed through:

- A selective and responsible funding policy within a conservative lending policy that is set down in the Risk Strategy, consistently with the corporate social responsibility policy and with the system of decision-making powers in force;
- Orientation towards a low risk profile on all main financial risks, with specific focus on limiting the exposure to market risk;
- Strict oversight on exposure to operational risk;
- Orientation towards a low Information Technology (IT) risk profile; a system of controls aimed at mitigating non-compliance risk (identified and monitored);
- Careful measurement of risk-weighted assets;
- Integrated management of the Group's assets and liabilities;
- Careful mapping of all material or emerging risks that may generate impacts on the Group.

The Risk Appetite Framework structure consists in activities for the monitoring and control of risks, in order to ensure that they are managed, driving continuous development and improvement of the methods and models for their measurement.

To this end, the Crédit Agricole Italia Banking Group uses methods, measurement standards and risk control tools that are consistent throughout the Group and adequate to the type and extent of the risks taken, involving and informing the corporate bodies of the subsidiaries about the choices made as regards risk management procedures and policies.

Within the RAF, limits and alert thresholds are set on Solvency, Liquidity, Asset Quality and Profitability main indicators, which are fit to verify the affordability of the Group's Budget and MTP on a continuous basis, as well as to identify the first alerts in case such indicators worsen, in order for all corrective actions to be triggered and to return to normal operation.

During the health crisis caused by the Covid-19 pandemic, the Crédit Agricole Italia Banking Group monitored some RAF and Risk Strategy indicators more frequently with "ad hoc" reporting to the Controlling Company Crédit Agricole S.A. And to the Organismo di Vigilanza (body engaged in offence prevention required by Italian Legislative Decree 231/2001) in order to promptly detect any worsening in the key indicators for the Group.

Moreover, the Group's risk appetite is also expressed by the management of qualitative risks, concerning the Group's strategy and operations, especially based on the Company's will to pursue sustainable development and effective management of risks. The Group has implemented a set of operational limits that are laid down in its Risk Strategy and have become an integral part of the RAF. These indicators allow better classification and monitoring of the risks taken, ensuring pervasiveness of the RAF model.

Lastly, in 2021, within the RAF ordinary operation, opinions were given regarding the consistency of any Material Transactions (*Operazioni di Maggior Rilievo* - or with the Italian acronym OMR) with the RAF and with the risk management policy at the Group level.

In general terms, the Risk Appetite Framework of the Crédit Agricole Italia Banking Group is structured as follows:

- Risk Appetite (risk objective or risk appetite): level of risk (overall and by type) that the Group is willing to take in order to pursue its strategic objectives;
- Risk Tolerance (tolerance threshold): maximum allowed deviation from the Risk Appetite; the tolerance threshold has been set in order to ensure that, in all cases, the Group has sufficient margins to operate, also in stress scenarios, within its risk capacity;
- Risk Capacity (maximum risk that can be taken): the maximum level or risk that the Group is technically able to take without violating any regulatory requirements or other restrictions laid down by its Shareholders or by the Supervisory Authority;
- Risk Profile: the risk actually taken, as measured at a given point in time;
- Risk Limits: the structuring of risk objectives into alert thresholds and operational limits, set in accordance with the proportionality principle, by types of risk, business units and/or lines, product lines, types of Customers.

The Group's risk profile is monitored and submitted, with specific periodic reports, to the Risk and Internal Control Committee (RICC or with the Italian acronym CRCI) and to the Boards of Directors of the Parent Company Crédit Agricole Italia and of the other Entities of the Group, as well as to the Controlling Company Crédit Agricole S.A.

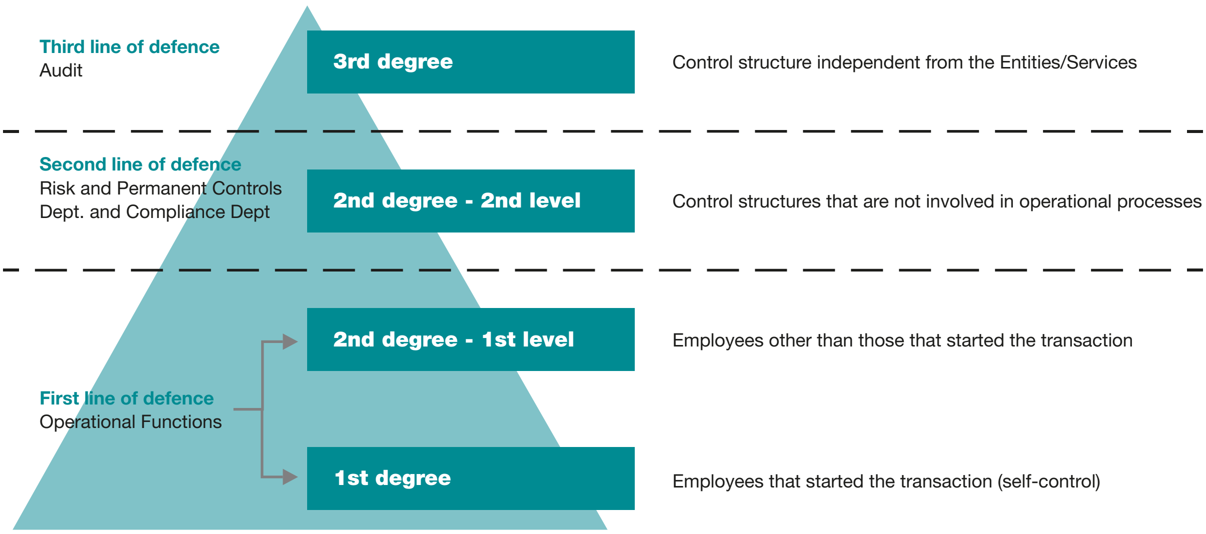
In case the Tolerance and Capacity levels of the RAF ratios/indicators are exceeded, an escalation process is provided for, which has been designed to involve the corporate roles responsible for defining the corrective actions needed to return to the normal risk levels; this process is called "RAF Recovery Plan" and is revised and updated at least on a yearly basis.

In 2021, the Risk Appetite Framework continued to be strengthened, with the inclusion of indicators regarding mortgage loans and of specific alert thresholds for their monitoring.

Internal control framework

The Internal Control Framework of the Crédit Agricole Italia Banking Group implements the instructions given by the Italian Supervisory Authority (see Bank of Italy Circular no. 285 of 17 December 2013 as updated) and the guidelines given by its Parent Company Crédit Agricole S.A., which entail compliance with the requirements and expectations laid down in document "Arrêté du 3 novembre 2014 relatif au contrôle interne des entreprises du secteur de la banque, des services de paiement et des services d'investissement", of the French Supervisory Authority ACPR.

The Internal Control Framework is implemented with the three defence lines set out in the chart below:



- First line of defence:
  - 1st degree controls: performed continuously, at the start of any transaction and throughout the process for its validation, by the employees that carry it out and by the persons they report to on a solid line, or performed by the automated systems for transaction processing;
  - 2nd degree – level 1 controls: performed by employees other than those that started the transaction;
- Second line of defence:
  - 2nd degree – level 2 controls: performed by the specialist structures engaged in last-level permanent controls, independent from structures and roles with business executive functions.

1- and 2.1-degree controls aim at identifying, correcting and preventing any irregularities or anomalies in operations. 2.2-degree controls may be performed also based on the evidence found within lower-degree controls and, therefore, they may express also outcomes of lower -degree controls.

- Third line of defence:
  - 3rd degree periodic controls performed by the Internal Audit Department.

The Internal Control Framework adopted by the Crédit Agricole Italia Banking Group results from a process involving:

- The definition of the scope of control and the areas of responsibility of the different players appointed;
- The identification of the main risk zones, based on risk mapping;
- The implementation of the procedures to classify operating activities, decision-making powers and controls;
- The exercise of permanent controls at the different degrees and levels provided for, monitoring correct implementation of the procedures and detection of any early warnings and non-performing instances;
- The exercise of periodic control by the Internal Audit Department;

The implementation of a specific system for reporting to the corporate bodies and the top management engaged in governance and control functions.

The configuration of the Internal Control Framework is harmonized and formalized in the entire Group through the internal normative system.

The organization of the Crédit Agricole Italia Banking Group includes three main structures that are engaged in control functions and are independent; within their scope of action and in accordance with their functions, these structures ensure constant control on all corporate operations and on the risks generated by such operations:

- The Risk Management and Permanent Controls Department (which includes the Validation Unit) and the Compliance Department, which are responsible for second degree – second level controls;
- The Internal Audit Department, which is responsible for third-degree controls.

Moreover, in accordance with the provisions of Article 154-*bis* of the Italian Consolidated Act on Finance, the Manager in Charge has the task of monitoring and overseeing the internal controls system relating to accounting and financial reporting.

The risk management and permanent controls function

In 2021 the Risk Management and Permanent Controls Department was engaged in the main projects listed below:

- Implementation at Creval S.p.A. of the activity of preparing credit opinions on the most material lending proposals and applications, in compliance with the internal regulations of the Crédit Agricole Italia Group;
- Implementation at Creval S.p.A. of the framework of second-level regulatory controls on credit risk, in compliance with the internal regulations of the Crédit Agricole Italia Group;
- Strengthening of reporting on the different customer segments, with special focus on the effects generated by the end of the credit supporting measures deployed in 2020 to address the health and economic crisis;
- Implementation at Creval S.p.A. of the reporting mentioned in the previous point as implemented in the Crédit Agricole Italia Group;
- Calendar provisioning for making prudential provisions compliant with the regulatory framework;
- Evolution in the CRR reporting flows, in accordance with the instructions given by the Controlling Company Crédit Agricole S.A.;
- Continuation with regulatory and IT actions for full implementation of the new definition of default in processes and tools;
- Review of risk models in terms of IFRS 9 and Early warning;
- Interaction with the Regulator on matters regarding the revalidation of the new Retail segment models;
- Continuing with the activities to manage the ratings of corporate counterparties by designing a solution,in agreement with the Parent Company Crédit Agricole S.A.,, including the completion and efficiency enhancement of complete separation of the rating attribution process as expected by the Supervisory Authority;
- Gap analysis and monitoring of the action plans for upgrading to the EBA Guidelines on «ICT and security risk management»;
- Continuation with the activities for full implementation of the controls system in the MIFID and Financial Risks scope;
- ICT Risk: Upgrading of the risk assessment metrics to the taxonomy adopted within the SREP (EBA-GL-2017-05);
- Upgrading of the control framework for Information Systems to the new arrangement subsequent to the ADM and Infrastructure outsourcing within the IT Transformation project;
- Upgrading of the control framework for the monitoring of IT outsourcing (other than critical or important functions) and outsourced IT services;
- Gap analysis and monitoring of the actions plans regarding the so-called 13 expectations of the ECB in the ESG scope;
- Adoption of the guidelines to manage and measure Model Risk in compliance with Crédit Agricole S.A. standards;
- Continuation and strengthening of all the activities aimed at:
  - Verification and implementation of the developments in the applicable national legislation and of the measures deployed by the Supervisory Authorities to respond to the health and economic crisis still ongoing;
  - Close monitoring, for prudential purposes, of the economic sectors hit by the crisis;

- Strengthening and fine-tuning of the reporting systems for Customers hit by the health and economic emergency, also in order to comply the new expectations of the Regulator;
- Close monitoring of Customers benefiting from relief measures deployed in order to provide support to households and businesses;
- Coordination with the lending and commercial structures to deploy the most effective and timely actions aimed at anticipating any possible effects of the end of the moratoria granted in 2020;
- Adoption and implementation of the updated and enhanced framework of second-level regulatory controls on credit risk;
- Validation of the new lending policies for Performing Customers, including the new system of lending decision-making powers, which is based on the weighted authorized amount principle;
- Validation of the new NPE Regulation and of the new policies for the coverage and management of Non-Performing Exposures.

In 2022, the main projects will concern:

- Resumption of the sectoral Portfolio review, in cooperation with the Sales and Lending structures, with special regard to the sectors worst hit not only by the health emergency persistence, but also by the possible macroeconomic tensions on energy and commodity costs;
- Update of the framework of second-level regulatory controls on credit risk;
- Enhancement of second-level permanent controls on credit risk;
- Further strengthening of credit risk reporting on the different customer segments, given the ever-changing macroeconomic scenario and the health emergency persistence;
- Continuing on the path towards the upgrading of the systems for the use of Corporate Customers ratings through IT implementations and upgrading of the internal normative instruments;
- Start of the Corporate rating system preparing the application to be sent to the ECB by December 2022 (including CreVal portfolio);
- Managing any follow-ups of the audit conducted by the ECB for the revalidation of the AIRB models for the Retail segment. Recalibration of the models in order to include CreVal portfolio;
- Upgrading and submittal to the Supervisory Authority of the actions on the Retail segment models as necessary in order to include CREVAL exposures (the Return to Compliance Plan);
- Production of the «ECB Loan Tape» (containing information to be given to the Regulator in case of audits);
- Revision of the IMA model through a specific interfunctional project which also aimed at full integration of transaction information;
- Completion of the revision of the PD and LGD specific models for provisioning on Performing Loans in accordance with IFRS 9;
- Completion of the last IT actions provided for by the "New definition of Default" project;
- Preliminary analysis of the new Basel IV regulatory framework for the calculation of capital requirements;
- Enhancement of quantitative and methodological control activities on the relevant perimeter;
- Revision of the permanent controls application;
- Rationalization and updating of the internal normative instruments and processes regarding Operational Risks;
- Model Change validation for retail and corporate banking exposures in order to apply the AIRB approach;
- Conducting the EBA stress test exercise on climate risk;
- Completion of the mapping of Physical and Transition risks also on Creval portfolio;
- Monitoring of the actions plans regarding the so-called 13 expectations of the ECB in the ESG scope;
- Go-live of a specific ESG Score.

The above activities will be carried out also in cooperation with the relevant structures of the French Parent Company.

The compliance function

The Compliance Department of Crédit Agricole Italia centrally controls non-compliance risk, also for the entities of the Group with the sole - and temporary - exception of Creval perimeter, which has been managed in terms of compliance by its existing Compliance Department, for "continuity" reasons, in the short period between its acquisition date and the date on which the IT migration has been scheduled. Indeed, in that period, Creval structures continued to operate using their own organizational and IT procedures; after the IT migration and starting to use the target procedures, the Compliance Department will take over the control activities also for those units.

The Compliance Function tasks are outlined below:

- It sets and steers, on a continuous basis, the policies for non-compliance risk prevention, by constantly monitoring the relevant legislation and by assessing and measuring the impact of non-compliance risks on processes and procedures in order to prevent any violation of the legislation and regulations falling in the Department's scope of responsibility; where necessary, it asks for organizational and procedural changes;
- It ensures the effectiveness of the anti-money-laundering arrangement and the related operating, control and reporting activities, in order to prevent money laundering and terrorist financing risks;
- It oversees all matters regarding the applicable legislation on "international sanctions";
- It manages, prevents and mitigates risks of fraud, bribery and corruption, transparency, usury, conflicts of interest, market abuse, risks of non-compliance with the General Data Protection Regulation and personal data protection risks; it also provides expert advice on the aforementioned risks;
- It provides the relevant reporting to the Bodies engaged in strategic oversight, management and control functions of the Group's entities and to Crédit Agricole S.A.

The Compliance Department performs its control activities for all the entities of the Crédit Agricole Italia Banking Group in accordance with an annual plan of second-level controls, which is designed with a risk-based approach and abiding by the directions given by the Parent Company Crédit Agricole SA.; therefore, it sets, as regards the matters it is responsible for, risk mitigation activities and then verifies their proper implementation.

Within its responsibility and action scopes, the Compliance Department also oversees the implementation of specific innovative projects, in order to ensure compliance by design.

The Crédit Agricole Italia Banking Group has strengthened its system for prevention and management of bribery and corruption risks, implementing a specific Anti-corruption Programme that aims at establishing a culture of prevention and fight against bribery and corruption risks throughout the Group, with a "zero tolerance" approach to any and all behaviours that are not ethical, in general, and to any bribery and corruption risks in particular.

Furthermore, it is the point of contact for the Supervisory Authorities and the Regulators as regards compliance matters and personal data protection.

The internal audit function

The Internal Audit Department of Crédit Agricole Italia is independent from any operational structure or role of the Bank and of its subsidiaries.

In order to ensure the appropriate independence in exercising the Function, the Head of the Department (Chief Audit Executive or CAE) reports on a solid line to the Bank's Board of Directors. The independence of the Internal Audit Department is ensures also by the role of the Chief Executive Officer, who ensures management oversight and actual availability of the operational levers and of the appropriate financial and human resources for the Department's effective operation.

The Internal Audit Department (*Inspection Générale Groupe*) of the French Parent Company Crédit Agricole S.A. is responsible for steering and coordinating the activities of the Department; therefore, it defines the implementation guidelines for harmonized application in all the Companies of the Group (without prejudice to full compliance with the local legislation) of the audit model, methods and tools.

The CAE is appointed by the Board of Directors of the company, after obtaining the opinion of the Board of Auditors; his or her appointment may be terminated with the same methods and explicit reason.

The CAE is entitled to contract, independently and with no limitation, the Governance Bodies of the companies of the Group to report material information and sits on the Risk and Internal Control Committee.

The CAE also submits the Audit Plan to the Board of Directors of Crédit Agricole Italia, to the Internal Control Audit Committee of Crédit Agricole Italia, to the Board of Auditors, to the Chief Executive Officer of Crédit Agricole Italia, to the General Managers and to the Governance Bodies of the subsidiary companies.

In accordance with the supervisory expectations, the Internal Audit Department performs the internal audit and review functions for the Crédit Agricole Italia Banking Group, in order to detect any breaches or violations of procedures and of the applicable legislation and regulations, as well as to periodically assess the completeness, adequacy, proper operation (in terms of efficiency and effectiveness) and the reliability of the internal controls system and of the information system, at frequencies set based on the nature and severity of risks.

Specifically, based on a multiyear work plan:
- It ensures the performance of controls aimed at verifying;
- Proper running of operations by the Group's entities;
- The effectiveness and efficiency of the corporate processes as implemented;
- The protection of the value of Group's assets;
- Protection from losses;
- The reliability and integrity of accounting and management data;
- Compliance of operations with both the policies set down by the corporate governance bodies, with all internal normative instruments and with the applicable legislation;
- Performs periodic review and controls on the processes and on the organizational units of all the Companies of the Crédit Agricole Italia Banking Group, as well as on Outsourced Critical or Important Functions, through constant and independent supervision on the regular course of operations, in order to prevent or detect any behaviours or situations that are irregular and/or risky;
- Provides the Top Management, the Corporate Bodies and the French Parent Company Crédit Agricole S.A. with prompt and systematic reporting on the conditions of the controls system and on the outcomes of the activities carried out; Supports the Organismo di Vigilanza (body engaged in offence prevention required by Italian Legislative Decree 231/2001) in ensuring constant and independent surveillance action on proper running of operations and processes and in supervising compliance with and adequacy of the rules contained in Model 231.

The Department also provides support and assistance to other corporate structures (advisory activities), the nature and extent of which are agreed with the strictures concerned and which aim at improving governance, risk management and organization control processes, with no decision-making responsibility lying with the Internal Audit Department.

Following its verification and review activities, in case any areas for improvement have been detected, the Internal Audit Department issues recommendations and carries out analyses and monitoring on the identified mitigation actions, with special regard to the RAF, to the risk management process and to the tools to measure and control risks.

The Chief Audit Executive reports to the competent Bodies on the main outcomes of the performed activities, on the progress in the Audit Plan implementation and in the implementation of the requested corrective actions (recommendations) as well as on the evolution of the available resources.

The progress in the implementation of any recommendations issued is reported on every six months to the Board of Directors, to the Board of Auditors, to the Audit Committee for Internal Control, to the Top Management and to the Internal Audit Department of the French Parent Company Crédit Agricole S.A.

In case any activities that are material for the proper operations of the internal controls system are outsourced, the Internal Audit Department has the power to access also the activities carried out by any outsourcers.

The Internal Audit Department operates with staff that has the appropriate knowledge, expertise and skills, in accordance with the best practices and with the International Standards for the Professional Practice of Internal Auditing, as well as with the methods implemented by the Internal Audit Department of the Controlling Company Crédit Agricole S.A..

In performing its tasks, the Department uses structured risk assessment methods, consistently with those of the French Parent Company, in order to identify any points of attention and the main new risk factors.

In accordance with risk assessment outcomes and with the subsequent priorities, as well as with any specific requests for in-depth review made by Corporate Governance Bodies, by the Internal Audit Department of the French Parent Company and by the Top Management, the Internal Audit Department prepares an Annual Audit Plan, in agreement with the French Parent Company, based on which it operates during the year, as well as a multi-year Plan, which is submitted to the Internal Control Audit Committee and to the Board of

Directors for its approval.

Lastly, on a yearly basis and jointly with the other Corporate Structures engaged in control functions, the Internal Audit Department sends the Report on the activities it carried out in the year to the Supervisory Authority (Integrated Report of the Holders of Control Functions).

Manager in charge

Pursuant to aforementioned Article 154-*bis*, in a specific document attached to the Annual Report and Financial Statements, to the Annual Report and Consolidated Financial Statements and to the Half-yearly Condensed Financial Report, jointly with the Chief Executive Officer, the Manager in Charge shall state:

- The appropriateness and actual application of the administrative and accounting procedures;
- The consistency of the corporate and accounting documents with the records in the corporate boos and with the accounts;
- That the above Reports and Financial Statements are fit to provide a true and correct representation of the financial and cash flow position, as well as of the performance of the Bank and of the Group.

The Manager in charge shall also state that the Management Report includes a reliable analysis of the performance and profit (loss) from operations, as well as of the situation of the Bank and of the Group, and the description of the main risks and uncertainties to which they are exposed.

The Validation function

- Since December 2013, the Crédit Agricole Italia Banking Group has been authorized to use advanced approaches to determine its capital requirement on the Retail portfolio of Crédit Agricole Italia and Crédit Agricole FriulAdria. Based on the outcomes of the controls performed in 2020 and in the first six months of 2021, the Validation Service is of the opinion that the rating system used on the Retail portfolio, comply with the most stringent regulatory requirements laid down for the banks authorized to use AIRB approaches to calculate their capital requirements. The methods to estimate the probability of default (PD) and the loss given default (LGD) proved again accurate and overall in line or at least conservative vs. the related ex-post risk measures (i.e. rates of default and loss given default) recorded in the long term and calculated also in accordance with the rules governing the new definition of default starting from their implementation in the Group's systems (i.e. September 2020).

In order to be fully compliant with the EBA guidelines and standards governing risk estimate and the definition of default, the Group filed the related application package with the ECB on 30 June 2020. An audit by the ECB followed in H1 2021, while the decision letter is expected to be received in early 2022.

Within the follow-up process another 5 recommendations were added to the 12 recommendations being implemented as at 30 September 2020, whereas 3 were assessed as completed for a total of 14 recommendations still open as at 30 September 2021 (this figure does not include the recommendations still open on the new internal models whose validation is still underway).

The main pieces of evidence are given below:

- The outcomes of the analyses monitoring the performance of the internal models, as submitted to the Comité des Normes et Modèles of Crédit Agricole SA on 21 October 2021 and then sent to the ECB referring to data as at 31 December 2020 show;
- Probabilities of Default (PD) overall accurate and conservative vs. the long-term default rates (it is to be noted that the default rate has taken into account the new standards governing the definition of default only since September 2020);
- Loss given default (LGD) overall prudential as regards the performing portfolio;
- The outcomes of the permanent controls on rating attribution aimed at ensuring data quality gave evidence respectively of the overall adequacy of the rating process and of the reliability of the information used for estimating and monitoring internal models;
- Rating is an integral part of lending, provisioning and credit pricing processes, as well as in reporting to the top management;
- The IT procedures supporting the rating system proved again compliant with the regulatory framework laying down the requirements they must meet for AIRB purposes;

Further improvements being pursued to date concern:

- Underestimation events on PD models (limited to the comparison between the PD and the default rates recorded in the last reference year for 3 classes in the Individuals sub-segment and 1 class in the SME portfolio) and on the LGD models (limited to the default component). It is to be pointed out that overall overestimation events offset underestimation ones with a conservative impact on the RWA. The Group has recently revised its internal models in order to ensure full compliance with the EBA guidelines and standards and the ECB conducted its audit on this matter in H1 2021. The decision letter from the Supervisory Authority is expected in early 2022;
- Anomalies detected within the controls on the input data to the PD and loan application acceptance models for Individuals and Sole Traders, which however decreased in 2021. Given the features of the rating models in production (with the use of the performance rating for the most part of reported customers and variables categorized with associated risk scores by brackets in case of quantitative variables),the non-prevailing weight of the impacted variables (income and housing seniority) and the outcomes of the overall performance of the PD models, the Validation Service is of the opinion that those anomalies are not prejudicial to the good operation of the rating system.

In January 2022, the Validation Service sent its annual report on the controls performed in 2020 and in the first six months of 2021 to the Bank of Italy; this report focused specifically on the rating system used for the Retail segment.

Section 1 – Risks of accounting consolidation

In this Section, the reported information regards the entities included in the accounting consolidation scope.

QUANTITATIVE DISCLOSURES

A. Credit quality

A.1 PERFORMING AND NON-PERFORMING EXPOSURES: AMOUNTS, ADJUSTMENTS, CHANGES AND BREAKDOWNS

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

Portfolio/quality	Bad loans	Unlikely To Pay	Non-performing past due exposures	Other non-performing exposures	Performing exposures	Total
1. Financial assets measured at amortized cost	134,871	1,205,265	24,135	623,669	90,280,559	92,268,499
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,836,727	3,836,727
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	2,355	2,355
5. Financial assets being divested	-	1,569	561	11,899	209,531	223,560
Total 31 Dec. 2021	**134,871**	**1,206,834**	**24,696**	**635,568**	**94,329,172**	**96,331,141**
Total 31 Dec. 2020	**469,841**	**986,065**	**33,597**	**429,887**	**68,244,736**	**70,164,126**

All financial assets are classified by credit quality with the exception of equity securities and units of O.I.C.R. collective investment undertakings.

The breakdowns of forborne exposures by the various credit quality categories are given in the tables in Section 2 - Prudential consolidation risks, as they do not show significant deviations from the accounting consolidation perimeter.

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross and net values)

Portfolio/quality	Non-performing				Performing			
	Gross exposure	Total adjustments	Net exposure	Total partial write-offs (*)	Gross exposure	Total adjustments	Net exposure	Total partial write-offs (*)
1. Financial assets measured at amortized cost	2,928,154	1,563,883	1,364,271	40,393	91,423,921	519,693	90,904,228	92,268,499
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,841,514	4,787	3,836,727	3,836,727
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	2,355	2,355
5. Financial assets being divested	16,582	14,452	2,130	3,105	222,095	665	221,430	223,560
Total 31 Dec. 2021	**2,944,736**	**1,578,335**	**1,366,401**	**43,498**	**95,487,530**	**525,145**	**94,964,740**	**96,331,141**
Total 31 Dec. 2020	**3,050,258**	**1,560,755**	**1,489,503**	**39,419**	**68,981,422**	**306,799**	**68,674,623**	**70,164,126**

(*) Value to be stated for disclosure purposes.

All financial assets are classified by credit quality with the exception of equity securities and units of O.I.C.R. collective investment undertakings.

The table below reports credit quality evidence regarding exposures classified as financial assets held for trading (securities and derivatives) and as hedging derivatives (not represented in the previous table):

	Assets with clearly poor credit quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	4,332	274	70,599
2. Hedging derivatives	-	-	634,497
Total 31 Dec. 2021	**4,332**	**274**	**705,096**
Total 31 Dec. 2020	**662**	**516**	**1,121,317**

B. Information on structured entities (other than securitization special-purposes entities)

B.1 CONSOLIDATED STRUCTURED ENTITIES

As at 31 December 2021, there were no structured entities in the accounting consolidation scope, other than securitization special-purpose entities, of the Crédit Agricole Italia Banking Group.

B.2 STRUCTURED ENTITIES NOT CONSOLIDATED IN THE ACCOUNTS

B.2.1 Structured entities consolidated for prudential purposes

As at 31 December 2021, there were no structured entities in the prudential consolidation scope, other than securitization special-purpose entities, of the Crédit Agricole Italia Banking Group.

B.2.2 Other structures entities

The Group's operations through structured entities are performed also through Special Purpose Entities. To this end, Special-Purpose Entities are the legal entities incorporated in order to achieve a specific purpose, which is clearly defined and limited:

- Funding on the market through the issue of specific financial instruments;

- Developing and/or financing a specific business initiative, able to generate, through a business activity, cash flows sufficient to repay the debt;
- Financing the acquisition of a target company that, through its business activity, will be able to generate cash flows for the Special-Purpose Entity to a sufficient amount for full repayment of the debt.

Operations through securitization special-purpose entities, i.e. entities incorporated to acquire, sell and manage certain assets, separating them from the Originator's financial statements, both for asset-backed securities and for funding via self-securitization or issue of Covered Bonds (CB) is not to be reported in this Section.

For reporting on these types of special-purposes entities, please refer to Sections C. Securitizations and D. Disposal Transactions in Part E of the Note to the consolidated financial statements.

Section 2 – Prudential consolidation risks

In this section, data are stated gross of the relationships with the other companies included in the consolidation of the accounts.

Where the contribution of the relationships between the companies belonging to the prudential consolidation and the other companies included in the consolidation of the accounts is material, it is exhaustively reported at the end of the relevant disclosures.

1.1 CREDIT RISK

QUALITATIVE DISCLOSURES

1. GENERAL ASPECTS

The responsibilities for the lending operations of the Crédit Agricole Italia Banking Group are vested in the Group Chief Lending Officer., In compliance with the European Central Bank guidelines requiring that non-performing exposures (NPE) be managed by expert and dedicated units separate from those managing performing loans ,the Chief Lending Officer is directly responsible for the two management units (Credit Department and NPE Department) and for a unit engaged in strategic and coordination functions (Intelligence & Asset Disposal Department).

The Credit Department is responsible for lending activities regarding the Performing loan portfolio. This Department has the task of setting, in compliance with the corporate strategies and objectives, the lending policies directions and the guidelines on taking and managing credit risk, coordinating their implementation by the relevant structures of the Bank and of the Group.

This Credit Department has also the following responsibilities:

- To coordinate, fully respecting the independence of every Company of the Crédit Agricole Italia Banking Group, lending to ordinary Customers and to Customers entailing significant exposures.
- To set and oversee the implementation of the Crédit Agricole Italia Banking Group's strategies and guidelines pursuing effective control on the number of position becoming non-performing and the related cost, by steering the lending chain structures of the Companies of the Group and of the Distribution Channels.
- To define and promote, consistently with the Group strategies and objectives, an appropriate harmonization of lending governance rules.
- To verify, through appropriate operating control mechanisms, compliance with the lending guidelines and policies within the Group, ensuring their quality and monitoring the allocation of loans in terms of sectors and sizes.

The NPE Department is responsible for managing all exposures classified as non-performing, ensuring and coordinating the relations and interaction with Crédit Agricole S.A. and the Supervisory Authorities as regards NPEs.

On the relevant Customer perimeter, it is responsible for ensuring management, recovery and/or out-of-court collection of non-performing exposures, in close contact and cooperation with the Network of Crédit Agricole Italia for prompt and effective action to prevent loan impairment, so that the associated cost is kept under control.

It is responsible for Customers, single ones and/or by Economic Group, in accordance with the specific "Limits to Decision-Making Powers" and with the specific guidelines set out in the "NPE Regulation" and in the applicable legislation and internal normative instruments (specifically, the "Non performing exposure – Stage3" Policy).

The NPE Department is engaged in the following tasks:
- Coordinating the relations with the Group as regards NPEs, as well as managing the preparation of all NPE-related documentation and reporting to the Supervisory Authorities;
- Arranging for, in cooperation with the Risk Management and Permanent Controls Department, the design and update of the NPE impairment policy, ensuring the use of harmonized models for lending processes and tools to manage NPEs;
- Ensuring, consistently with the Group's strategies and objectives and through the structures reporting to this Division on a solid line, the appropriate harmonization of Models, tools and rules for Loan Management, as regards the positions within the Non-Performing Loans management process;
- Setting, steering and verifying, in cooperation with the Structures of the Group's Banks reporting on a dotted line to this Division, the implementation of the Guidelines on the management, recovery and/or out-of-court collection of exposures classified as "NPEs" within its scope of responsibility.

The Intelligence and Asset Disposal Department is vested with a dual role as it is engaged in both strategic and operational aspects that cover the loan entire life cycle. Its main mission is to keep a full-range view and oversight on all lending activities, ensuring constant monitoring and implementation of the appropriate actions plans, also with a forestalling approach.

As to the main strategic aspects, the Intelligence and Asset Disposal Department is engaged in the following tasks:
- Designing and developing the Group Policies on Performing Loans, in order to ensure their constant evolution, also keeping pace with technological innovations and regulatory requirements;
- Defining the NPE strategy and its evolution at the Group level and the NPE writing down policies;
- Analyzing and developing alternative strategies for the disposal and monetization of the properties pledged as collateral.

As to the main operational aspects, the Intelligence and Asset Disposal Department is engaged in the following tasks:
- Governing the whole set of information on loans, in order to set the management direction through data interpretation;
- Driving the evolution of processes in order to pursue the corporate objectives and to ensure regulatory compliance, by managing the main lending-related projects and applications;
- Governing credit risk mitigation and real estate surveillance processes;
- Managing and coordinating the external firms collection services are outsourced from;
- Seeing to the sale of real estate assets, involving investors and/or potential buyers.

2. CREDIT RISK MANAGEMENT POLICIES

IMPACTS RESULTING FROM THE COVID-19 PANDEMIC

Risk monitoring, management and control policies, especially regarding credit risk, are core pillars of the response to the economic impacts generated by the Covid-19 pandemic.

In 2021, the Crédit Agricole Banking Group continued with the measures that had been deployed in 2020 and, thus, continued, on the one hand, to provide its Customers with support in the worst phase of the pandemic crisis and ensuring, on the other hand, enhanced monitoring of the quality of its loan portfolio.

The lending policies and the directions and objectives given to the decision-making bodies and roles and to the distribution network were updated at the various stages in the Covid-19 pandemic, ensuring constant support to Customers through the tools provided for by the applicable legislation (loans backed by public guarantees and loan repayment moratoria) which continued with the State aids beyond the temporary framework throughout 2021. At the same time, the Crédit Agricole Italia Banking Group further enhanced, with a forestalling approach, the parameters for assessing the riskiness of the measures granted, as expressly stated in the ECB letter sent by Andrea Enria, Chair of the Supervisory Board to significant institutions on 4 December 2020.

As to the cost of credit, the Crédit Agricole Italia Banking Group further enhanced its systematic control on the quality of its loans to customers portfolio making it more effective and catching any signs of change in the portfolio during the various stages of the pandemic, constantly fine-tuning the parameters used to identify the priority portfolio to be subjected to enhanced monitoring. Special attention was given to counterparties that, benefiting from moratoria under the "Cure Italy" Decree Law applied for "on-demand" extension, with payment suspension extended to 31 December 2021; said counterparties were subjected to enhanced monitoring processes.

As regards the calculation of expected losses on the performing portfolio, the adopted measurement model was fed with all available information, including forward-looking data as required by IFRS 9. The main macroeconomic indicators that were taken in to account in designing the forward-looking scenarios were set in agreement with the specialist structure of the French Parent Company Crédit Agricole S.A., as were the actions to mitigate the effects of the volatility of some factors and the weighting of the scenarios. Within the ECL calculation, the Group also took yet another step with the analysis of the model results and, based on a regulated process and on the available management information, post-model adjustments were made on a cluster of positions under Covid-19-related moratoria.

Full disclosure of the individual steps and processes in credit risk management is given in the following paragraphs.

2.1 Organisational aspects

In 2021, the Crédit Agricole Italia Banking Group completed a profound organizational change of its lending structures, aligning its model to the market best practices and ensuring full compliance with the EBA guidelines on loan origination and monitoring of 29 May 2020, which emphasize that the performing and non-performing management chains be separated.

As described in the previous paragraphs, the adopted model went live with the relevant resolution passed by the Board of Directors of the Parent Company on 4 December 2020, which approved the Chief Lending Office (CLO) role as the central lending governance unit directly coordinating:

- The NPE, Department, which now comprises the UTP Management Division and the Bad Loans Division;
- The Credit Department, which still comprises the Lending Division and the Watch-list Exposures Management Division.

Later, the model was fine-tuned with the resolutions passed by the Board of Directors of the Parent Company on 28 April 2021 and 27 May 2021, whereby the Intelligence and Asset Disposal Department was set up, reporting directly to the CLO,, which now comprises the Portfolio Management and External Collection Governance Division, the Credit Intelligence and Lending Policies Division and the Real Estate Remarketing Service. The Loan Legal Support Service, an in-house counsel team, was also set up and reports directly to the NPE Department.

As regards the Non-Preforming Loans management chain, the aforementioned organizational changes led to setting up the NPE Department which all the structures engaged in the management of NPLs report to, specifically: UTP Management Division, Bad Loans Management Division and the Legal Support Service. The responsibilities of the two Management units are exercised within the specific "Limits to decision-making powers" set out in the "NPE Regulation" and in the applicable legislation in force at the relevant time.

The UTP Management Division is responsible, also through the structures of the Group's Banks reporting to this Division on a dotted line, for the following tasks:

- Ensuring management, recovery and/or out-of-court collection of non-performing exposures (except bad loans), in close contact and cooperation with the Network of Crédit Agricole Italia for prompt and effective action to prevent loan impairment, so that the relevant cost is kept under control.
- Assessing the customers in its scope and providing the single Banks' Loan Committees, the extended Loan Committee of Crédit Agricole Leasing Italia and the Group Loan Committee with its opinion on loan origination proposals submitted by the Structures of the Group's entities reporting to it on a dotted line, in order to ensure that loan origination is consistent with the Group's strategic directions and to coordinate activities regarding key accounts.

On the other hand, the Bad Loans Division is responsible for the management, performance and credit quality of loans to Customers of the Group's Banks and of Crédit Agricole Leasing Italia classified as bad and, therefore, it is responsible for the following scopes.

- Steering the management of these exposures, providing the guidelines on the activities to be carried out by the structures reporting to it, and for ensuring coordination and operational efficiency;
- Overseeing the specific activities carried out by the structures reporting to it, and for determining, where the case, the technical-legal solutions to be implemented;
- Verifying and controlling that the structures reporting to it properly carry out the relevant activities, and for setting the specific benchmarks;
- Ensuring and coordinating that the relevant structures are constantly on top of any developments in the legislation and case law applying to the matters under their responsibility;
- Providing the Structure the Division directly reports to and the Top Officers with adequate reporting and regular briefs on the activities of the Division;
- Overseeing proper management of the Division, training of its staff and of the staff of the structures reporting to it.

The Loan Legal Support Service is responsible for:
- Giving legal advice and support in the management of exposures classified as Past Due and UTP in the NPE Department's scope of responsibility;
- Giving legal support in "single name" or "bulk" loan disposals;
- Managing litigation cases in which the Group is the defendant concerning:
- Positions classified as Past Due and UTP; and
- Exposures previously disposed of.
- Managing post sale on positions disposed of (compensation claims, requests for documents);
- Monitoring the case law and jurisprudence relevant for its scope of responsibility and concerning watch-list and non-performing exposures, in order to support constant compliance with the applicable legislation and regulations.

As regards the Performing Loans management chain, the related activities are assigned to and carried out by the different dedicated structures of the Parent Company and of the investee Banks and Companies, which report to the Credit Department and did not undergo any material alteration within the organizational change approved in 2021. On the other hand, it is pointed out that in 2020,some organizational change actions resolved and were completed in 2021; said actions specifically consist in eliminating the Credit Advisory Division, with concomitant assignment of its responsibilities to the Loan Authorization Division, as regards authorization and origination of performing loans, and to the Watch-list Exposures Management Division, as regards watch-list exposures. Said actions pursued the following objectives:
- Further streamlining of the levels of decision-making bodies, with clearer assignment of their respective responsibilities for performing loans and watch-list exposures;
- Higher specialization in assessing Customers' risk profiles, with the decision-making structure designed to be fully consistent with Customer business segmentation;
- Rationalization of decision-making powers, different in accordance with the Commercial Channels and Customer segments, implementing the new "weighted authorized amount", resulting form the application to the nominal authorized amount of a set of weighting coefficients reflecting the counterparty's specific riskiness, the sector attractiveness and the structure and nature of the credit lines.

Subsequent to the organizational action, the Credit Department of Crédit Agricole Italia comprises three Divisions:
- The Loan Authorization Division, responsible for the performance and credit quality of Performing loans to Customers with no material non-performing signs (performing loans) and comprises Loan Authorization Services, each one of which specializes in assessing the loan proposals made by one of the Commercial channels (Corporate Banking, Private Banking, Retail Banking Small Business, Retail Banking Individuals and Financial Advisors) or specific "production chains" requiring specific skills in risk assessment, especially as regards the real estate and hotel sector;
- The Watch-list Exposures Management Division, responsible for the performance and credit quality of watch-list exposures, meaning loans that show early warning, as per the adopted early-warning indicators, in order to pursue full recovery of the position and/or to design risk mitigation solutions and/or, where these activities do not prove sufficient, for classifying said loans in the non-performing perimeter.

2.2 Management, measurement and control

Lending policies and strategies

Lending policies lay down the standards and directions for the Banking Group as a whole, which the Distribution Network and the Decision-making Bodies shall comply with in making lending proposals and decisions. Lending policies are structured in order to foster balanced growth with the worthiest Customers and to recover exposures to the riskiest ones. The Lending Policies are regularly updated consistently with the developments in the economic, financial and market scenarios; they also implement the guidelines set within the Risk Strategy, which is agreed on every year with the Parent Company Crédit Agricole S.A., with specific regard to risk concentration limits and to the limits set for specific types of transactions.

In Q4 2021 the Lending Policies for the previous year were fine-tuned based on the gained experience, while keeping their main structure unchanged and their consistency with the directions set out in the Risk Strategy of the Crédit Agricole Italia Banking Group. The features of the lending policies that were confirmed are:

- The operation logics within the new origination workflow (New PEF), thanks to the implementation of a mechanism combining:
  - The Weighted authorized amount, as a function of the counterparty's rating, the sector forward-looking riskiness and the loan specific features (duration, financial vs self-liquidating nature, type of guarantee based on eligibility requirements and capital absorption mitigation);
  - Qualitative–quantitative rulebook, different for each segment and type of counterparty;
- Specific Key Risk Indicators (KRI), applying crosswise to all segments and designed to detect present and forward-looking affordability (the «affordability» parameter);
- Specialization by segment, considerably differentiating the guidelines for ‚Piccoli Operatori Economici (POE, non-structured enterprises featuring operational flexibility but financial rigidity), SMEs in the Small Business segment;
- Stronger control on the Real Estate and Hotel sector, implementing specific Key Risk Indicators (Debt Yield, project profitability).

In 2021, the Crédit Agricole Banking Group had to make yet another development in its lending policies following some discontinuity elements:

- Some changes in its organizational structure which were implemented in 2020 and went live the following year, with specific regard to the setting up of the Local Teams of the Lending Division and the Watch-list Exposures Management Division of the Credit Department;
- The new lending work flow (Electronic Loan Application Processing) went live on all channels as did the use of the Weighted Authorized Amount, for the assessment by the appropriate decision-making body;
- The acquisition of Credito Valtellinese and its becoming part of the Group and the consequent increase in the volumes to be managed.

These elements made indeed necessary an update of the limits to decision-making powers, which was completed with the approval by the Board of Directors of the Parent Company on 26 October 2021.

Lending processes

To ensure adequate control of Credit Risk, in accordance with the guidelines issued by the Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group's internal lending processes are defined and set towards:

- The achievement of sustainable objectives that are consistent with its risk appetite and with the Group's value creation expectations, while ensuring support and proximity to the needs of the productive system, households and of the real economy;
- Portfolio diversification, by limiting and constantly monitoring the concentration of exposures by counterparty/group, economic activity sector or geographical area;
- Adequate selection of the borrower economic groups and single borrowers, through in-depth creditworthiness analyses, aimed at developing and drive business with the most creditworthy Customers, as well as to anticipate and curb insolvency risks.

Lending processes are designed and regulated in order to identify the criteria for risk taking and management, the activities to implement for the proper application of such criteria, the units responsible for carrying out the above activities and the procedures and tools supporting them. The process steps are structured and the responsibilities are assigned in order to pursue set objectives in terms of overall effectiveness and efficiency.

In H1 2021, lending mainly focused on the priority of providing support to customers hit by the Covid-19 epidemic. Specifically, the Crédit Agricole Italia Banking Group ensured that its Customers had the possibility to use the measures provided for by the applicable legislation with no interruption and in full compliance with the set deadlines.

It continued to apply the measures providing for public guarantees on loans under Italian "Liquidity" Decree Law of 8 April 2020, and specifically:

- For SMEs, sole traders, store keepers, and small businesses, loans up to Euro 30,000 have been made available, with full and free-of-charge guarantee given by the Central Guarantee Fund, with maximum duration of 120 months, with repayment of the principal portion starting 24 months after drawdown, at very advantageous conditions;
- On the other hand, For corporate banking customers, loans were made available with amounts up to 25% of the customer's revenue, with maximum duration of 72 months, with repayment of the principal portion starting up to 24 months after drawdown, with the prior assessment by the Central Guarantee Fund (for corporations with revenue up to Euro 3.2 million), with gives guarantees free of charge up to 90%, or backed by SACE guarantees (for corporations with revenue up to Euro 5 billion).

In accordance with the relevant accounting principles, these loans are recognized at amortized cost. As at 31 December 2021, the Crédit Agricole Italia Banking Group had originated loans backed by state guarantees for over Euro 4.9 billion.

The Crédit Agricole Italia Banking Group also continued with the measures for payment suspension, both those provided for by the Italia Law and those under the agreements between the Italian Banking Association and Trade Associations. Customers in the Individuals segment could:

- Obtain, throughout the year, the suspension of payment of the full instalment for up to 18 months for home loans for primary residence (so-called Gasparrini Fund);
- Apply, until 31 March 2021, for suspension of payment of the full installment or of the principal repayment portion only for 9 months (Italian Banking Association-Trade Associations Second Agreement);
- On the other hand, Corporate Banking Customers could;
- Obtain the suspension of payment of the full installment or of the principal repayment portion only up to 30 June 2021 ("Cure Italy" Decree Law) applying for the suspension by 31 January 2021;
- Apply, until 31 March 2021, for suspension of payment of the full installment or of the principal repayment portion only (Italian Banking Association-Enterprises in Recovery 2,0).

Furthermore, the first extension was finalized concerning the moratoria under the "Cure Italy" Decree Law which were in force as at 31 January 2021 and as at 31 March 2021 (for the tourism sector), automatically postponing their expiry to 30 June 2021, unless the moratoria were specifically renounced by customers.

The second and last extension of the moratoria under the “Cure Italy” Decree applied to all the measures in force as at 30 June 2021 for which customers had explicitly applied for postponement of expiry to 21 December 2021.

Conversely, describing normal operations not strictly associated with the pandemic crisis, the operation of the internal lending processes of the Crédit Agricole Italia Banking Group is outlined below, representing that said processes are thoroughly defined and regulated by the internal procedures, in order to ensure adequate selection of borrowers, through exhaustive creditworthiness analyses, and, thus, to develop and support business with the most creditworthy Customers, while anticipating the management of any insolvency risk.

The rules governing authorization and this origination of loans to applicants are set out in the “Regulation on Performing Loans and Watch-list Exposures”, which gives the core logics guiding the assessment of credit risk:

- Classifying transactions based on their intrinsic riskiness, consistently with the set risk appetite;
- Structuring of authorization power brackets based on counterparty risk, in accordance with the Internal Rating Systems used within the Crédit Agricole Italia Banking Group, and also in compliance with the regulation on corporate groups;
- Decision-making powers that are scaled up as the customer riskiness increases;
- Separation between the loan proposing structure and the body deciding on loan origination.

To this end, the “Regulation on Performing Loans and Watch-list Exposures” sets out the characteristics of the loans that fall within the “Watch-list” perimeter, as they show early warnings in their performance, which, if not fully solved, could lead to an increase in the risks taken by the Bank.

The loan-origination process in force uses risk assessment metrics based on the internal rating systems and sets the lending decision-making powers based on the Probability of Default assigned to the counterparty, which is reassessed at least once a year, as well as on the sector riskiness, which was reviewed in order to take the effects of the underway pandemic into account, and the characteristics of the specific technical forms (duration, financial or self-liquidating nature, type of guarantees in accordance with eligibility criteria and capital absorption mitigation). Therefore, the Group is fully compliant with the regulatory requirements on the use of the same tools and risk measurement techniques in loan authorization processes, in the measurement of the counterparties’ creditworthiness and in the process to determine economic capital and capital requirements.

As stated in the Management Report, in order to determine its capital requirement for credit risk, the Crédit Agricole Italia Banking Group,uses PD and LGD internal rating models with the advanced approach (Internal Rating Based – Advanced) on financial assets consisting of loans to customers in the Retail segment – the so-called “Retail portfolio”.

Counterparty risk is measured after assessing the counterparty’s overall financial situation based on all information – positive and negative – that Crédit Agricole Italia has available. Specifically, the latest possible income statements, cash flow statements and balance sheets are currently acquired, along with budgets, in order to have a point-in-time and forward-looking view of the counterparty, thus taking into account also the effects of the pandemic-related crisis.

The loan authorization process is managed by the Company Information System, within the scope of a specific procedure called “Electronic Loan Application procedure - PEF”. The activities for the development of a new work flow, in the scope of specific project aimed at strengthening the governance of origination processes, as well as their overall effectiveness and efficiency, were fully completed with the new work flow going live on all distribution channels in June 2021.

After the first loan authorization and, therefore, after the start of the lending relation, the borrowers’ positions are subject to a periodic review process, within set limits and upon reporting and/or at the initiative of the structures concerned, both peripheral and central, in order to verify that the borrower and the relevant guarantors, where any, remain solvent, that they are able to generate cash flows adequate for debt servicing and that the requirements of any guarantees remain complied with (legal certainty, prompt realization and value consistency with the exposure). Then, in some cases, the review of the loans is simplified, after assessing that suitable and pre-set requirements are met in terms of counterparty riskiness, which shall be at modest levels.

The process for monitoring and managing non-performing loans is steered by the early warning indicator (the Performance Monitoring Indicator - IMA), which is defined and maintained by the Risk Management and

Permanent Controls Department, supported by the Credit Department, and is updated on a monthly basis. The process has been fine-tuned over time in order for it to be able to ensure that actual risk warnings are more accurately distinguished from "false alarms" and, in management terms, practical and prompt action lines are set whereby:

- The counterparties that are temporarily non-performing can be restored to a performing status and, thus, the business relation can be retained;
- The exposures to counterparties showing structural non-performing signs can be reduced and/or mitigated and, thus, credit risk can be controlled;
- The combination of credit risk and profitability can be reviewed by amending the conditions applied.

The process for monitoring and managing watch-list exposures is also supported with a dedicated procedure, called "Electronic Management Procedure" or with the Italian acronym "PEG"; it is structured in well-defined process steps, with automatic workflow logic but with the possibility for the relevant staff to act on the strategies and action plans, in accordance with very clear roles and responsibilities. Thanks to the PEG procedure, the guidelines on watch-list exposures have a single and clear direction, thus fostering harmonization of account managers' conducts, the monitoring of time frames and outcomes of the implemented actions, as well as adequate tracing of the management actions carried out on the single positions.

In terms of lending, the main directions set out in the Business Plan for the next three years focus on overall strengthening of tools, processes and infrastructure pursuing higher industrialization, in order to enhance analysis and assessment efficiency and thus to improve both the time to yes and the quality of the lending decisions made. The main projects include:

- Overhaul of the end-to-end lending processes, pursuing higher digitalization and industrialization, as well streamlining;
- The strengthening of forecast analysis and of loan management processes to anticipate and forestall any impairment;
- The evolution in the data infrastructure ("Data Lake") with an "LOM oriented" logic, to ensure agile use by the various structures of the Bank, also for portfolio scenarios.
- The adoption of ESG criteria in the various phases of the loan origination and creditworthiness assessment process.

Development, management and updating of Models – Roles and responsibilities

The process for the development, management and updating of the models, consistently with the guidelines issued by Crédit Agricole S.A., consists in the activities and procedures aimed at defining, at the initial stage, or at later updating the rating models that apply to loan exposures, that is to say, statistical models that have been designed to support credit assessment and to allow the capital requirements to be calculated in terms of risks of unexpected losses for the CA Italia Group.

The models for the measurement of risk parameters aim at achieving – for both reporting and management purposes – risk measures that are:

- Fit to grasp the key elements at the basis of assessment of the creditworthiness of the parties with whom the Group has or intends to assume loan exposures;
- Relatively stable over time over time in order to reflect at all times and in every Customer segment, long-term riskiness (measured by the rate of default) of the Group's exposures, both present and potential;
- Fit to prevent uncontrolled growth of risk in the positive cycle phases and – as a reaction – indiscriminate crunch in lending in negative phases (reverse cycle).

The Unit responsible for the development, management and updating of the models is the RAF, Models and Reporting Division, which is part of the Risk Management and Permanent Controls Department.

Specifically, the RAF, Models and Reporting Division is responsible for the development of internal rating models and of the LGD model, for the Crédit Agricole Italia Banking Group as a whole, ensuring compliance with the regulatory requirements provided for by the National and European Regulators, with the guidelines issued by the French Parent Company and constant alignment to the international best practices. Moreover, this Division is responsible for producing documentation on the structuring and operating details of the adopted models, especially of the rating system, formalizing the features and methods adopted, as well as any alterations in the components and overall structure of the model, setting forth the reasons for such alterations.

Since 2014, the Model Development Function has applied a Model Development Policy, which was approved by the Board of Directors of the Parent Company and adopted by the Boards of Directors of the other Banks in the Group in that year and then updated in 2017.

As approved by the Parent Company's Board of Directors in July 2020 and the following supplement approved in March 2021, the policy was revised and new version provides for three different documents:

- The "Regulation governing the process for the development, monitoring, revision and decommissioning of the internal rating systems" of the Crédit Agricole Italia Banking Group;
- The "Methodological Guidelines for Model Development and Monitoring" manual;
- The "Margins of Conservatism in AIRB models" manual.

The first document listed above formalizes the process implemented to develop, monitor, revise and decommission internal rating systems, setting out the process steps, the Organizational Units involved and their respective responsibilities. It also sets out the process for reporting to the Supervisory Authorities on any changes made to the internal rating systems or to their application scope.

The second document listed above formalizes the guidelines for the development and monitoring of the risk measurement systems for which the Model Development Service is exclusively responsible and shall be complied with by all the entities of the Crédit Agricole Italia Banking Group. Specifically, it exhaustively describes the process to develop Pillar 1 regulatory statistical models (PD, LGD, EAD, Maturity) as they are used to calculate the Bank's capital requirements.

The third document listed above describes the process to identify, assess, monitor and formalize evidence of the Margins of Conservatism (MoC) to be used in case of estimate uncertainty in the modeling process.

Moreover, all the internal models used by the Crédit Agricole Italia Group are submitted for approval to the "*Comité Normes et Méthodes*" of the Parent Company Crédit Agricole S.A., are internally validated by CA Italia Validation Service and are subject to the Internal Audit activities carried out by the IGL (*Inspection Générale Groupe*) Department of Crédit Agricole S.A..

Within its activities for the monitoring and maintenance of the existing models, in 2021 the Model Development Service worked on the main initiatives listed below:

- The Internal Models' Investigation (IMI) linked to the Material Model Change process concerning the credit risk internal models for the Retail segment, which started with the sending to the ECB of the Application Package in June 2020;
- The activities for the go-live of the new models for the Retail segment, which included both giving functional specifications for the model implementation and the certification of the released calculation engines. Said activities also included the assessment of the impacts generated by the new models on corporate processes and systems, planning, in agreement with the owners of the impacted procedures, targeted analyses and the deployment of the identified actions;
- The start of the activities for the replacement of the ANADEFI software, used to calculate the ratings of customers in the Corporate Banking segment, with the DAFNE application, which was developed by the Parent Company Crédit Agricole S.A. The project consists in replacing the present tool with a centralized software solution that can be accessed by all the Entities of the Crédit Agricole S.A. Group;
- The calculation, on a quarterly basis, of IFRS 9 collective impairment, using methods and models that have been developed in close coordination with the Parent Company Crédit Agricole S.A. and that cover the recent macroeconomic development scenarios;
- The contribution to the EBA stress test exercise, which was postponed to 2021 by the Regulator. As usual, this exercise will aim at assessing the resilience of the entire Crédit Agricole Group in a baseline and in an adverse scenario. This project, which will be carried out in coordination with the French Parent Company Crédit Agricole S.A., will involve various operating and management units of the Crédit Agricole Italia Banking Group for most of H1 2022;
- The activities for the preparation of the Return to Compliance Plan, which was sent to the ECB on 30 November 2021 and was intended to give the Supervisory Authority the representation of an appropriate strategy for the inclusion of the former Creval portfolio in the models for the measurement of Pillar 1 credit risk.

In 2022, the main projects will concern:

- The implementation of the Return to Compliance Plan as sent to the ECB, in accordance with the time schedule agreed on with the Supervisory Authority during the processes for the plan design;
- The go-live of the new Retail AIRB models, after obtaining the authorization from the Supervisory Authority and response to any recommendations given by the ECB during audits;
- The internal stress test exercises in accordance with the Stress Testing Policy that will be submitted to the Board of Directors in early 2022;
- Conducting the EBA stress test exercise on climate risk under the ECB coordination, which is going to be held in H1 2022. The exercise will have the purpose of measuring the effects on the main KPIs of the Crédit Agricole S.A. Group generated by energy transition (transition risk) and unforeseen climate shocks (physical risk);
- Continuing the DAFNE project in cooperation with Crédit Agricole Group Solutions and with the Parent Company Crédit Agricole S.A., as regards the implementation of all the operational steps to replace the software used to calculate the ratings of Corporate Banking customers;
- Structural revision of the early-warning model, adding estimate methodologies based on machine learning techniques and enrichment of the model's estimate information set (e.g. transaction data), for more effective and timely risk monitoring.

Cost of credit

The Crédit Agricole Italia Banking Group has kept and enhanced its systematic control on the developments in the quality of the Loans-to-Customers Portfolio; specifically, it has intensified the monitoring on loan positions and has made it even more selective, in order to ensure constant adequacy of recovery expectations in accordance with any changes affecting its counterparties. Specifically, in 2021, subsequent to the Covid-19 pandemic and with the adoption of the new NPE Policy, the recovery forecasts were revised with a conservative approach, increasing the provisions covering NPLs.

The process to define, manage and monitor the cost of credit is owned by the NPE Department, which ensures its overall consistency and all he controls within the wider scope of the strategy for the management of Non-performing Loans.

Said process comprises all steps in the cost of credit management, from setting strategic objectives in the NPE Strategy to verifying actuals, with the involvement of all relevant structures and with periodic reporting to the NPE Committee.

The Intelligence and Asset Disposal Department, through the Portfolio Management Service, is responsible for progressive updating of the KPIs set out in the NPE Strategy and for reporting also to the NPE Committee (in order to define strategies, target KPIs and the related monitoring).

Stress test

The credit risk monitoring strategy pursued in 2021 was fully consistent with that pursued in the previous year. The related controls were performed on all channels, focusing on the Corporate Banking Channel (SME/Mid and Large Corporate segments) and on the Small Business and Individuals Retail sub-segments, as well as on Crédit Agricole Leasing Italia.

Moreover, in order to define a reference framework for Stress Test exercises on the different risk scope consistently with the guidelines issued by the Controlling Company Crédit Agricole S.A., since 2017 the Crédit Agricole Italia Banking Group has been implementing a specific policy (the Stress Test Policy), which was approved by the Board of Directors of Crédit Agricole Italia and then adopted by all the Companies of the Group. The Stress Test policy is updated and submitted to the Board of Directors for its validation on a yearly basis.

The Policy lays down the quantitative and qualitative techniques with which the Group assesses its vulnerability to exceptional but plausible events; they consist in measuring the impacts on profit or loss, on its financial position and on regulatory aspects generated by specific events (sensitivity analysis) or by combined changes in a set of economic and financial variables in adverse scenarios (scenario analysis). The policy lays down the stress test reference framework of the Crédit Agricole Italia Banking Group, as required by the new regulations issued by the Supervisory Authority and defines the set of stress test exercises to be carried out in the year.

In 2021, the Group stress testing exercises were:

- The EBA 2021 regulatory stress test exercise;
- The budget and on the MTP (Budgétaire) stress test exercise was carried out using the macroeconomic scenarios given by the Parent Company Crédit Agricole S.A in the period September-November 2021. This exercise, which operated across the various corporate divisions engaged in risk measurement and management, allowed a prospective analysis of the impact on the Income Statement main items (including the cost of credit) and on risk-weighted assets;

Furthermore, in 2021, the Group started some activities in preparation for the 2022 SSM Climate Risk Stress Test, which is scheduled for 2022. Activities concerned the analysis of the methods, metrics and information necessary to carry out the exercise.

The estimated effects of the economic cycle on the PD allow future developments in Risk Weighted Assets and Expected Loss to be calculated by aggregation level, with the possibility to simulate and calculate separately the impacts in terms of changes in volumes and increase in risk. Moreover, as reported in the section on projects, the outcomes of the stress test exercises are taken into account within the definition and management of the Risk Appetite Framework.

Within the Internal Capital Adequacy Assessment Process (ICAAP), the Pillar II requirements were calculated in accordance with the methods defined by the Parent Company Crédit Agricole s.a., which, as regard credit risk on the Retail portfolio, provide for the calculation of RWAs and capital requirements using point-in-time risk parameters consistently with the IFRS9 framework deployed to calculate impairment on performing loans.

The requirements stressed for credit risk, as expected by the Bank of Italy within the ICAAP, are calculated supplementing the ICAAP with the results obtained in the stressed budget exercise.

2.3 Methods to measure expected losses

ECL governance and measurement

The Risk Management and Permanent Controls Department is responsible for defining the methodological framework and for overseeing the process for ECL-related impairment of exposures and provisioning. The calculation of impairment of performing assets is part of the overall cost of credit process, which is coordinated by the Portfolio Management and External Collection Division.

To define the IFRS 9 parameters required to calculate ECL, the Crédit Agricole Italia Banking Group has primarily relied on its internal rating system and on the other regulatory processes already implemented.

The assessment of credit risk is based on an expected loss model and extrapolation based on reasonable future scenarios. All information that is available, pertinent, reasonable and justifiable, including forward-looking information, shall be taken into account.

Therefore, in compliance with the requirements laid down by the standard, in order to estimate parameters, a set of forward-looking scenarios is used, each one of which is weighted by the related probability of occurrence. In agreement with its French Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group uses four different macroeconomic scenarios: Said scenarios can be summarized as follows:

- Central scenario, i.e. the most likely scenario;
- Moderately adverse scenario, i.e. the economic scenario in moderately adverse conditions;
- Budget stress scenario, i.e. the most adverse scenario used within the Stress exercise at the end of the budget preparation;
- Favourable scenario, i.e. the economic scenario in favourable conditions.

The weights to be assigned to the four scenarios – which may vary at each new estimation of the parameters – are defined by the Crédit Agricole Group (Group Economic Research Department of CAsa).

The Crédit Agricole Banking Group updates the estimate of the parameters at least every year. The ECL calculation formula comprises the following parameters:

- Probability of Default – PD;

- Loss Given Default – LGD;
- Exposure At Default (EAD).

As already pointed out, these parameters have also been defined broadly based on the internal models used as part of the regulatory framework (where any), although they had to be adjusted in order to determine an ECL fully compliant with IFRS 9. Indeed, the standard requires a Point-in-Time analysis as at the reporting date, while taking account of the historical loss data and forward-looking macroeconomic data. Therefore, based on the above, the accounting approach is different from the prudential framework, where analyses are multiyear and Through the Cycle to estimate the Probability of Default (PD); moreover, such analyses shall include the Downturn in the estimate of the Loss Given Default (LGD), whereas this effect is not envisaged in the IFRS 9 LGD.

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments. Expected credit losses are discounted at the effective interest rate (EIR) used for the initial recognition of the financial instrument. The models and parameters used are backtested at least annually by the Risk Management and Permanent Controls Department.

Significant increase in credit risk

For each financial instrument, the Crédit Agricole Italia Banking Group assesses any increase in credit risk from initial recognition at each reporting date. Based on this assessment of changes in credit risk, exposures are classified into the different risk stages.

Monitoring on significant increase in credit risk shall cover every financial instrument, unless specific exceptions apply. Contagion is not required for the downgrading of financial instruments of the same counterparty from stage 1 to stage 2.

Monitoring of significant increase in credit risk shall consider the change in credit risk of the principal debtor without taking account of any guarantee, including for transactions with a shareholder guarantee.

To measure any significant increase in credit risk since initial recognition, it is necessary to use the internal rating and Probability of Default (PD) at origination. The Probability of Default at origination is compared to the Probability of Default as at the reporting date and, setting the change between the two PDs against the SICR thresholds estimated with a statistical approach, it can be assessed whether the financial instrument has undergone any significant increase in credit risk vs. origination. In case of significant increase in credit risk, the financial instrument shall be classified in stage 2. Otherwise, the instrument shall remain in stage 1.

The table below shows the PD change thresholds to be used for staging as set by the Crédit Agricole Italia Group within its recent parameter review (November 2021) whereby, in agreement with the French Crédit Agricole, it was decided to replace the thresholds previously used and to adopt the following new threshold changes[24]:

Portfolio		SICR (significant increase of credit risk)
Large Corporate		3.0
Small/Medium Enterprises		2.8
Retail	Individuals with real estate collaterals	4.3
	Qualified rotating Retail exposures	4.0
	Other exposures to Individuals	4.3
	Small Enterprises and Sole Traders	3.2

Origination means the settlement date or the date on which the Bank became bound by the contractual terms of the financial instrument. For financing and guarantee commitments, origination means the date on which the irrevocable commitment was made.

For exposures without an internal rating model, the Crédit Agricole Italia Banking Group uses non-payment as at the reporting date or in the previous 12 months. In case of non-payment, as at the reporting date or in the previous months, the exposure is downgraded to stage 2.

24 Further information on the change in the SICR thresholds is given below in the specific paragraph.

For exposures (with the exception of securities) for which internal rating models have been implemented and applied (all the more so if the rating models have been validated), the Crédit Agricole Italia Banking Group considers that all of the information incorporated into the rating systems allows for a more detailed assessment than the non-payment for over 30 days criterion alone as a back-stop threshold.

Other factors for downgrading to stage 2 are:
- A PD absolute threshold is breached. This threshold is set at 12% for the corporate portfolio and at 15% for the retail portfolio;
- No rating as at the assessment date if regarding loans disbursed over six months before;
- The exposure being classified as forborne performing (definition given below).

If the conditions that triggered downgrading to stage 2 no longer apply, impairment may be reduced to 12-month ECL (stage 1).

For security portfolios, the Crédit Agricole Italia Banking Group uses an approach that consists in applying an absolute level of credit risk, in accordance with IFRS 9, at the breaching of which exposures shall be classified in stage 2 and provisioned for based on ECL at maturity.

Therefore, the following rules shall apply for monitoring significant increase in credit risk of securities:
- "Investment Grade" (IG) securities, at the reporting date, shall be classified in stage 1 and provisioned for based on 12-month ECL;
- "Non-Investment Grade" (NIG) securities, at the reporting date, shall be subject to monitoring for significant increase in credit risk, since origination, and be classified in Stage 2 (lifetime ECL) in the event of significant increase in credit risk.

The related increase in credit risk shall be assessed prior to the occurrence of a known default (Stage 3).

Multi-scenario calculation

To estimate the parameters used in calculating the forward-looking scenarios at the 30 June 2021 reporting date, the weights set by the Parent Company Crédit Agricole S.A. were the following:
- Central scenario, 50%;
- Moderately adverse scenario, 35%;
- Stressed budget scenario, 5%;
- Favourable scenario, 10%.

In compliance with IFRS 9, the ECL is estimated weighting forward-looking scenarios; therefore, the various scenarios were weighted by their probability of occurrence, as given above.

The main macroeconomic indicators used to define the scenarios were prepared by the ECO structure of the French Parent Company Crédit Agricole S.A. specializing in macroeconomic studies.

Indicators used as 31 December 2021

	Central				Moderately adverse				Stressed budget				Favorable			
	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Ita GDP	6.0%	4.1%	2.3%	1.5%	6.0%	2.9%	1.1%	1.3%	4.5%	2.5%	0.5%	1.1%	6.0%	4.7%	2.8%	1.9%
Eu GDP	5.3%	4.3%	2.5%	1.5%	-8.3%	3.4%	0.7%	1.1%	-6.4%	3.0%	0.1%	0.9%	-2.8%	4.7%	2.8%	2.0%
Investments in buildings	20.8%	5.3%	3.9%	3.6%	20.8%	2.8%	3.1%	2.6%	18.7%	4.3%	1.1%	1.5%	20.8%	6.5%	4.6%	4.3%
Investments in machinery	15.6%	6.0%	4.4%	2.6%	15.6%	3.1%	3.2%	2.1%	16.2%	3.1%	0.1%	2.4%	15.6%	6.5%	4.8%	4.3%
Fixed investments	15.3%	5.1%	3.9%	3.3%	15.3%	2.9%	3.1%	2.6%	14.6%	3.6%	1.0%	2.2%	15.3%	6.1%	5.0%	4.5%
Employment rate	-0.5%	0.9%	0.5%	0.8%	-2.2%	0.8%	0.0%	-0.1%	-0.7%	-0.1%	-0.4%	0.6%	-0.1%	1.0%	1.4%	0.7%
Domestic demand	3.7%	3.7%	1.9%	1.0%	3.7%	2.8%	0.8%	0.9%	2.7%	3.0%	0.6%	0.8%	3.7%	4.5%	2.3%	1.5%
World oil demand	4.7%	3.4%	0.8%	1.1%	-5.3%	3.0%	0.5%	0.6%	-3.9%	2.5%	1.0%	0.8%	-4.5%	3.6%	0.8%	1.2%
Work productivity	6.4%	3.9%	1.6%	-0.1%	6.4%	3.0%	1.4%	0.2%	-0.7%	0.9%	1.1%	0.8%	6.4%	2.3%	1.8%	1.1%
Industrial production index (IPI)	10.6%	3.2%	3.1%	1.7%	10.6%	1.0%	0.9%	2.7%	11.2%	1.1%	0.5%	0.8%	10.6%	4.2%	3.9%	2.8%
Propensity to consume	-0.8%	1.9%	0.0%	-0.7%	-1.1%	0.8%	-1.5%	-1.1%	-0.5%	2.2%	0.5%	0.2%	-0.6%	2.2%	0.0%	-0.7%
Weight	50%				35%				5%				10%			

The main underlying assumptions are:

- Central scenario: growth continues to be heavily dependent on the 2021 health-related assumptions, which do not envisage any material restrictions to free movement of people and goods. The strong rebound in the GDP, growing by 6% in 2021, is confirmed also for 2022–2024.
- Moderately adverse scenario: marked and long-lasting increase in inflation and in the prices of commodities and intermediate goods. The economic situation causes consumption and investments to decrease starting from mid-2022, with direct impacts on economic recovery.
- The stressed budget scenario is the most severe scenario. It is considered a variant of the moderately adverse scenario and envisages long-lasting reduction in consumption caused by the spike in the prices of commodities (including energy) and intermediate goods. This scenario goes along with responsive monetary policies deployed by the ECB and by the FED aimed at containing the rise in prices.
- The favourable scenario is considered a variant of the central scenario with economic recovery somewhat steadier thanks to lesser increase in the prices of commodities and intermediate goods starting from 2022.

It is to be pointed out that the moderately adverse and stressed budget scenarios do not assume any worsening in the health situation caused by the Omicron variant (which had not yet been detected at the time the scenarios were designed) and by larger spreading of the infection in winter. In order to take this effect into account, an appropriate level of impairment was kept, also through management overlays (please, see the relevant paragraph).

In order to prevent excessive volatility of models caused by the strong growth in macroeconomic indicators in 2021-2023 following the deep depression expressed by the 2020 indicators, Crédit Agricole S.A. decided that the whole Group was to adopt the smoothing approach (*lissage* in French) for some macroeconomic variables (Italian and Euro Area GDP, fixed investments in constriction and machinery, Industrial output index). The process is intended to spread the effects of the 2020 economic slump over the forecast years, thus mitigating any excessive procyclicality. This treatment can be justified with the uncertainty in the effectiveness of the measures to stimulate the economy (moratoria, new liquidity...) on the probabilities of default in the first year.

The economic scenarios used in the 2021 Half-year Report and in the 2020 Annual Report are also given, in order to represent the main changes occurred vs. the multi-scenario used in Q4 2021.

Indicators used as at 30 June 2021

	HALF-YEAR FINANCIAL REPORT Main macroeconomic indicators for 2021-2023															
	Central				Moderately adverse				Stressed budget				Favorable			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Italy GDP	-8.9%	3.8%	3.9%	1.5%	-8.9%	1.7%	2.5%	1.1%	-8.9%	-0.5%	1.4%	1.0%	-8.9%	5.0%	3.5%	1.3%
EU GDP	-7.0%	3.9%	4.0%	2.3%	-7.0%	2.3%	2.9%	2.2%	-7.0%	-1.1%	3.4%	1.7%	-7.0%	4.8%	4.4%	2.7%
Industrial Production Index (IPI)	-10.4%	6.7%	4.5%	0.9%	-10.4%	3.9%	2.3%	0.9%	-10.4%	2.7%	1.8%	1.2%	-10.4%	7.1%	4.3%	1.2%
Investments in Buildings	-6.6%	10.0%	4.3%	3.3%	-6.6%	6.4%	1.8%	2.6%	-6.6%	6.3%	3.8%	4.1%	-6.6%	11.4%	4.9%	2.9%
Investments in machinery	-15.2%	10.8%	4.4%	3.5%	-15.2%	7.3%	3.2%	3.2%	-15.2%	-3.8%	6.6%	4.2%	-15.2%	12.7%	5.3%	2.7%
Employment rate	-1.0%	0.3%	0.3%	0.3%	-1.0%	-0.2%	0.4%	0.4%	-1.0%	-1.9%	0.9%	0.2%	-1.0%	0.5%	0.4%	-0.1%
Propensity to consume	-5.0%	-0.2%	3.7%	0.4%	-5.0%	-0.8%	2.8%	0.2%	-5.0%	-2.7%	1.7%	0.8%	-5.0%	0.3%	2.7%	0.2%
Public expenditure	1.6%	2.8%	-0.1%	-0.8%	1.6%	1.8%	-0.2%	-0.8%	1.6%	1.5%	-0.3%	-0.8%	1.6%	2.8%	-0.1%	-0.8%
WEIGHT	60%				25%				5%				10%			

Indicators used as at 31 December 2020

	2020 ANNUAL REPORT Main macroeconomic indicators for 2020-2023															
	Central				Moderately adverse				Stressed budget				Favorable			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Italy GDP	-9.7%	3.7%	4.7%	1.9%	-9.7%	1.3%	3.4%	2.1%	-10.4%	-0.5%	1.4%	1.0%	-9.7%	5.6%	2.0%	0.7%
EU GDP	-8.2%	12.1%	-0.6%	-1.4%	-8.2%	10.7%	0.4%	-1.1%	-8.8%	0.7%	3.4%	1.7%	-7.8%	5.3%	2.7%	1.3%
Industrial Production Index (IPI)	-5.3%	2.7%	3.2%	0.2%	-5.3%	1.5%	1.9%	1.5%	-15.3%	2.7%	1.8%	1.2%	-10.3%	5.7%	4.2%	0.2%
Investments in Buildings	-13.5%	4.4%	8.2%	4.3%	-13.5%	4.0%	6.8%	4.3%	-15.2%	6.3%	3.8%	4.1%	-13.9%	8.9%	4.9%	3.2%
Investments in machinery	-19.6%	-1.7%	8.3%	4.8%	-19.6%	-0.8%	7.6%	4.8%	-20.1%	-3.8%	6.6%	4.2%	-18.0%	10.0%	6.9%	4.5%
Employment rate	-2.4%	0.7%	0.6%	0.5%	-2.4%	0.1%	0.7%	0.5%	-2.4%	-0.5%	0.9%	0.2%	-2.4%	0.7%	0.6%	0.5%
Propensity to consume	-7.4%	1.5%	2.3%	1.3%	-7.4%	-0.8%	2.4%	1.6%	-7.4%	-0.2%	1.7%	0.8%	-7.3%	4.0%	0.9%	0.0%
Public expenditure	0.3%	4.0%	-0.1%	-0.8%	0.3%	4.0%	-0.1%	-0.8%	1.1%	1.5%	-0.3%	-0.8%	-1.1%	1.2%	-0.3%	-0.8%
WEIGHT	55%				20%				5%				20%			

Scenario sensitivity analysis

Within the revision of the parameters used for the IFRS 9 calculation of the Q4 2021 figures, the Crédit Agricole Italia Banking Group estimated the sensitivity of the ECL figure to the different macroeconomic scenarios given by the Crédit Agricole Group Economic Research Department - ECO, which is a specialist in macroeconomic studies.

To estimate the impact from the different scenarios identified, the maximum weighting was associated to each scenario, each time zeroing the contribution from the others in determining the forward-looking risk parameters and, thus, assessing the marginal contribution of each scenario to the final result.

The sensitivity estimates were made on September 2021 data in a lab environment and later applied to the closing figure as at the end of 2021. The application of the observed variations to the December 2021 calculation results for the Crédit Agricole Italia Banking Group is summarized in the table below, which shows the range of figures that can obtained with the above-described method.

	EAD	ECL	Sensitivity analysis: ECL per single scenario			
			Multiscenario	Moderately adverse scenario	Stressed budget	Favourable
RETAIL BNKG	**30,735**	**145**	**131**	**141**	**167**	**134**
Stage1	*28,362*	*46*	*45*	*48*	*52*	*43*
Stage2	*2,373*	*99*	*87*	*93*	*115*	*91*
CORPORATE BNKG	**38,075**	**163**	**161**	**208**	**204**	**155**
Stage1	*36,072*	*63*	*61*	*74*	*80*	*54*
Stage2	*2,004*	*100*	*101*	*137*	*122*	*103*
SECURITIES	**12,364**	**16**	**15**	**18**	**19**	**8**
Stage1	*12,359*	*15*	*14*	*18*	*19*	*8*
Stage2	*5*	*0*	*0*	*0*	*0*	*0*
TOTAL	**81,175**	**324**	**306**	**366**	**390**	**294**
Deviation			**-5.4%**	**13.1%**	**20.5%**	**-9.1%**
Weight			**50%**	**35%**	**5%**	**10%**

The table reports the result of the ECL sensitivity analysis based on the simulated scenarios and the related percentage deviation from the "multi-scenario" used for the accounting 'ECL , which can vary from Euro 294 million (-9.1% decrease) to Euro 390 million in the Stressed Budget scenario used for budget simulations (20.5% increase). The recognized amount of Euro 324 million reflects the weights on the Central and Moderately Adverse Scenarios.

Post-model adjustments

Following the Forward-Looking Local ECL calculation as at December 2021, the Crédit Agricole Italia Banking Group made management overlays for a total amount of Euro 42.9 million. Said adjustments can be broken down into two types:

- Single-name adjustments (adjustments on single positions) whereby the results could be aligned with the expectations – in terms of risk profile – of the IFRS 9 work group. In accordance with the regulated process, based on the results obtained with the calculation approach defined by the Group and based on the management information of the single counterparties, if the expected loss value associated with a specific counterparty does not accurately reflect its riskiness, the provisioning on the counterparty may be adjusted manually to a level deemed appropriate; such manual actions are allowed only if they increase the coverage ratio on the counterparty. Single-name adjustments also include adjustments of the ECL value associated with exposures to the Bank of Italy, to the State Treasury and to intra-group positions (with effects on the separate financial statements of the Group's entities);
- Prudential treatment of Covid-19-related moratoria. In order to foretell any latent risk situations linked to moratoria, consistently with the end of the last year, the Crédit Agricole Italia Banking Group made adjustments, in terms of both staging and coverage on a significant cluster of positions for which it cannot be ruled out that the concession of payment suspension may have generated an impact on the risk parameters used for staging and for the ECL calculation. Specifically, the amount of the adjustments was Euro 21.3 million, consisting of two components:
  1. Reinstatement to stage 2 for the counterparties whose ratings improved rating (SICR) and thus whose staging was upgraded due to moratoria (Euro 4.1 million);
  2. Reinstatement of the before-Covid-19 coverage ratios for the positions posting lower coverage subsequent to the moratorium (Euro 17.2 million).

The monitored perimeter is the one regarding moratoria granted since March 2020, with special focus on those in force and/or expired less than 6 months before the reporting date.

In 2021 the analysis was supplemented taking into account not only positions under moratoria, but also the customer's overall situation, in order to factor in the positive effect on the counterparty's rating, which consequently affects also the provisioning for positions with no moratorium:

- Portfolio adjustments made through massive spreading of the identified amounts over all positions proportionally to the ECL. Said case included the following actions;
- Inclusion of an impact generated by the recalibration of the IFRS 9 for the new definition of default, which went live in the systems of the Crédit Agricole Italia Banking Group on 7 September 2020;
- Restoring the coverage of a cluster of positions for which it cannot be ruled out that the concession of the Covid-19-related moratorium has entailed benefits in the 'ECL calculation (in addition to the impact on the FLL ECL due to the reclassification of some positions under Covid-19-related moratoria to Stage 2 as reported above);
- Actions concerning methodological elements not yet included in the used parameters or the shifting from a regulatory FIRB LGD to a management one, also for the Corporate segment and the implementation of a Forward-Looking Local model also for the LGD value;
- Actions aimed at mitigating the impacts on the impairment of positions with State guarantees that had not been correctly factored in to calculate the Forward-Looking Local ECL.

After the above-reported individual and portfolio adjustments, a realistic margin was kept between the calculated need and the recognized provision without any accounting recoveries in order to take into account any potential worsening in the economic situation, which may be negatively affected by the increase in Covid cases occurred at the end of 2021.

Significant increase in credit risk (SICR)

In Q4 2021, the Crédit Agricole Group started a process for the review of the thresholds of significant increase in credit risk (SICR) in order for the approach of PD change in relative terms even more robust.

Based on that input, the Crédit Agricole Italia Banking Group defined new thresholds to assess increase in credit risk, which provide for classification in Stage 2 of all positions for which the PD calculated as at the reporting date is strictly higher than its PD at origination multiplied by a threshold that is different for each portfolio. The formulas:

$$PD_{Closing\ Date} > \beta_i * PD_{Origial\ Date}$$

where i indicates the type of IFRS 9 portfolio (i.e. loans to individuals with real estate collaterals, revolving credit lines to individuals, other loans to individuals, loans to large corporate customers, loans to SMEs, loans to sole traders).

The total impact of the methodological change was estimated on the portfolio as at September 2021 and entailed, with the other conditions being equal, the classification in Stage 2 of exposures for an additional amount of Euro 1,529.5million for a total impact of Euro 11.3 million in ECL.

Ptf Sett 2021	Esp Simul (mln)	Esp Prod (mln)	ECL FLC Simul (mln)(*)	ECL FLC Prod(*)	Delta Esp (mln)	Evol. %	Delta ECL (mln)	Evol. %
Stage 1	75,372.3	76,901.8	100.3	100.8	-1,529.5	-2.0%	-0.5	-0.5%
Stage 2	4,146.2	2,616.7	154.5	142.8	1,529.5	58.5%	11.8	8.3%
Total	**79,518.4**	**79,518.4**	**254.9**	**243.6**	**0.0**	**0.0%**	**11.3**	**4.6%**

(*) ECL calculated applying the New PD curves.

It is pointed out that the calculation of impairment up to 30 September 2021 was based on the additive approach, as follows:

$$PD_{Closing\ Date} - PD_{Origial\ Date} > Soglia\ SICR$$

The table below lists the PD change thresholds adopted in production until Q2 2021.

Portfolio		SICR (significant increase in credit risk)
Large Corporate		2.0%
Small Medium Enterprises		3.0%
Retail Bnkg	Individuals with real estate collaterals	2.0%
	Qualified rotating Retail Exposures	6.0%
	Other exposures to individuals	3.0%
	Small Enterprises and Sole Traders	3.0%

2.4 Credit risk mitigation techniques

Within the Crédit Agricole Italia Banking Group, the mitigation of credit risk is pursued by entering into ancillary agreements or by adopting adequate tools and techniques designed to mitigate this risk.

In particular, specific processes regulate the obtainment and management of guarantees, with clear definition of the relevant roles, responsibilities and controls. Close attention is paid to the adequacy of the rules and procedures for monitoring that the requirements of the guarantees remain complied with (legal certainty, prompt realization and value consistency with the exposure).

The standards for the appraisal of real estate properties securing the exposures of the Crédit Agricole Italia Banking Group, as laid down in the «Policies on the Valuation of Real Estate Properties Securing Exposures», are compliant with the Guidelines issued by the Italian Banking Association (ABI) in force at the relevant time and prepared in accordance with the recent regulatory principles "International Valuation Standards" (IVS) and "European Valuation Standards" (EVS).

In December 2020, said Policies were updated in order to further strengthen the overall framework in 2021. The main changes were:

- The definition of assignment turnover (2 consecutive ones at the most);
- The differentiation of the type of appraisal in accordance with the type of property and the extension of the cases in which full appraisals are to be requested;
- The extension of the appraisal contents (including wider disclosure of the appraisal methods) and of the documents needed for the appraisal process, in accordance with the type of property and development stage;
- Stricter fit requirements for the appraisers, requiring in particular the RICS certification;
- The differentiation of appraisal methods in accordance with the type of property and the integration of ESG criteria;
- The possibility of having the appraisals updated more frequently in case of any negative market scenario;
- Stronger role of governance and control on the appraisal quality to be played by the Real Estate Chain Service of Crédit Agricole Group Solutions, with special regard to retaining appraisers, to the appraisal methods and criteria used by external experts and to control activities;
- Better formalization of the control framework with internal protocols designed to set the related methods, frequency, type and summary periodic reporting.

3. NON-PERFORMING EXPOSURES

In 2021 the Group updated and revised its rules and arrangements on non-performing loans and completed an organizational change, which contributed to setting up the NPE Department responsible for NPE management and protection.

The NPE Regulation

In the last few years, the legislation and regulations applicable to non-performing loans have been constantly developed and amended in order to improve the prudential criteria for identification and management of non-performing loans, fostering harmonization across the EU Member States.

In order to ensure constant compliance with said developments, the NPE Regulation is periodically revised, on the basis also on the remarks made during the periodic audits carried out by the Parent Company and by the ECB.

Specifically, the latest revision implemented:
- The regulatory requirements on the New definition of Default, on the thresholds triggering classification as non-performing and on contagion criteria;
- The EBA Guidelines, with special regard to the definition of the events triggering the classification of positions as Non-Performing;
- The latest guidance given by the Regulator on the criteria to assess non-performing loans, especially loans to the Commercial Real Estate sector and with specific regard to vintage assessment and to the need to strengthen the methods for appraisal of the assets pledged as collateral.

Besides factoring in the main novelties introduced by the legislation on the New Definition of Default, which, in the Crédit Agricole Italia Banking Group, became operational in September 2000, the revision of the NPE Regulation implemented some regulatory rules ensuring full compliance with the ECB guidelines. More specifically, the NPE Regulation in its latest revision further extends.

The events triggering classification as in Default (UTP Triggers): in compliance with the EBA Guidelines, a set of events has been defined upon whose occurrence the management structures shall thoroughly review the positions concerned in order to assess whether it is appropriate or necessary to classify them as non-performing.

Said positions may be kept in the performing category only in specific cases to be appropriately substantiated. The triggers are different in accordance with their scope of application being Individuals or SMEs.

The events triggering classification as Bad Loans: a set of events has been defined which, for their severity and risk of impairment of the assets backing the Bank credit claim, shall trigger immediate classification of the positions concerned as bad loans, with subsequent start of the related executive actions.

Furthermore, some guidelines have been designed for loan classification in the correct risk grade, first of all through going/ gone concern assessment.

Special attention is given to the positions in the “Commercial Real Estate” perimeter, which, due to the problems associated with the sector in terms of management and risk, is quite material in the non-performing loans scope.

In recovery forecasts, thorough assessment has been introduced of the reasons concerning the time for which the positions have been classified as non-performing; to this effect the analysis of exposure vintage is of key importance for the loan conservative measurement.

The policy on the measurement of non-performing loans

In the reporting period, the Policy on the measurement of non-performing loans was thoroughly revised in order to remain fully compliant with the latest guidelines issued by the Regulator; specifically:
- Provisioning on new NPEs was revised, meaning the minimum coverage for each category of non-performing loans (Past Due, UTP, Bad Loans) upon the position downgrading as Non-Performing.

The new Policy provides for a general increase in the minimum coverage of each risk grade, continuing to differentiate based on the related guarantees.

It lays down a minimum coverage level of non-performing exposures, which is not linked to the related guarantees, except for exposures backed by direct state guarantees:
- The addition of specific measurement bases for certain types of exposures in the Corporate Banking segment, and specifically:
  - Customers using protection arrangements provided for by the Italian Bankruptcy Law;

  - Off-balance-sheet exposures It specifies the methods for provision calculation using *Cash Conversion Factors that are different by type of exposure*;
  - Exposures in the *Commercial Real Estate* segment. For this segment, the existing measurement bases were supplemented in accordance with the latest instructions given by the Regulator, adopting a more conservative approach in determining recovery forecasts relating to the sale of the assets pledged as collateral. Said measurement bases provide, also on UTP for progressive increase in the *Haircuts* to be applied to real estate values, as verified at the relevant time, based on *vintage* (period elapsed from the classification as non-performing) in order to keep in all due account the assets' actual liquidity;
- Furthermore, more conservative *haircuts* shall apply to all UTP positions referring to *gone concerns*, backed by collateral consisting of non-fungible assets:
  - Exposures in the Hotellerie segment. Specific measurement bases have been laid down for this sector, as it was hit very hard by the pandemic crisis;
- Yet another point is the need for careful assessment of the actual liquidity of collaterals, with special regard to exposures that have been long in a non-performing status, thus considering vintage as an indicator of the collateral being hardly liquid.

The units managing non-performing loans

The UTP Management Division, through specialist management Services by type of counterparty, is responsible for managing non-performing exposures classified as Unlikely to pay (UTP).

The Division is in charge of out-of-court collection and/or full recovery of the exposures it manages, excluding the positions within the scope of outsourced collection services, consistently with the NPE strategy.

The Division manages relations with the Customers falling within its scope of responsibility with the objective of collecting the credit claims of the Crédit Agricole Italia Banking Group, promptly implementing all actions that are deemed the most suitable and effective towards borrowers.

In addition to periodic specific measurement of the recovery value, the management process for non-performing positions aims also at:
- Verifying whether the counterparty is capable of recovering financial health and, consequently, restoring the business and loan relationship; To this end, the Division is responsible for determining the scenario for collection forecast, specifically assuming the counterparty as a going concern (i.e. the exposure can be repaid with the cash flows generated by the counterparty as a going concern) or assuming the counterparty as a gone concern where the exposure can be collected only through the assets securing it as collaterals);
- Scheduling and monitoring loan workout plans agreed on with Customers;
- Proactive participation in interbank work group for debt restructuring and assessment of the proposed plans.

The Bad Loans Division is responsible for the management of non-performing exposures classified as "bad", through the two Services it comprises: Bad Loans Management Service and Bad Loans Administration and Coordination Service.

The mission of the Bad Loans Division is protecting and enforcing the credit claims of the Bank and of the Leasing Company against borrowers that are insolvent, in accordance with the NPE Strategy.

This mission is pursued managing bad exposures as follows:
- Implementing all possible actions in court and out of court, in order to achieve the best possible compromise between the highest possible collection and the shortest time to collection on these exposures;
- Ensuring organic management of all information on the most likely forward-looking repercussions on the income statement through the recognition of provisions for risks and allowances for losses on loans;
- Preparing and then updating, based on harmonized and standardized approaches, collection forecast in terms of probable collected amount and expected collection date, as well as conservative measurement of the existing guarantees and of those that can be reasonably be obtained in court.

3.1 Management strategies and policies

It is also pointed out that, since September 2020, the Group has implemented the New Definition of Default. Albeit confirming the concepts of late payment and unlikeness to pay of the debtor as the default bases, the new definition has introduced some considerable changes mainly concerning.

The design of the NPE Strategy has provided for the following approach:

- Breakdown analysis of the loan portfolio and of the performance historical data of NPE management and collection by the Crédit Agricole Italia Banking Group;
- The positioning benchmark of the Crédit Agricole Italia Banking Group in the target market as regards KPIs (NPE Ratio, Coverage Ratio, Cost of Risk);
- Identification, based on the aforementioned analysis, of action drivers to strengthen the performances of the Crédit Agricole Italia Banking Group in terms of credit quality protection and improvement:
- Management actions on the "loan recovery machine";
- Initiatives aimed at increasing the NPE coverage ratio;
- NPE deleveraging initiatives through tools and actions already developed by the Group (NPE sales on a portfolio and single name basis) also in order to reduce the average vintage of the NPE portfolio.

Specifically, the NPL Policy sets out the internal rules for assessing Past Due, UTP and Bad Loans and, for each category, it governs the following scopes:

- Identification and classification methods;
- Criteria to determine statutory impairment applied upon entry in the category;
- Discounting rule to determine the present value in accordance with the estimated recovery plan;
- Assessment methods and criteria during the stay in the category;
- Conditions and methods for exiting the category with migration between NPE categories.

Given the impacts generated by the Covid-19 pandemic, in 2021 the NPE strategy dynamics was updated in order to assess whether any adjustments were appropriate of the set KPIs to new scenario assumptions.

Specifically, the 2021 cost of credit trajectory was reviewed, mainly due to:

- Increase in the performing portfolio coverage, following the revision of the macroeconomic forecast scenario;
- Increase in the non-performing stock coverage, following the revision of recovery forecasts from a conservative standpoint and the acceleration in the deleveraging process. The NPE portfolio coverage came to 53.4% (after POCI application to 38.2%).

In 2021 the NPE Strategy was further supplemented in order to take into account the effects of the non-recurring transactions carried out by the Group, specifically Creval integration and the "Stelvio" disposal of NPLs. Thanks to these transactions, important objectives were achieved in terms of reduction and change in the composition of the NPE stock (consisting by about 80% of UTPs); the gross NPL ratio hit 3.3%.

For information on the technical-organizational procedures and on the methods used to manage and control the NPE portfolio, please, refer to the Note to the Financial Statements - Part A - Accounting Policies, section A.2 Part reporting on the main financial statement items "Impairment for credit risk".

It is also pointed out that, since September 2020, the Group has implemented the New Definition of Default. Albeit confirming the concepts of late payment and unlikeness to pay of the debtor as the default bases, the new definition has introduced some considerable changes mainly concerning:

- "Relative" and "absolute" materiality thresholds to identify pastdue determining classification in the default status. It is automatic is two thresholds (relative and absolute) are jointly breached for 90 days in a row. More specifically:
  - The relative threshold was lowered to 1% (vs. 5% as previously in force), to be compared to the ratio of the total pastdue and/or overlimit amount to the total amount of recognized exposures to the same borrower;
  - The absolute threshold was set at Euro 100 for Retail Customers and at Euro 500 for Non-Retail Customers, to be compared to the total pastdue and/or overlimit amount of the borrower;
- Banks are not allowed to net existing pastdue and/or overlimit exposures on some credit lines of the debtor against existing available margins on other credit lines of the same borrower;
- A 3-month probation period shall be applied*, running from the moment the positions no longer meet the conditions to be classified as defaulted and during which no pastdue instances must occur, before classifying the loan, and therefore the Debtor, back to a non-default status.* The regulation previously in force did not provide for said probation period and, therefore, allowed reclassification to a performing status upon settlement of the pastdue and/or overlimit amounts;

- Specific rules (so-called "triggers") shall be applied, which require automatic classification as non-performing of exposures meeting even one only of the following characteristics:
  - Loss of more than 1% on restructured exposures (suspensions, rescheduling, renegotiations) because of financial difficulties experienced by the debtors;
  - Disposal of performing loans and consequent recognition of a loss of more than 5%.

Therefore, the new rules are much stricter, especially as regards the lowering of materiality thresholds (relative and absolute) and the fact that no netting is allowed of the pastdue or overlimit amounts against available margins on other credit lines held by the same borrower.

3.2 Write-off

The Bad Loans Management Division writes off bad loans after full recovery of the exposure or resumption of its amortization.

Furthermore, bad loans are written off with loan waiver subsequent to:

- Unilateral remission of the residual amount due within authorized and executed settlement;
- Loan disposal.

Conversely, bad loans are written off also without loan waiver subsequent to:

- Loan uncollectibility, as proved or inferred, including the implementation of all possible affordable actions;
- Very marginal possibility of collection.

In this case, the loan is fully or partially written off. These loans are written off in order not to keep, on the Balance Sheet, loans that, although still managed by the structures in charge of collection, are hardly likely to be recovered. The positions to be subject to this treatment must be identified - through a judgemental analysis- from among those that have both high vintage and high coverage.

3.3 Purchased or originated credit-impaired financial assets

As regards the accounting treatment of these assets and the related reporting, please refer to "A.2 - Part reporting on the main financial statement items".

4. RENEGOTIATED FINANCIAL ASSETS AND FORBORNE EXPOSURES

As regards the accounting treatment of these assets and the related reporting, please refer to "A.2 - Part reporting on the main financial statement items".

Forborne exposures are those for which "concessions" have been granted to a borrower that is experiencing or is about to experience difficulties in fulfilling his/her/its financial commitments ("financial difficulty").

Concessions consist in the following:

- Modification of the terms/conditions of an existing contract as regards which the borrower is not deemed able to comply with the set payments due to financial difficulties, which would not have been granted if the borrower had not been in financial difficulties;
- Total or partial refinancing of an existing contract as regards which the borrower is not deemed able to comply with the set payments due to financial difficulties, which would not have been granted if the borrower had not been in financial difficulties.

Starting from the definition given by the EBA in its "ITS" and following the guidelines issued by its Parent Company Crédit Agricole SA, the CAI Group defined an internal algorithm whereby forborne exposures can be identified, also setting apart performing from non-performing ones.

As opposed to the "by counterparty" approach, used by the Crédit Agricole Italia Banking Group to classify non-performing exposures, it classifies forborne positions with a "by individual credit facility" approach". An exposure shall be classified as forborne when:

- The counterparty is classified as performing at the time of contract modification and there were contractual repayment instalments totally or partially past due by over 30 days at least once in the three months before its modification. The contracts meeting these features are classified as "forborne performing - probation period", except for contractual modifications featuring a difference between the net present value before and after the modification of more than 1%, in which case they shall be classified in their cure period and no longer considered forborne when all the following conditions are met:
- The contract is considered performing;
- At least two years have passed from the beginning of the probation period;
- Regular payments have been made for a more than considerable portion of the principal/interest due during at least one half of the probation period;
- No one of the exposures to the same borrower is past due by more than 30 days at the end of the probation period.
- The counterparty is classified as defaulted at the time of contract modification. The contracts with a counterparty that is classified as non-performing at the time of contract modification or that show contractual repayment instalments totally or partially past due by over 30 days at least once in the three months before modification, featuring a difference between the net present value before and after the modification or more than 1% are classified as "forborne non performing – cure period" for at least one year and kept in the Unlikely-to-Pay status. The contract shall be classified "forbearance performing – probation period" when all the following conditions are met:
- At least one year has passed since the start of the cure period[25];
- There are no late payments;
- The counterparty has returned fully able to fulfil its credit obligations.

Having said that contract modifications made for business reasons or contract modifications that were provided for in the original contract are not included in the forbearance perimeter, in order to assess whether any "concession" exists, the adopted approaches require that the existence of forbearance is identified when:

- The amortization schedule regarding a loan is suspended or modified in its original duration;
- The loan has be renegotiated;
- Several credit lines granted to a counterparty are closed and consolidated in a new loan;
- A real estate mortgage loan based on the project progress which has been partially disbursed to a counterparty classified in the perimeter of real estate players has a pre-amortization period of over 36 months.

Furthermore, an exposure may be classified in the forborne perimeter on a judgemental basis where the algorithm does not automatically detect the contract modification or the financial difficulties experienced by the debtor. In the same way, the concessions automatically detected by the algorithm may be excluded on a judgemental basis, where the account manager believes that the classification in the forborne perimeter is not consistent with the contract modification made and/or with the customer's financial situation.

As at 31 December 2021, the stock of forborne exposures came to Euro 1.2 billion, of which 84.1% was backed by collateral (78.0% backed by mortgage). 46.0% of loans is classified in cure period and the remaining 54.0% in the probation period.

The new forbearance measures for the year came to Euro 409 million (34.1% of the stock) of which 86.0% backed by collateral (78,7% backed by mortgage). 43.3% of the new forborne exposures were classified in their cure period, while the remaining 56.7% were classified in their probation period. Again as regards the new concessions for the year, 48.2% of the exposures were classified in the forbearance perimeter subsequent to loan suspension and rescheduling and 38.8% based on a judgemental assessment.

25 In case of suspensions, the year of cure period starts from the suspension date.

An analysis of exposures referring to forborne assets measured at amortized cost is given below, separately reporting performing and non-performing ones.

		Total
PERFORMING	Forborne Performing exposures	617,146
DEFAULTED	Forborne Non-performing exposures	1,366,510
	Total Forborne Exposures	**1,983,656**

QUANTITATIVE DISCLOSURES

A. Credit quality

A.1 PERFORMING AND NON-PERFORMING EXPOSURES: AMOUNTS, ADJUSTMENTS, CHANGES AND BREAKDOWNS

A.1.1 Prudential consolidation - Breakdown of financial assets by past due bracket (book values)

	Stage 1			Stage 2			Stage 3			POCI assets		
	Up to 30 days	From over 30 fino days to 90	Over 90	Up to 30 days	From over 30 fino days to 90	Over 90	Up to 30 days	From over 30 fino days to 90	Over 90	Up to 30 days	From over 30 fino days to 90	Over 90
1. Financial assets measured at amortized cost	331,732	18,873	307	204,246	56,604	11,908	36,017	49,318	569,943	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets being divested	8,443	-	-	3,047	409	-	-	99	873	-	-	-
Total 31 Dec. 2021	**340,175**	**18,873**	**307**	**207,293**	**57,013**	**11,908**	**36,017**	**49,417**	**570,816**	**-**	**-**	**-**
Total 31 Dec. 2020	**214,231**	**5,498**	**540**	**134,335**	**54,299**	**20,985**	**31,361**	**35,820**	**1,080,763**	**-**	**-**	**-**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: changes in total adjustments and total provisions

Reasons/risk stages	Total adjustments																								Total provisions for commitments to disburse funds and financial guarantees given				Total
	Stage 1 assets						Stage 2 assets						Stage 3 assets						of which: POCI										
	Financial assets measured at amortized cost	Financial assets valued at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Financial assets measured at amortized cost	Financial assets valued at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Financial assets measured at amortized cost	Financial assets valued at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and guarantees fin. Released impaired acquired or originated	
Opening total adjustments	**-**	**103,778**	**3,595**	**-**	**-**	**107,373**	**-**	**199,426**	**-**	**-**	**-**	**199,426**	**-**	**1,560,755**	**-**	**-**	**1,560,755**	**-**	**-**	**-**	**-**	**-**	**-**	**5,061**	**8,488**	**18,553**	**-**	**1,899,656**
Increases from POCI Financial assets	-	14,144	1,954	-	-	16,099	-	17,420	-	-	-	17,420	-	2,531	-	-	2,531	-	-	-	X	X	X	313	1,026	1,538	-	38,926
Derecognized items other than write-offs	-	(2,085)	(1,989)	-	-	(4,075)	-	(2,597)	-	-	-	(2,597)	-	(1,083,757)	-	-	(1,083,757)	-	-	-	-	-	-	(229)	(101)	(1,205)	-	(1,091,963)
Net losses/recoveries for credit risk (+/-)	(72)	8,969	773	-	-	9,669	1	(31,002)	(95)	-	-	(31,096)	-	627,278	-	-	630,978	-	-	-	-	-	-	115	743	2,147	-	608,857
Contract modifications without derecognition	-	-	-	-	-	-	-	5,611	-	-	-	5,611	-	29,810	-	-	29,810	-	-	-	-	-	-	-	-	-	-	35,421
Changes in the estimate approach	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognized directly through profit and loss	-	(34)	-	-	-	(34)	-	1	-	-	-	1	-	(68,459)	-	-	(68,459)	-	-	-	-	-	-	-	-	-	-	(68,492)
Other changes	36	128,992	448	371	-	129,849	3	77,070	101	294	-	77,468	-	495,725	-	14,452	510,176	-	-	-	-	-	-	3,295	399	21,961	-	743,147
Closing total adjustments	**(36)**	**253,764**	**4,781**	**371**	**-**	**258,881**	**4**	**265,929**	**6**	**294**	**-**	**266,233**	**-**	**1,563,883**	**-**	**14,452**	**1,582,034**	**-**	**-**	**-**	**-**	**-**	**-**	**8,555**	**10,555**	**42,994**	**-**	**2,165,552**
Recoveries from collection on financial assets written-off	-	-	-	-	-	-	-	-	-	-	-	-	-	1,001	-	-	1,001	-	-	-	-	-	-	-	-	-	-	1,001
Write-offs recognized directly through profit and loss	-	(178)	-	-	-	(178)	-	(237)	-	-	-	199	-	(70,730)	-	-	(70,730)	-	-	-	-	-	-	-	-	-	-	(71,145)

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: transfers between the different credit risks stages (gross and nominal values)

Portfolios/risk stages	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortized cost	3,541,844	1,519,195	527,447	42,482	432,065	6,780
2. Financial assets measured at fair value through other comprehensive income	-	3,101	-	-	-	-
3. Financial assets being divested	-	-	-	-	-	-
4. Commitments to disburse funds and financial Guarantees given	3,317,224	75,182	5,558	448	13,222	2,675
Total 31 Dec. 2021	**6,859,068**	**1,597,478**	**533,005**	**42,930**	**445,287**	**9,455**
Total 31 Dec. 2020	**1,634,234**	**900,474**	**257,535**	**18,716**	**126,046**	**14,973**

A.1.3a Loans subject to Covid-19-related relief measures: transfers between the different credit risk stages (gross and nominal values)

Portfolios/risk stages	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Loans measured at amortized cost	**525,506**	**135,651**	**119,080**	**627**	**175,270**	**345**
A.1 under EBA-compliant concession measures	245,570	65,578	54,150	16	92,771	42
A.2 under moratoria in force no longer EBA-compliant And not measured as forborne	24,557	7,197	19,690	353	27,276	-
A.3 under other concession measures	42,302	-	43,109	35	42,582	-
A.4 new loans	213,077	62,876	2,131	223	12,641	303
B. Loans measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 under EBA-compliant concessions MEASURES	-	-	-	-	-	-
B.2 under moratoria in force no longer EBA-compliant and classified as forborne	-	-	-	-	-	-
B.3 under other concession measures	-	-	-	-	-	-
B.4 new loans	-	-	-	-	-	-
Total 31 Dec. 2021	**525,506**	**135,651**	**119,080**	**627**	**175,270**	**345**
Total 31 Dec. 2020	**635,317**	**198,659**	**47,546**	**3,008**	**19,558**	**379**

A.1.4 Prudential consolidation - On-balance-sheet and off-balance-sheet exposures to banks: gross and net values

Type of exposures/ Values	Gross exposure					Total adjustments and total provisions for credit risk					Net exposure	Total partial write-offs (*)
		Stage 1	Stage 2	Stage 3	Impaired acquired or originated		Stage 1	Stage 2	Stage 3	Impaired acquired or originated		
A. ON-BALANCE-SHEET EXPOSURES												
A. 1 Demand	**288,354**	**288,100**	**254**	**-**	**-**	**39**	**35**	**4**	**-**	**-**	**288,315**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	288,354	288,100	254	X	-	39	35	4	X	-	288,315	-
A. 2 Other	**14,505,567**	**14,501,097**	**332**	**4,138**	**-**	**2,775**	**710**	**1**	**2,064**	**-**	**14,502,792**	**-**
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: exposures derecognized	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to Pay	4,138	X	-	4,138	-	2,064	X	-	2,064	-	2,074	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	14,501,429	14,501,097	332	-	-	711	710	1	X	-	14,500,718	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**14,793,921**	**14,789,197**	**586**	**4,138**	**-**	**2,814**	**745**	**5**	**2,064**	**-**	**14,791,107**	**-**
B. OFF-BALANCE-SHEET EXPOSURES												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1,257,216	1,249,663	7,553	-	-	1,109	1,093	16	X	-	1,256,107	-
TOTAL (B)	**1,257,216**	**1,249,663**	**7,553**	**-**	**-**	**1,109**	**1,093**	**16**	**-**	**-**	**1,256,107**	**-**
TOTAL (A+B)	**16,051,137**	**16,038,860**	**8,139**	**4,138**	**-**	**3,923**	**1,838**	**21**	**2,064**	**-**	**16,047,214**	**-**

(*) Value to be stated for disclosure purposes.

A.1.5 Prudential consolidation - On-balance-sheet and off-balance-sheet exposures to banks: gross and net values

Type of exposures/ Values	Gross exposure					Total adjustments and total provisions for credit risk					Net exposure	Total partial write-offs (*)
		Stage 1	Stage 2	Stage 3	Impaired acquired or originated		Stage 1	Stage 2	Stage 3	Impaired acquired or originated		
A. ON-BALANCE-SHEET EXPOSURES												
a) Bad loans	580,579	X	-	580,579	-	445,708	X	-	445,708	-	134,871	8,728
- of which: forborne exposures	183,189	X	-	183,189	-	131,529	X	-	131,529	-	51,660	-
b) Unlikely to Pay	2,332,122	X	-	2,332,122	-	1,127,361	X	-	1,127,361	-	1,204,761	34,584
- of which: forborne exposures	1,183,521	X	-	1,183,521	-	574,532	X	-	574,532	-	608,989	-
c) Non-performing past due exposures	27,899	X	-	27,899	-	3,202	X	-	3,202	-	24,697	66
- of which: forborne exposures	891	X	-	891	-	126	X	-	126	-	765	-
d) Performing past due exposures	654,140	360,989	293,151	-	-	18,573	1,633	16,940	X	-	635,567	119
- of which: forborne exposures	40,792	227	40,565	-	-	2,132	1	2,131	X	-	38,660	-
e) Other performing exposures	80,275,281	75,693,529	4,581,752	-	-	505,859	256,510	249,349	X	-	79,771,777	5,483
- of which: forborne exposures	576,354	43,482	532,872	-	-	40,559	611	39,948	X	-	535,795	-
TOTAL (A)	**83,870,021**	**76,054,518**	**4,874,903**	**2,940,600**	**-**	**2,100,703**	**258,143**	**266,289**	**1,576,271**	**-**	**81,771,673**	**48,980**
B. OFF-BALANCE-SHEET EXPOSURES												
a) Non-performing	117,821	X	-	117,821	-	43,010	X	-	43,010	-	74,811	-
b) Performing	8,828,790	8,437,320	391,470	-	-	18,069	7,660	10,409	X	-	8,810,721	-
TOTAL (B)	**8,946,611**	**8,437,320**	**391,470**	**117,821**	**-**	**61,079**	**7,660**	**10,409**	**43,010**	**-**	**8,885,532**	**-**
TOTAL (A+B)	**92,816,632**	**84,491,838**	**5,266,373**	**3,058,421**	**-**	**2,161,782**	**265,803**	**276,698**	**1,619,281**	**-**	**90,657,205**	**48,980**

(*) Value to be stated for disclosure purposes.

A.1.5a Loans under Covid-19-related relief measures: gross and net values

Type of exposures/Values	Gross exposure					Total adjustments and total provisions for credit risk					Net exposure	Total partial write-offs (*)
		Stage 1	Stage 2	Stage 3	POCI assets		Stage 1	Stage 2	Stage 3	POCI assets		
A. Bad loans:	-	-	-	-	-	-	-	-	-	-	-	-
a) Under EBA-compliant concession measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Under moratoria no longer EBA-compliant and not measured as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Under other concession measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
B. Unlikely To Pay:	**355,925**	**-**	**-**	**355,925**	**-**	**108,494**	**-**	**-**	**108,494**	**-**	**247,431**	**-**
a) Under EBA-compliant concession measures	150,527	-	-	150,527	-	52,590	-	-	52,590	-	97,937	-
b) Under moratoria no longer EBA-compliant and not measured as forborne	73,092	-	-	73,092	-	18,564	-	-	18,564	-	54,528	-
c) Under other Concession measures	92,830	-	-	92,830	-	25,628	-	-	25,628	-	67,202	-
d) New loans	39,476	-	-	39,476	-	11,712	-	-	11,712	-	27,764	-
C. Non-performing pastdue loans:	**3,523**	**-**	**-**	**3,523**	**-**	**542**	**-**	**-**	**542**	**-**	**2,981**	**-**
a) Under EBA-compliant concession measures	2,046	-	-	2,046	-	315	-	-	315	-	1,731	-
b) Under moratoria no longer EBA-compliant and not measured as forborne	32	-	-	584	-	3	-	-	3	-	29	-
c) Under other concession measures	326	-	-	326	-	46	-	-	46	-	280	-
d) New loans	1,119	-	-	567	-	178	-	-	178	-	941	-
D. Other performing past due loans:	**25,706**	**13,165**	**12,542**	**-**	**-**	**883**	**111**	**772**	**-**	**-**	**24,823**	**-**
a) Under EBA-compliant concession measures	7,812	3,161	4,563	-	-	255	29	226	-	-	7,557	-
b) Under moratoria no longer EBA-compliant and not measures as forbore	20	-	108	-	-	4	-	4	-	-	16	-
c) Under other Concession measures	3,107	-	3,107	-	-	202	-	202	-	-	2,905	-
d) New loans	14,767	10,004	4,764	-	-	422	82	340	-	-	14,345	-
E. Other performing loans:	**7,062,271**	**6,356,802**	**705,470**	**-**	**-**	**73,149**	**29,954**	**43,195**	**-**	**-**	**6,989,122**	**-**
a) Under EBA-compliant concession measures	1,876,177	1,525,201	350,976	-	-	27,686	8,371	19,315	-	-	1,848,491	-
b) Under moratoria no longer EBA-compliant and not measured as forborne	253,385	200,244	53,141	-	-	2,919	627	2,292	-	-	250,466	-
c) Under other concession measures	58,674	-	58,674	-	-	3,384	-	3,384	-	-	55,290	-
d) New loans	4,874,035	4,631,357	242,679	-	-	39,160	20,956	18,204	-	-	4,834,818	-
TOTAL (A+B+C+D+E)	**7,447,425**	**6,369,967**	**718,012**	**359,448**	**-**	**183,068**	**30,065**	**43,967**	**109,036**	**-**	**7,264,357**	**-**

(*) Value to be stated for disclosure purposes.

A.1.6 Prudential consolidation - On-balance-sheet exposures to Banks: changes in gross non-performing exposures

Reasons/categories	Bad loans	Unlikely To Pay	Non-performing past due exposures
A. Opening gross exposure	**-**	**4,138**	**-**
- o/w: sold exposures not derecognized	-	-	-
B. Increases	**-**	**-**	**-**
B.1 From non-performing exposures	-	-	-
B.2 from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	-	-	-
B.4 Contractual modifications without derecognition	-	-	-
B.5 other increases	-	-	-
C. Decreases	**-**	**-**	**-**
C.1 to performing exposures	-	-	-
C.2 write-off	-	-	-
C.3 collections	-	-	-
C.4 profits on disposals	-	-	-
C.5 losses on disposals	-	-	-
C.6 transfers to other categories of non-performing exposures	-	-	-
C.7 Contractual modifications without derecognition	-	-	-
C.8 Other decreases	-	-	-
D. Closing gross exposure	**-**	**4,138**	**-**
- o/w: sold exposures not derecognized	-	-	-

A.1.7 Prudential consolidation - On-balance-sheet exposures to Customers: changes in gross non-performing exposures

Reasons/categories	Bad loans	Unlikely To Pay	Non-performing past due exposures
A. Opening gross exposure	**1,486,652**	**1,522,816**	**36,652**
- of which: sold exposures not derecognized	-	-	-
B. Increases	**828,300**	**1,593,830**	**57,121**
B.1 from performing exposures	26,135	912,467	12,823
B.2 from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	445,070	24,198	12,253
B.4 Contract modifications without derecognition	6,843	26,298	1,354
B.5 other increases	350,252	630,867	30,691
C. Decreases	**1,734,373**	**784,524**	**65,874**
C.1 to performing exposures	7,523	37,088	15,928
C.2 write-offs	98,509	28,208	12,480
C.3 collections	61,938	172,713	9,832
C.4 profits on disposals	351,698	39,926	-
C.5 losses on disposals	229,422	1,148	-
C.6 transfers to other categories of non-performing exposures	474	453,541	27,503
C.7 Contract modifications without derecognition	-	1,206	-
C.8 other decreases	984,809	50,694	131
D. Closing gross exposure	**580,579**	**2,332,122**	**27,899**
- of which: sold exposures not derecognized	-	49,691	836

A.1.7bis Prudential consolidation - On-balance-sheet exposures to Customers: changes in gross forborne exposures broken down by credit quality

Reasons/Quality	Non-performing forborne exposures	Performing forborne exposures
A. Opening gross exposure	**1,354,888**	**440,260**
- of which: sold exposures not derecognized	-	-
B. Increases	**762,109**	**611,099**
B.1 from non-forborne performing exposures	121,439	305,528
B.2 from forborne performing exposures	141,187	X
B.3 from forborne non-performing exposures	X	32,563
B.4 from non-forborne non-performing exposures	12,008	-
B.5 other increases	487,475	273,008
C. Decreases	**749,393**	**434,213**
C.1 to non-forborne performing exposures	X	198,155
C.2 to forborne performing exposures	32,563	X
C.3 to forborne non-performing exposures	X	141,189
C.4 write-offs	34,872	112
C.5 collections	93,706	61,497
C.6 profits on disposals	109,388	-
C.7 losses on disposal	40,446	-
C.8 other decreases	438,418	33,260
D. Closing gross exposure	**1,367,604**	**617,146**
- of which: sold exposures not derecognized	13,081	18,927

A.1.8 Prudential consolidation - On-balance-sheet non-performing exposures to Banks: changes in total adjustments

Reasons/categories	Bad loans		Unlikely to Pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total adjustments	**-**	**-**	**781**	**-**	**-**	**-**
- of which: sold exposures not derecognized	-	-	-	-	-	-
B. Increases	**-**	**-**	**1,283**	**-**	**-**	**-**
B.1 Adjustments to POCI assets	-	X	-	X	-	X
B.2 other adjustments	-	-	1,283	-	-	-
B.3 Losses on disposals	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.5 Contract modifications without derecognition	-	-	-	-	-	-
B.6 other increases	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**
C.1 recoveries from valuations	-	-	-	-	-	-
C.2 recoveries from collection	-	-	-	-	-	-
C.3 profits on disposals	-	-	-	-	-	-
C.4 write-off	-	-	-	-	-	-
C.5 transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6 Contract modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	-	-
D. Closing total adjustments	**-**	**-**	**2,064**	**-**	**-**	**-**
- of which: sold exposures not derecognized	-	-	-	-	-	-

A.1.9 Prudential consolidation - On-balance-sheet non-performing exposures to Customers: changes in total adjustments

Reasons/categories	Bad loans		Unlikely to Pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total adjustments	**1,016,811**	**308,104**	**540,109**	**304,604**	**3,055**	**3**
- Of which exposures sold not derecognized	-	-	-	-	113	-
B. Increases	**826,419**	**270,323**	**919,198**	**424,972**	**17,197**	**2,850**
B.1 Adjustments to POCI financial assets	-	X	-	X	-	X
B.2 other adjustments	189,214	67,774	560,020	245,184	4,794	1,199
B.3 losses on disposals	229,422	66,545	1,148	714	-	-
B.4 transfers from other categories of Non-performing exposures	194,544	96,965	2,150	467	8,006	1,544
B.5 Contract modifications without derecognition	709	-	29,534	-	51	-
B.6 other increases	212,530	39,039	326,346	178,607	4,346	107
C. Decreases	**1,397,522**	**446,898**	**331,946**	**155,044**	**17,050**	**2,727**
C.1. recoveries from valuation	2,162	756	15,877	10,471	1,007	26
C.2 recoveries from collection	16,610	2,111	18,470	7,275	309	-
C.3 profits on disposal	62,287	17,811	2,816	2,641	-	-
C.4 write-offs	95,989	19,882	28,500	11,036	12,401	2,651
C.5 transfers to other categories of Non-performing exposures	169	157	202,179	74,848	2,353	50
C.6 Contract modifications without derecognition	7	-	814	-	25	-
C.7 other decreases	1,220,298	406,181	63,290	48,773	955	-
D. Closing total adjustments	**445,708**	**131,529**	**1,127,361**	**574,532**	**3,202**	**126**
- of which: sold exposures not derecognized	-	-	13,002	3,334	110	2

Item c.7 Other decreases mainly reports, as to derecognized items other than write-offs, the amount equal to difference between the gross exposure and the disposal price.

A.2 CLASSIFICATION OF EXPOSURES BASED ON EXTERNAL AND INTERNAL RATINGS

A.2.1 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given by external rating grades (gross values)

Exposures	External rating grades						Without rating	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6		
A. Financial assets measured at amortized cost	**273,217**	**2,845,198**	**5,502,698**	**2,204,112**	**236,582**	**13,777**	**83,371,149**	**94,446,733**
- Stage 1	265,691	2,698,870	5,153,513	1,724,783	101,312	4,910	76,766,956	86,716,035
- Stage 2	7,526	146,328	349,057	478,018	133,591	5,401	3,682,623	4,802,544
- Stage 3	-	-	128	1,311	1,679	3,466	2,921,570	2,928,154
- POCI assets	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**3,690,181**	**3,690,181**
- Stage 1	-	-	-	-	-	-	3,689,655	3,689,655
- Stage 2	-	-	-	-	-	-	526	526
- Stage 3	-	-	-	-	-	-	-	-
- POCI assets	-	-	-	-	-	-	-	-
C. Financial assets being divested	**-**	**-**	**-**	**-**	**-**	**-**	**238,676**	**238,676**
- Stage 1	-	-	-	-	-	-	149,342	149,342
- Stage 2	-	-	-	-	-	-	72,752	72,752
- Stage 3	-	-	-	-	-	-	16,582	16,582
- POCI assets	-	-	-	-	-	-	-	-
Total (A+B+C)	**273,217**	**2,845,198**	**5,502,698**	**2,204,112**	**236,582**	**13,777**	**87,300,006**	**98,375,590**
D. Commitments to disburse funds and financial guarantees	**146,316**	**859,432**	**860,045**	**403,284**	**243,881**	**2,092**	**6,619,726**	**9,134,776**
- Stage 1	127,140	794,336	796,349	338,002	224,500	580	6,373,916	8,654,823
- Stage 2	19,176	65,096	63,696	63,673	19,353	1,512	163,065	395,571
- Stage 3	-	-	-	1,609	28	-	82,745	84,382
- POCI assets	-	-	-	-	-	-	-	-
Total (D)	**146,316**	**859,432**	**860,045**	**403,284**	**243,881**	**2,092**	**6,619,726**	**9,134,776**
Total (A+B+C+D)	**419,533**	**3,704,630**	**6,362,743**	**2,607,396**	**480,463**	**15,869**	**93,919,732**	**107,510,366**

The breakdown by rating grades represented in the table refers to the ratings given by Cerved Rating Agency S.p.A and DBRS Ratings GmbH. The “without rating” column reports exposures with counterparties for which ratings given by the two ECAIs are not available, of which the key is given in the table below:

Credit rating grade	Cerved Rating Agency S.p.A.	DBRS Ratings GmbH
Grade 1	from A1.1 to A1.3	from AAA to AAL
Grade 2	from A2.1 to A3.1	from AH to AL
Grade 3	B1.1, B1.2	from BBBH to BBBL
Grade 4	B2.1, B2.2	from BBH to BBL
Grade 5	C1.1	from BH to BL
Grade 6	from C1.2 to C2.1	from CCCH to D

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating grades (gross values)

Exposures	Internal rating grades						Total
	From AAA a BBB+	From BBB a BBB-	From BB+ a B	From B- a D	Without rating	Class of rating Creval	
A. Financial assets measured at amortized cost	**32,086,788**	**19,233,885**	**10,652,968**	**2,587,177**	**17,423,501**	**12,462,414**	**94,446,733**
- Stage 1	31,923,216	18,719,103	8,500,134	165,154	15,767,007	11,641,421	86,716,035
- Stage 2	163,572	514,782	2,152,395	765,518	385,284	820,993	4,802,544
- Stage 3	-	-	439	1,656,505	1,271,210	-	2,928,154
- POCI assets	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**3,227,593**	**-**	**-**	**-**	**452,757**	**9,831**	**3,690,181**
- Stage 1	3,227,593	-	-	-	452,231	9,831	3,689,655
- Stage 2	-	-	-	-	526	-	526
- Stage 3	-	-	-	-	-	-	-
- POCI assets	-	-	-	-	-	-	-
C. Financial assets being divested	**-**	**-**	**-**	**-**	**45,936**	**192,740**	**238,676**
- Stage 1	-	-	-	-	32,130	181,472	149,342
- Stage 2	-	-	-	-	61,484	11,268	72,752
- Stage 3	-	-	-	-	16,582	-	16,582
- POCI assets	-	-	-	-	-	-	-
Total (A+B+C)	**35,314,381**	**19,233,885**	**10,652,968**	**2,587,177**	**17,922,194**	**12,664,985**	**98,375,590**
D. Commitments to disburse funds and financial guarantees given	**1,197,705**	**1,399,056**	**1,175,467**	**146,466**	**794,477**	**4,421,605**	**9,134,776**
- Stage 1	1,163,575	1,324,000	1,065,917	18,600	704,767	4,377,964	8,654,823
- Stage 2	34,130	75,056	109,529	65,859	67,356	43,641	395,571
- Stage 3	-	-	21	62,007	22,354	-	84,382
- POCI assets	-	-	-	-	-	-	-
Total (D)	**1,197,705**	**1,399,056**	**1,175,467**	**146,466**	**794,477**	**4,421,605**	**9,134,776**
Total (A+B+C+D)	**36,512,086**	**20,632,941**	**11,828,435**	**2,733,643**	**18,716,671**	**17,086,590**	**107,510,366**

Excluding counterparties without rating and the contribution of Creval rating grades, 80% of total counterparties fall within the Investment grades (from AAA to BBB-), whereas 16% falls within the BB+/BB grades and 4% in the B-/D grades.

The breakdown by rating grade represented above refers to the internal models of the Crédit Agricole Italia Banking Group, separately reporting “Creval rating grades” which are broken down in the table below.

The “Without rating” column mainly shows exposures to Banks, Public Administration Bodies and Sovereign States, for which internal rating models are not available.

Exposures	Internal rating grades									Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8	Grade 9	
A. Financial assets measured at amortized cost	**1,181,284**	**1,976,435**	**2,095,597**	**2,352,440**	**2,090,478**	**1,498,522**	**691,565**	**365,504**	**210,589**	**12,462,414**
- Stage 1	1,179,435	1,967,046	2,080,929	2,299,002	2,013,927	1,348,232	542,675	161,980	48,195	11,641,421
- Stage 2	1,849	9,389	14,668	53,438	76,551	150,290	148,890	203,524	162,394	820,993
- Stage 3	-	-	-	-	-	-	-	-	-	-
- POCI assets	-	-	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**1,013**	**2,893**	**2,995**	**2,930**	**-**	**-**	**9,831**
- Stage 1	-	-	-	1,013	2,893	2,995	2,930	-	-	9,831
- Stage 2	-	-	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-	-	-
- POCI assets	-	-	-	-	-	-	-	-	-	-
C. Financial assets being divestede	**633**	**17,443**	**30,894**	**55,639**	**42,638**	**25,578**	**13,768**	**4,026**	**2,121**	**192,740**
- Stage 1	633	17,443	30,894	55,639	42,638	19,729	11,995	1,551	950	181,472
- Stage 2	-	-	-	-	-	5,849	1,773	2,475	1,171	11,268
- Stage 3	-	-	-	-	-	-	-	-	-	-
- POCI assets	-	-	-	-	-	-	-	-	-	-
Total (A+B+C)	**1,181,917**	**1,993,878**	**2,126,491**	**2,409,092**	**2,136,009**	**1,527,095**	**708,263**	**369,530**	**212,710**	**12,664,985**
D. Commitments to disburse funds and financial guarantees given	**521,371**	**1,083,095**	**1,133,198**	**651,739**	**760,782**	**170,071**	**66,186**	**29,590**	**5,573**	**4,421,605**
- Stage 1	521,258	1,082,679	1,133,185	651,739	758,868	159,553	51,769	17,163	1,750	4,377,964
- Stage 2	113	416	13	-	1,914	10,518	14,417	12,427	3,823	43,641
- Stage 3	-	-	-	-	-	-	-	-	-	-
- POCI assets	-	-	-	-	-	-	-	-	-	-
Total (D)	**521,371**	**1,083,095**	**1,133,198**	**651,739**	**760,782**	**170,071**	**66,186**	**29,590**	**5,573**	**4,421,605**
Total (A+B+C+D)	**1,703,288**	**3,076,973**	**3,259,689**	**3,060,831**	**2,896,791**	**1,697,166**	**774,449**	**399,120**	**218,283**	**17,086,590**

It is pointed out that 47% of total “without rating” exposures refers to Banks, followed by Financial Institutions accounting for 41%; the remaining portion refers to Mixed Joint Accounts and other types of counterparties that are less material in terms of exposure.

A.3 BREAKDOWN OF SECURED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 Prudential consolidation – On-balance-sheet and off-balance-sheet secured exposures to banks

	Gross exposure	Net exposure	Collaterals (1)					Personal guarantees (2)									Total (1)+(2)
								Credit derivatives					Signature loans				
								CLN	Other derivatives								
			Real estate - mortgages	Real estate- Loans for leases	Real estate - Finance leases	Securities	Other collaterals		Central counterparties	Banks	Other financial companies	Other parties	Public administration bodies	Banks	Other financial companies	Other parties	
1. Credit exposures on-balance-sheet secured:	**332**	**331**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**331**	**-**	**-**	**331**	**662**
1.1 fully secured	332	331	-	-	-	-	-	-	-	-	-	-	331	-	-	331	662
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Off-balance-sheet secured exposures:	**13,430**	**13,421**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,161**	**7,547**	**444**	**13,152**	**26,304**
2.1 fully secured	8,720	8,711	-	-	-	-	-	-	-	-	-	-	5,161	3,107	444	8,712	17,424
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	4,710	4,710	-	-	-	-	-	-	-	-	-	-	-	4,440	-	4,440	8,880
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Prudential consolidation - On-balance-sheet and off-balance-sheet secured exposures to customers

	Gross exposure	Net exposure	Collaterals (1)				Personal guarantees (2)										Total (1)+(2)
							Credit derivatives					Signature loans					
							CLN	Other derivatives									
			Real estate - mortgages	Real estate- Loans for leases	Securities	Other collaterals		Central counterparties	Banks	Other financial companies	Other parties	Public administration bodies	Banks	Other financial companies	Other parties		
1. On-balance-sheet secured exposures:	**53,526,603**	**52,069,033**	**32,272,732**	**1,017,415**	**903,915**	**2,030,807**	**-**	**-**	**-**	**-**	**-**	**5,308,740**	**3,775,811**	**972,220**	**3,033,683**		**49,315,323**
1.1 fully secured	45,795,041	44,508,463	32,121,722	909,906	856,659	1,191,767	-	-	-	-	-	2,616,283	2,825,445	483,294	2,746,707		43,751,783
- of which non-performing	2,262,547	1,231,131	1,003,866	72,878	713	12,363	-	-	-	-	-	19,680	5,759	5,134	84,966		1,205,359
1.2 partially secured	7,731,562	7,560,570	151,010	107,509	47,256	839,040	-	-	-	-	-	2,692,457	950,366	488,926	286,976		5,563,540
- of which non-performing	198,729	83,275	12,465	20,673	647	6,083	-	-	-	-	-	19,302	637	1,735	6,060		67,602
2. Off-balance-sheet secured exposures:	**1,834,265**	**1,707,173**	**238,179**	**-**	**85,181**	**196,081**	**-**	**-**	**-**	**-**	**-**	**63,818**	**25,636**	**56,787**	**1,004,849**		**1,670,531**
2.1 fully secured	1,476,153	1,354,573	218,609	-	71,211	163,230	-	-	-	-	-	33,218	12,330	29,712	938,664		1,466,974
- of which non-performing	41,914	16,193	21,467	-	157	3,114	-	-	-	-	-	818	107	132	9,253		35,048
2.2 partially secured	358,112	352,600	19,570	-	13,970	32,851	-	-	-	-	-	30,600	13,306	27,075	66,185		203,557
- of which non-performing	165,315	7,616	1,916	-	2,091	325	-	-	-	-	-	328	2,616	-	553		7,829

In compliance with Bank of Italy Circular 262 7th update, in columns “Collaterals” and “Personal Guarantees” , the fair value of the collateral and guarantees is stated as estimated at the reporting sate or, where said piece of information is lacking, their contractual value.

It is pointed out that, in compliance with the aforementioned 7th update, both the above values shall not be higher than the book value of secured exposures.

A.4 PRUDENTIAL CONSOLIDATION – FINANCIAL AND NON-FINANCIAL ASSETS OBTAINED THROUGH THE ENFORCEMENT OF THE RECEIVED GUARANTEES AND COLLATERALS

This item reports property, plant and equipment obtained subsequent to the termination of non-performing finance leases. Specifically, the item reports buildings and land, which were previously granted under finance leases and were returned to the Group subsequent to the termination of the related contracts and for which no credit claim remains towards the contractual obligors.

	Exposure written off	Gross value	Total adjustments	Book value	
					o/w obtained in the reporting period
A. Property, plant and equipment:	**82,816**	**87,356**	**27,627**	**59,729**	**-**
A.1. Operating assets	-	-	-	-	-
A.2. Investment property	64,720	69,196	22,379	46,817	-
A.3. Inventories	18,096	18,160	5,248	12,912	-
B. Equity securities and debt securities	**-**	**-**	**-**	**-**	**-**
C. Other assets	**-**	**-**	**-**	**-**	**-**
D. Non-current assets held for sale and discontinued operations	**-**	**-**	**-**	**-**	**-**
D.1. Property, Plant and Equipment	-	-	-	-	-
D.2. Other assets	-	-	-	-	-
Total 31 Dec. 2021	**82,816**	**87,356**	**27,627**	**59,729**	**-**
Total 31 Dec. 2020	**34,107**	**34,107**	**5,555**	**28,552**	**-**

B. Breakdown and concentration of exposures

B.1 PRUDENTIAL CONSOLIDATION - BREAKDOWN BY SECTOR OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS

Exposures/Counterparties	Public administration bodies		Financial companies		Financial companies (of which: insurance undertakings)		Non-financial companies		Households	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures										
A.1 Bad loans	-	345	4,583	16,704	-	-	100,201	347,698	30,087	80,961
- of which: forborne exposures	-	-	4,327	13,411	-	-	44,112	109,525	3,221	8,593
A.2 Unlikely to Pay	300	443	13,491	14,316	1	-	855,830	934,900	335,140	177,702
- of which: forborne exposures	-	-	5,179	6,704	-	-	465,615	502,058	138,195	65,770
A.3 Non-performing past-due exposures	-	-	32	12	-	-	4,161	601	20,504	2,589
- of which: forborne exposures	-	-	-	-	-	-	199	54	566	72
A.4 Performing exposures	16,799,607	22,110	6,663,829	11,637	254,978	80	25,462,901	359,148	31,481,007	131,537
- of which: forborne exposures	21,462	845	3,878	384	-	-	337,113	33,299	212,002	8,163
Total (A)	**16,799,907**	**22,898**	**6,681,935**	**42,669**	**254,979**	**80**	**26,423,093**	**1,642,347**	**31,866,738**	**392,789**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	197	2	-	-	70,656	42,215	3,958	793
B.2 Performing exposures	514,529	105	720,381	895	32,813	76	6,628,818	12,829	946,993	4,240
Total (B)	**514,529**	**105**	**720,578**	**897**	**32,813**	**76**	**6,699,474**	**55,044**	**950,951**	**5,033**
Total (A+B) 31 Dec. 2021	**17,314,436**	**23,003**	**7,402,513**	**43,566**	**287,792**	**156**	**33,122,567**	**1,697,391**	**32,817,689**	**397,822**
Total (A+B) 31 Dec. 2020	**11,259,803**	**14,304**	**6,448,061**	**30,369**	**265,177**	**186**	**21,579,150**	**1,465,386**	**25,405,287**	**388,404**

On-balance-sheet exposures include loans as well as other financial assets, such as debt securities, with the exception of derivative contracts and equity securities.

Exposures associated to counterparty risk relating to transactions for lending or borrowing securities or commodities are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken.

B.2 BREAKDOWN BY GEOGRAPHICAL AREA OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS

Exposures/Geographical areas	Northwest Italy		Northeast Italy		Central Italy		South and insular Italy	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures								
A.1 Bad loans	48,000	126,298	41,699	155,532	24,777	85,233	20,349	77,382
A.2 Unlikely to Pay	517,850	496,930	349,769	307,855	186,674	187,969	149,397	133,942
A.3 Non-performing past-due exposures	7,582	1,004	3,964	517	4,933	520	8,119	1,154
A.4 Performing exposures	29,793,906	281,124	18,889,991	123,735	26,015,517	77,500	4,793,806	37,617
Total (A)	**30,367,338**	**905,356**	**19,285,423**	**587,639**	**26,231,901**	**351,222**	**4,971,671**	**250,095**
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	26,552	8,230	34,513	16,459	8,250	11,926	5,429	6,424
B.2 Performing exposures	4,592,749	10,948	2,039,251	3,992	1,337,253	2,262	744,769	750
Total (B)	**4,619,301**	**19,178**	**2,073,764**	**20,451**	**1,345,503**	**14,188**	**750,198**	**7,174**
Total (A+B) 31 Dec. 2021	**34,986,639**	**924,534**	**21,359,187**	**608,090**	**27,577,404**	**365,410**	**5,721,869**	**257,269**
Total (A+B) 31 Dec. 2020	**23,594,575**	**573,673**	**18,988,503**	**872,875**	**18,732,710**	**308,665**	**2,651,606**	**131,462**

On-balance-sheet exposures include loans as well as other financial assets, such as debt securities, with the exception of derivative contracts and equity securities.

Exposures associated to counterparty risk relating to transactions for lending or borrowing securities or commodities are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken.

B.3 PRUDENTIAL CONSOLIDATION - BREAKDOWN BY GEOGRAPHICAL AREA OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO BANKS

Exposures/Geographical areas	Italy		Other European Countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to Pay	-	-	-	-	-	-	-	-	2,074	2,064
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	13,860,464	537	915,919	204	1,814	2	4,210	4	6,626	3
Total (A)	**13,860,464**	**537**	**915,919**	**204**	**1,814**	**2**	**4,210**	**4**	**8,700**	**2,067**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	354,425	1,000	715,732	33	7,825	-	154,106	57	24,019	20
Total (B)	**354,425**	**1,000**	**715,732**	**33**	**7,825**	**-**	**154,106**	**57**	**24,019**	**20**
Total (A+B) 31 Dec. 2021	**14,214,889**	**1,537**	**1,631,651**	**237**	**9,639**	**2**	**158,316**	**61**	**32,719**	**2,087**
Total (A+B) 31 Dec. 2020	**6,241,887**	**309**	**4,019,155**	**81**	**104,169**	**-**	**59,246**	**6**	**22,420**	**789**

On-balance-sheet exposures include loans as well as other financial assets, such as debt securities, with the exception of derivative contracts and equity securities.

Exposures associated to counterparty risk relating to transactions for lending or borrowing securities or commodities are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken.

B.4 LARGE RISKS

As at 31 December 2021, positions having large exposure features as defined in Circular No. 258/2013 (as updated) were:

- Of a total nominal amount of Euro 49,742,563 thousand;
- Of a total weighted amount of Euro 1,280,119 thousand;
- A total number of risk positions of 6.

C. Securitizations

QUALITATIVE DISCLOSURES

Within the derisking actions deployed on the NPE portfolio, in 2021 the Crédit Agricole Italia Group successfully completed disposals of non-performing loans for an aggregate gross book value of approximately Euro 1.6 billion, combining the securitization transaction called "Stelvio Project" and the disposal of single positions during the ordinary collection activities.

Specifically, the Stelvio transaction perimeter is a portfolio of about 13,500 loans classified as bad, for a gross book value of Euro 1.55 billion, 71% of which was originated by Crédit Agricole Italia, 17% by Credito Valtellinese and 12% by Crédit Agricole FriulAdria.

The transaction was carried out by the Crédit Agricole Italia Banking Group, con ItalFondiario as the Master Servicer, Zenith as the corporate servicer and DoValue S.p.A. and Cerved as the Portfolio Special Servicers.

In December 2021 the sale agreement was signed with the special-purpose entity "Ortles 21 S.r.l.".

In order to finance the purchase of the loans, on 17 December 2021, the special-purpose entity issued three tranches of ABS as listed below:

- Senior (Class A) notes, amounting to Euro 340,000,000 and equal to 18.5% of the gross collectible value of the sold loans, to which a BBB investment grade rating was assigned by Scope Rating, DBRS and Arc Rating and were subscribed by the Parent Company;
- Mezzanine (Class B) notes, amounting to Euro 40,000,000 and equal to 2.2% of the gross collectible value of the sold loans, without rating and subscribed by the Parent Company;
- Junior (Class J) notes, amounting to Euro 14,311,000 and equal to 0.8% of the gross collectible value of the sold loans, without rating and subscribed by the Parent Company.

The Notes are not listed on any regulated market.

In order to comply with the obligation to retain a net economic interest in the securitized exposures of no less than 5% under Regulation (EU) 2017/2402 and the other applicable regulations, the Parent Company undertook to retain, throughout the transaction duration, 5% of (i) the nominal value of each class of notes and (ii) of the principal amount of the limited recourse loan originated by the Parent Company within the transaction.

On 21 December 2021, 95% of the Mezzanine notes and 95% of the Junior notes was sold to specialist investor SPF Investment Management with concomitant payment of the purchase price and subsequent derecognition of the sold loans.

As regards the Senior notes, the application for admission to the Italian State guarantee scheme on securitization of NPLs (GACS) was submitted to the Italian Ministry of the Economy and Finance.

Stelvio (structured transaction pursuant to Italian Law no. 130 of 30 April 1999)

Key transaction information	
Transaction finalized on	03 Dec. 2021
Special-purpose entity	Ortles 21 S.r.l.
Underlying exposures	NPLs consisting of mortgage and unsecured credit exposures to individuals and businesses (corporate and retail bnkg)
Geographical area of the sold loans	Italy
Total original amount of the loans sold	**1.55 bln**
Outstanding notes	**394,311 mln**
of which senior BBB	340 mln
of which mezzanine	40 mln
of which junior	14.311mln
Limited recourse loan (Cash reserve)	17.05 mln
Senior notes rating at issue	BBB Moody's, Scope, ARC

As at the reporting date, due to Creval acquisition, the Group perimeter also included the securitizations described below.

Quadrivio SME 2018

Key transaction information	
Transaction finalized on	30 July 2018
Special-purpose entity	Quadrivio SME 2018 S.r.l.
Underlying exposures	Performing mortgage and unsecured loans to businesses, craft traders and producer households
Geographical area of the sold loans	Italy
Total original amount of the loans sold	**1,459,803**
Outstanding notes	**587,605**
of which senior A3	35,605
of which upper mezzanine B	102,200
of which lower mezzanine C1	100,000
of which lower mezzanine C2	89,800
of which junior	260,000
Senior notes rating at issue	Aa2 Moody's e AAA DBRS
Cash reserve	6,060
Senior notes rating(*) as at 31 Dec. 2021	Aa3 Moody's e AAA DBRS

(*) The rating refers to tranche A3. The notes in tranches A1 and A2 were fully repaid.

In the Quadrivio SME 2018 transaction, the originator Bank holds the entire junior tranche and, therefore, Creval has not actually transferred any credit risk. Consequently, as the risks/rewards associated with the portfolio disposed of are substantially retained, the loans have not been derecognized from the Bank's assets. Along with the assets disposed of and not derecognized, outstanding notes have been recognized as to the portion placed with third parties. In this case, the securitization special-purpose entity was consolidated on a line-item basis, albeit with no equity investments held in the entity. Based on that approach, all costs and revenues relating to the asset-backed securities, the recurring costs for the administrative management of the special-purpose entity, the costs for the supporting financial transactions and interest expenses on the notes placed in the market have been recognized in the income statement.

For the Quadrivio SME 2018 securitization transaction, the *originator Bank*, Credito Valtellinese S.p.A., signed a *servicing* contract with the special-purpose entity for coordination, management, administration and collection of the asset-backed securities, as well as for recovery activities in case of default by the borrowers. That contract provides for the payment of an annual *servicing* fee and for refund of expenses for each recovered loan.

In March 2022, the securitization transaction that had been finalized in July 2018 through the special-purpose entity Quadrivio SME 2018 S.r.l. was early terminated through (i) the repurchase of the remaining asset-backed securities by Credito Valtellinese S.p.A. and (ii) early repayment of the notes, and (iii) the termination of the securitization contracts.

Elrond NPL 2017

Key transaction information	
Transaction finalized on	14 July 2017
Special-purpose entity	Elrond NPL 2017 S.r.l.
Underlying exposures	NPLs consisting of Mortgage and unsecured credit exposures to individuals and businesses (corporate and retail bnkg)
Geographical area of the sold loans	Italy
Total original amount of the loans sold	**1,405,252**
Outstanding notes	**325,353**
of which senior	262,853
of which mezzanine	42,500
of which junior	20,000
Senior notes rating at issue	Baa3 Moody's BBB- Scope Ratings
Limited recourse loan (Cash reserve)	11,148
Senior notes rating as at 31 Dec. 2021	B2 Moody's B+ Scope Ratings

Special servicing is performed by Cerved Credit Management S.p.A., whereas *master servicing* is performed by Cerved Master Servicer S.p.A.

Aragorn NPL 2018

Key transaction information	
Transaction finalized on	14 June .2018
special-purpose entity	Aragorn NPL 2018 S.r.l.
Underlying exposures	NPLs consisting of Mortgage and unsecured credit exposures to individuals and businesses (corporate and retail bnkg)
Geographical area of the sold loans	Italia
Total original amount of the loans sold	**1,670,633**
Outstanding notes	**473,683**
of which senior	396,861
of which mezzanine	66,822
of which junior	10,000
Senior notes rating upon issue	BBBL DBRS BBB- Scope Ratings
Limited recourse loan (Cash reserve)	20,732
Senior notes rating as at 31 Dec. 2021	CCCH DBRS B Scope Ratings

Master servicing is performed by Master Gardant S.p.A., whereas *special servicing* is performed jointly by Special Gardant SpA and Cerved Credit Management S.p.A.

As the Elrond and Aragorn securitizations had the objective of transferring credit risk, they may entail the specific risk that credit risk is not fully transferred, but the sale of the mezzanine and junior tranches (with substantial transfer of the risks and rewards associated with the securitized loans and the subsequent derecognition of the portfolio) and the State guarantee given, ensure constant compliance with the requirements of significant transfer of credit risk.

Pillarstone Italy

In 2018, Credito Valtellinese, along with other banks, transferred its loans to Rainbow Magicland S.p.A. to the Pillarstone Italy SPV. With the loans disposed of totalling Euro 8.4 million, in January 2019 Credito Valtellinese subscribed class B1 notes for Euro 1.5 million and class C2 notes for Euro 6.9 million (the latter fully written down).

Key transaction information	
Special-purpose entity	Pillarstone Italy SPV S.r.l.
Underlying exposures	NPE to RAINBOW MAGICLAND S.p.A.
Geographical area of the sold loans	Italy
Amount of the loans disposed of by Credito Valtellinese	**8,395**
Notes subscribed by Credito Valtellinese	**8,395**
of which class B1	1,469
of which class C2	6,926
Notes rating	N.R.

The appointed Servicer was Banca Finint Spa (within a reorganization of the Securitisation Services Spa Group it was merged into Banca Finanziaria Internazionale Spa – i.e. Banca Finint Spa).

Tranched Cover – Creval 25

In 2020, the "Creval 25" portfolio was finalized for a tranched cover synthetic securitization on newly-originated loans to *Retail* and *Corporate bnkg customers*. The transaction provides for a personal guarantee to be given covering credit risk. The guarantee was given by the Central Guarantee Fund for SMEs on the junior *tranche* of a se3lected portfolio.

The portfolio of underlying exposures consists of loans originated in 2019 and 2020, to approximately 580 enterprises based throughout Italy, amounting to Euro 65.4 million (the junior tranche amounting to Euro 5.6 million, the senior tranche amounting to Euro 59.8 million).

Key transaction information	
Transaction finalized on	03 October 2020
Originator	Creval S.p.A.
Type of transaction	Tranched Cover
Underlying assets	Unsecured performing loans With average maturity of 60 months
Geographical area of the sold loans	Italy
Amount of the portfolio of underlying assets	**65,452**
Risk holder	
Senior tranche	Creval S.p.A.
Junior tranche	Partially covered by protection seller
Guarantees given by third parties	Guarantee given by the Central Guarantee Fund for SMEs on the junior tranche

Quadrivio RMBS 2011

In 2021 the securitization transaction carried out by Creval through special-purpose entity Quadrivio RMBS 2011 S.r.l. Was closed.

Risk measurement and control internal systems and hedging policies

In order to comply with the regulatory requirements concerning the recognition of “Significant transfer of credit risk”, within the securitizations of non-performing and performing loans, the Group designed a comprehensive and clear-cut framework for periodic monitoring and management of the controls and information flows (consistently with its risk appetite expressed by the Risk Appetite Framework and with its strategic plan),adopting the policy for oversight on the model for governance and management of the risks associated with the securitizations, called Significant Risk Transfer (“SRT”).

The “SRT” Policy provides for a clear definition of the roles and responsibilities for monitoring, control and reporting, as well as for the related escalation mechanisms; the Framework for the management of significant transfer of credit risk and the related risk oversight and control system are part of the overall Internal Controls System, which is managed and implemented by the Parent Company Crédit Agricole Italia on behalf of all the entities of the Group.

QUANTITATIVE DISCLOSURES

C.1 - BANKING GROUP - EXPOSURES RESULTING FROM “OWN” MAIN SECURITIZATION TRANSACTIONS BROKEN DOWN BY TYPE OF ASSET-BACKED SECURITIES AND BY TYPE OF EXPOSURES

Type of securitized assets/ Exposures	On-balance-sheet exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries
A. Fully derecognized	**975,585**	**22**	**783**	**-**														
NPL	975,585	22	783	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Partially derecognized																		
C. Not derecognized	**27,008**	**169**	**189,244**	**8,352**	**236,558**	**10,324**												
Mortgage and unsecured loans	27,008	169	189,244	8,352	236,558	10,324	-	-	-	-	-	-	-	-	-	-	-	-

C.2 - BANKING GROUP - EXPOSURES RESULTING FROM “THIRD-PARTY” MAIN SECURITIZATION TRANSACTIONS BROKEN DOWN BY TYPE OF ASSET-BACKED SECURITIES AND BY TYPE OF EXPOSURES

Type of securitized assets/Exposures	On-balance-sheet exposures						Financial guarantees						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries
A.1. Type of assets: NPL	7,842	-	1,227	-	264	230	-	-	-	-	-	-	-	-	-	-	-	-
A.2. Type of assets: Consumer loans	3,212	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3. Type of assets: Residential loans	3,508	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.3 - BANKING GROUP - EQUITY INTERESTS IN SECURITIZATION SPECIAL-PURPOSE ENTITIES

Securitization name/ SPE name	Headquarters Legal	Consolidation	Assets			Liabilities		
			Credit	Debt securities	Other	Senior	Mezzanine	Junior
Ortles 21 S.r.l.	Milan, Italy	No	394,300	-	-	340,000	40,150	14,383
Elrond NPL 2017 S.r.l.	Conegliano Veneto (TV), Italy	No	276,946	-	29,191	262,995	44,522	22,482
Aragorn NPL 2018 S.r.l.	Rome	No	437,041	-	49,536	396,861	75,345	13,469
Pillarstone Italy SPV S.r.l.	Milan, Italy	No	50,457	-	6	25,929	25,648	108,480
Quadrivio SME 2018 S.r.l.	Conegliano Veneto (TV), Italy	Yes	467,047	-	125,960	35,605	292,460	260,766

The Ortles special-purpose entity was incorporated in Q4 2021 and its deed of incorporation provides for the first financial year to close on 31 December 2022.

The Quadrivio SME 2018 S.r.l. special-purpose entity is consolidated in the accounts.

As regards the Ortles, Elrond, Aragorn and Pillarstone transactions, given that there is no control in accordance with IFRS 10 and considering the transfer to third parties of all the risks and rewards, the special-purpose entities have not been consolidated.

C.4 - BANKING GROUP - SECURITIZATION SPECIAL-PURPOSE ENTITIES NOT CONSOLIDATED

Subsequent to the Stelvio transaction, which was finalized at the end of 2021, as at 31 December 2021 the Group held the senior tranche issued by the special-purpose entity Ortles 21 and having a book value of Euro 340 million, 5% of the mezzanine tranche having a book value of Euro 0.6 million and 5% of the junior tranche, which has been fully written down. Within the transaction, the Group made a limited recourse loan (cash reserve) to the special-purpose entity amounting to Euro 17 million.

As regards the Senior notes, the application for admission to the Italian State guarantee scheme on securitization of NPLs (GACS) was submitted to the Italian Ministry of the Economy and Finance and, therefore, the variability of the performance of that tranche is not material.

As regards the securitization transactions carried out by Creval before its acquisition, as at 31 December 2021 the Crédit Agricole Italia Banking Group held the senior tranches issued by the special-purpose entities Elrond NPL 2017 and Aragorn NPL 2018 backed by the GACS Italian State guarantee and amounting to a book value of Euro 635.6 million, and 5% of the mezzanine and junior tranches having a total book value of Euro 50 thousand. Within those transactions, the Group made limited recourse loans to the special-purpose entities to provide them with cash reserves to manage the risk of any mismatch between the funds from collections and recoveries on the portfolio of transferred loans on the one hand, and the necessary funds to pay interests on the senior ABS on the other, amounting to Euro 30.7 million and recognized in item "40. Financial assets measured at amortized cost". As regards the Pillarstone transaction, the Group subscribed a portion of the mezzanine notes amounting to Euro 1.5 million, having a total book value of Euro 1.3 million, and a portion of the junior notes amounting to Euro 6.9 million and fully written down.

The maximum exposure to the risk of loss is equal to the sum of the book values of the recognized tranches amounting to Euro 636.9 million, and the book value of the limited recourse loans amounting to Euro 30.7 million. The State guarantee limits the variability of the results for the Group on the senior tranche and, therefore, the maximum exposure to the risk of loss decreases to Euro 32.1 million.

C.6 BANKING GROUP – SECURITIZATION SPECIAL-PURPOSE ENTITIES CONSOLIDATED

For more exhaustive information on the securitization special-purpose entities that have been consolidated, please see chapter C.1 – Securitizations – qualitative disclosures.

D. Asset disposals

A. Financial assets disposed of and not fully derecognized

QUALITATIVE DISCLOSURES

The transfer transactions that did not resulted in the derecognition of the underlying financial assets are securitizations of credit exposures.

The Quadrivio SME 2018 securitization does not meet the requirements for derecognizing the transferred exposures, which, therefore, have been fully represented in assets.

QUANTITATIVE DISCLOSURES

D.1 PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS SOLD AND FULLY RECOGNIZED AND ASSOCIATED FINANCIAL LIABILITIES: BOOK VALUE

	Financial assets disposed of and fully recognized				Financial liabilities associated		
	Book value	of which: securitized	of which: Sold under sale contract wtih repurchase agreement	of which deteriorate	Book value	of which: securitized	of which: Sold Under sale di contracts with Repurchase agreement
Financial assets held for trading							
1. Debt securities	-	-	-	X	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
Other financial assets mandatorily measured at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
Financial assets designated at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income							
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
Financial assets measured at amortized cost							
1. Debt securities	-	-	-	-	-	-	-
2. Loans	469,287	469,287	-	37,380	44,313	44,313	-
Total 31 Dec. 2021	**469,287**	**469,287**	**-**	**37,380**	**44,313**	**44,313**	**-**
Total 31 Dec. 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**

D.3 PRUDENTIAL CONSOLIDATION - DISPOSAL TRANSACTIONS WITH LIABILITIES HAVING RECOURSE EXCLUSIVELY ON THE ASSETS DISPOSED OF AND NOT FULLY DERECOGNIZED: FAIR VALUE

	Fully recognized	Partially recognized	Total	
			31 Dec. 2021	31 Dec. 2020
Financial assets held for trading				
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
Other financial assets mandatorily measured at fair value				
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
Financial assets designated at fair value				
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
Financial assets measured at fair value through other comprehensive income				
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
Financial assets measured at amortized cost				
1. Debt securities	-	-	-	-
2. Loans	(490,055)	-	(490,055)	-
Total financial assets	**(490,055)**	**-**	**(490,055)**	**-**
Total associated financial liabilities	**44,151**	**-**	X	X
Net value 31 Dec. 2021	**(534,206)**	**-**	**(490,055)**	**X**
Net value 31 Dec. 2020	**-**	**-**	X	**-**

D.4 COVERED BOND PROGRAMME

In order to increase its liquidity reserves, in 2013 Crédit Agricole Cariparma designed its program for the issue of Covered Bonds. These bonds are secured, i.e. “covered” both by the issuing Bank and by a pool of high-quality loans that are “separately” managed by a special-purpose entity (Crédit Agricole Italia OBG S.r.l. – the Special-Purpose Entity dedicated to the Programme of which Crédit Agricole Italia holds 60%), operating as the “depositary of the mortgage loans used as collaterals”. The Programme requires effective organizational control and significant capital strength. It is also emphasized that the above program has no effect on the regulatory risk profile of the disposing Banks (and of the Crédit Agricole Italia Banking Group) and does not generate the obligation for the Banks to derecognize the assets pledged as collaterals.

In general, the programme transactions, in accordance with the relevant regulations, consist in the following activities.

The Banks of the Crédit Agricole Italia Banking Group transfer a “Pool” of mortgage loans to Crédit Agricole Italia OBG S.r.l. The assets transferred to the Special-Purpose Entity are separated from the SPE’s assets and are to be used to the benefit of the holders of the covered bonds issued and of other parties in whose favour the guarantee has been given.

The Banks grant a subordinated loan to Crédit Agricole Italia OBG, to be used to pay the purchase price of the assets by the same Special-Purpose Entity.

Crédit Agricole Italia issues the Covered Bonds and the Special-Purpose Entity issues collateral in favour of the holders of the issued covered bonds.

As a consequence, the repayment of the Covered Bonds that have been issued within the programme is secured by unconditional and irrevocable collateral issued by Crédit Agricole Italia OBG exclusively to the benefit of the Covered Bond subscribers and of unrelated counterparties.

In addition to creating further eligible liquidity reserves with the European Central Bank by issuing internal Covered Bonds, within the programme covered bonds were also placed with external investors.

The programme, which is part of a process for enhancing the efficiency of funding sources, aims at providing the Bank with a wider range of liquidity management instruments.

This decision was made considering that the Covered Bond market allows Crédit Agricole Italia to have access to funding instruments with higher maturity than the securities placed with its Retail customers, to diversify its investor base and to stabilize the cost of funding.

In March 2021, the Group went again to the market with the first Italian issue of green covered bonds with 12-year maturity for Euro 500 million and mid swap rate increased by 9 basis points. With this issue, the first issue of green covered bonds in Italy, the Group enhanced its commitment to the protection of the environment, while also posting the first single-digit issue of covered bonds by an Italian issuer.

Consistently with the Group's green finance objectives, the issue aimed at financing or refinancing a pool of residential mortgage loans selected based on sustainability criteria and originated for the purchase of high energy efficiency properties. Applying eligibility requirements compliant with the best practices in Environmental Sustainability, mortgage loans for the purchase of residential properties with A, B and C energy ratings or, if not energy rated, of recently built properties (from 2016 on), in accordance with the principle of the best 15% of the most energy-efficient buildings in the Country.

In 2021, Crédit Agricole Italia also made another issue of covered bonds, which were then repurchased in June, for an amount of Euro 1.0 billion, in order to create new eligible reserves with the ECB.

The cover pool

The loans that, each time, are transferred to the Special-purpose Entity as the cover pool must have some common features.

Since May 2013, several transfers have been made within which receivables, i.e. credit claims, based on mortgage loan contracts were selected and, as at their respective transfer date, had, by way of example and not limited to, the following common features:

- Credit claims based on mortgage loan contracts:
  - Which are residential mortgage loans (i) having a risk-weighting factor not higher than 35%; and (ii) for which the residual principal amount plus the residual principal of any previous mortgage loans with mortgage on the same property is not higher than 80% of the value of the mortgaged property; or
  - Which are mortgage loans disbursed or purchased by the Crédit Agricole Italia Banking Group;
  - Which are performing with no instalments past due by over 30 days;
  - Which do not include clauses restricting the right of the Banks of the Crédit Agricole Italia Banking Group to sell its credit claims resulting from the relevant loan contract or providing for the borrower's consent to the transfer and for the Banks of the Crédit Agricole Italia Banking Group to have obtained such consent;
  - For which any pre-amortization period provided for by the contract has fully expired and at least one instalment has matured and has been paid;
  - Which have been granted to a natural person, a legal person or to more than one natural or legal person, who have jointly taken out the loan;
  - Which provide for the borrower to pay floating-rate interest (determined each time by the Banks of the Crédit Agricole Italia Banking Group) or fixed-rate interest.

Specifically, in 2021 two transfers of residential mortgage loans were made:

- On 21 June 2021, the Banks of the Crédit Agricole Italia Banking Group transferred the eleventh pool to Cariparma OBG S.r.l. for a total principal amount of approximately Euro 3.5 billion (of which Euro 3.1 billion transferred by Crédit Agricole Italia and Euro 0.4 billion by Crédit Agricole FriulAdria).
- On 29 November 2021, the Banks of the Crédit Agricole Italia Banking Group transferred the twelfth pool, consisting of green mortgage loans only, to Cariparma OBG S.r.l. for a total principal amount of approximately Euro 50 million (of which Euro 36 million transferred by Crédit Agricole Italia and Euro 14

million by Crédit Agricole FriulAdria).

As at 31 December 2021, the Cover Pool consisted of receivables resulting from 159,928 mortgage loans, with a total residual debt, net of any repayments, of approximately Euro 12.8 billion (Euro 10.7 billion transferred by Crédit Agricole Italia and Euro 2.1 billion by Crédit Agricole FriulAdria).

1.2 Market risks

1.2.1 Interest rate risk and price risk – Supervisory Trading Book

QUALITATIVE DISCLOSURES

A. General aspects

The Crédit Agricole Italia Banking Group does not typically engage in proprietary trading on financial markets, but only in trading operations to meet its customers' needs. Furthermore, the banking entities of the Group are subject to specific regulatory requirements that prohibit any proprietary speculative trading. The applicable legislation consists of the Volcker Rule (Dodd-Frank Wall Street Reform and Consumer Protection Act) and the LBF - "*Loi de séparation et de régulation des activités bancaires*" (French law no. 2013-672)). Following the Volcker Rule reform in 2020, the Crédit Agricole Italia Banking Group has been classified as a TOTUS ("Totally Outside The US") entity. The Entities that do not have any branches in the US or direct operations in the US territory are exempted from the obligation to perform the Volcker specific controls that were previously required, thus simplifying the programme for compliance with that piece of legislation.

Therefore, trading activities are ancillary to and aimed at meeting customers' requirements; the entities of the Crédit Agricole Italia Banking Group take only residual risk positions in the trading book.

The trading book of the entities of the Crédit Agricole Italia Banking Group mainly consists of Over-The-Counter derivatives (matched trading) and non-structured financial instruments. In its capacity as the Parent Company, Crédit Agricole Italia coordinates the interest rate risk and price risk of the trading books of the Group's entities, centrally managing financial operations as well as the risk assessment and control activities. The control of market risk on the trading book ensures that a risk level consistent with the Group's objectives is continuously maintained.

Given the exposure immateriality, Pillar One capital absorption is calculated in accordance with the standardized approach.

B. Management and measurement of interest rate and price risks

Organisational aspects

The process for the management of market risks is regulated by the relevant risk policy. This document lays down the internal system of normative instruments for the management of market risk with reference to operations in financial instruments, foreign currencies and commodities, in terms of:
- The principles, objectives, methodologies and tools used for the measurement, control and management of market risk;
- Guidelines and rules which the market risk management processes are based on.

The Market Risk Policy is one of the components of the overall risk governance model implemented by the Crédit Agricole Group, consistently with the guidelines issued by the Parent Company Crédit Agricole S.A.

Within the process for market risk management, primary responsibility is assigned to corporate bodies/structures, according to their respective scopes, and they must be fully aware of the Bank's level of exposure. Specifically:
- The Board of Directors is the body engaged in strategic oversight functions and is therefore responsible for defining market risk governance policies and management processes;
- The Deputy General Manager in charge of Corporate Banking, delegating the relevant powers to the Corporate Banking Department, is the officer responsible for market risk management, and, therefore, sets down and steers the Group's mechanism for the management of Market Risk;
- The Capital Management and Middle Office Service is responsible for controlling the perfect back–to-back

of the transactions entered by the Capital Market & Open Innovation Division on behalf of Customers;
- The Risk Management and Permanent Controls Department is responsible for level 2.2 control. It verifies the corporate risk management process and supervises compliance of the market risk treatment with the applicable legislation in force and with the Group Risk Strategy.

The model for market risk management and governance applies to the entire consolidation perimeter.

The limit structure

The limit structure reflects the level of risk deemed acceptable with reference to the individual business areas and is a mechanism designed to control that operational practices, at the various organisational levels, are performed in compliance with management guidelines and strategies, as defined by the Top Management.

The risk framework system regarding the trading books of the Entities belonging to the Crédit Agricole Italia Banking Group is reviewed on a yearly basis, consistently with the guidelines and the risk appetite set by the Crédit Agricole Group. Its risk appetite is structured through global limits and operational limits that are defined by the Risk Strategy.

The system of global limits must be able to ensure a controlled development of the business. The limits are set in order to contain any losses within a level that is deemed acceptable for the Crédit Agricole Group as a whole and are defined using common metrics, such as Notional Value, Mark to Market and Value at Risk. As regards limits and thresholds on market risk, the global limits and global alert thresholds are validated by the Group Risk Committee of Crédit Agricole SA (*Comité Risques Groupe* - CRG) and approved by the Boards of Directors of the entities of the Crédit Agricole Italia Banking Group, whereas the operational limits – which are specific adaptations of the global limits - are adapted to the individual entities of the Crédit Agricole Italia Banking Group and are also validated by their respective Boards of Directors.

Control System

The monitoring of global and operational limits is a task assigned to the Risk Management and Permanent Controls Department. Reporting on compliance with the set limits is included in the monthly Financial Risk Report, while continuous compliance is verified with automated daily reporting through an internal procedure. Pending CREVAL full integration in the Group's IT systems, the Entity operations are governed by the transitional rules specifically approved to manage the migration phase, which follow the guidelines set by the Parent Company CA Italia. The Report on Financial Risks contained the end-of-the-month outcomes of the monitoring of CREVAL exposure. The Financial Risk Report is sent to the Group's top bodies and officers, to the structures engaged in market risk management, to the Internal Audit Department and to the Group Risk Department (*Direction Risques Groupe*) of Crédit Agricole S.A. A summary of this report is the basis for quarterly reporting on market risks to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are significant changes in markets, significant losses, etc.), a specific alert procedure is triggered, reporting the event and a remedial action plan to the Top Management Bodies and to the Parent Company Crédit Agricole S.A., depending on the type of breach detected.

Furthermore, the Risk Management and Permanent Controls Department performs Independent Price Verification activities and audits on Prudent Valuation of the financial instruments on the trading book. As regards derivative instruments sold to ordinary instruments, it issues opinions on the pricing methodology, whose models, which are commonly used in financial practices, are fed with input parameters (such as interest rate, exchange rate and volatility curves) observed on the market and subject to monitoring processes.

Local "Correspondant Volcker Rule" (the Local Officer in charge of the Volcker Rule)

The Local "*Correspondant Volcker Rule*" (the Local Officer in charge of the Volcker Rule) for the Crédit Agricole Italia Banking Group is part of the Finance Department and is responsible for ensuring that the Group is always compliant with the Volcker Rule and with the LBF cooperating with the central Officers in charge at Crédit Agricole S.A..

Fair Value Option

In 2021, no transactions recognized under "Fair Value Option" were carried out.

QUANTITATIVE DISCLOSURES

1. Supervisory Trading Book: breakdown by residual maturity (repricing date) of on-balance-sheet financial assets and liabilities and financial derivatives

Type/Residual maturity Sight Euro	Sight Euro	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 year to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**-**	**-**	**1**	**-**	**19**	**10**	**1**	**-**
1.1 Debt securities	-	-	1	-	19	10	1	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	1	-	19	10	1	-
1.2 Other assets:	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**60,031**	**5,694,423**	**4,451,455**	**2,610,534**	**7,460,285**	**680,776**	**55,690**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	60,031	5,694,423	4,451,455	2,610,534	7,460,285	680,776	55,690	-
- Options	31	5,526	11,312	23,823	146,608	22,110	1,900	-
+ long positions	19	2,763	5,656	11,912	73,298	11,057	950	-
+ short positions	12	2,763	5,656	11,911	73,310	11,053	950	-
- Other derivatives	60,000	5,688,897	4,440,143	2,586,711	7,313,677	658,666	53,790	-
+ long positions	30,000	2,846,047	2,219,190	1,294,046	3,657,336	329,333	26,895	-
+ short positions	30,000	2,842,850	2,220,953	1,292,665	3,656,341	329,333	26,895	-

Type/Residual maturity Sight Other Currencies	Other currencies	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 year to 10 years	Over 10 years	Indefinite maturity
1 On-balance-sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets:	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**655,904**	**418,398**	**399,946**	**144,184**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	655,904	418,398	399,946	144,184	-	-	-
- Options	-	464	524	956	242	-	-	-
+ long positions	-	232	262	478	121	-	-	-
+Short positions	-	232	262	478	121	-	-	-
- Other derivatives	-	655,440	417,874	398,990	143,942	-	-	-
+ long positions	-	326,905	208,993	199,496	71,971	-	-	-
+Short positions	-	328,535	208,881	199,494	71,971	-	-	-

1.2.2 Interest Rate Risk and Price Risk - Banking Book

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of interest rate risk and price risk

General aspects

Asset & Liability Management activities cover all the items on the banking book, on-balance-sheet and off-balance-sheet. Future fluctuations in interest rates that would impact on profits, through changes in net interest income, and that would also have an effect on the discounted value of its capital, as they would cause a change in the net present value of future cash flows, are mitigated with hedges that are calibrated also through specific modeling of financial statement items.

Organisational aspects

In its capacity as the Parent Company, Crédit Agricole Italia coordinates the interest rate risk and price risk profiles of the Group's banking book, centrally managing financial operations, as well as risk assessment and control activities.

The Governance model adopted by the Crédit Agricole Italia Banking Group vests:

- The ALM Committee with the task of setting the strategic and direction lines for the management, of validating proper application of the standards and methods for measuring the exposure to interest rate risk, of examining the reporting produced by the Finance Department, as well as to resolve on any measures to be implemented, as well as of validating the local operational limits and the local alert thresholds regarding interest rate risk.
- The Risk and Internal Control Committee with the task of examining the outcomes of controls on compliance with the RAF and Risk Strategy limits and alert thresholds, as well as any alert procedures that started.

The CFO is responsible for the management and measurement of interest rate risk for the Group as a whole. Through the Finance Department, the CFO sets the methods for managing interest risk in compliance with the applicable regulations and with the methodological indications provided by the Crédit Agricole Group. The CFO also designs operational actions, carries out stress testing exercises based on the guidelines issued by the Crédit Agricole Group and prepares the ICAAP reports, both the local one and the contribution to the Group's ICAAP exercise.

The Risk Management and Permanent Controls Department is responsible for control. Therefore, it verifies the corporate risk management process and supervises compliance of the risk treatment with the applicable legislation in force and with the Group Risk Strategy.

In compliance with the normative instruments of the Crédit Agricole Group and with the supervisory regulations, the system of limits to the interest rate risk is reviewed on a yearly basis within the Risk Appetite Framework (RAF) process, setting out operational limits in the Risk Strategy, which is submitted to the Group Risk Committee of Crédit Agricole SA. and is approved by the Boards of Directors of all the Group's Entities. The local operational limits are reviewed by the ALM Committee.

Risk policy and management

The processes for the management of interest rate risk and price risk are governed by the respective risk policies. These documents lay down the internal normative framework for the management of risks with reference to operations in financial instruments, in terms of:

- Principles, objectives, methodologies and tools used for the measurement, control and management of risks;
- Guidelines and rules on which the Risk Management and Stress Testing processes are based.

The management of interest rate risk designed by the Crédit Agricole Italia Banking Group aims at ensuring that the individual legal entities and the Group as a whole achieve the maximum possible income from the existing positions through proactive management of interest risk hedges. The main financial instruments to manage risk hedges are derivative contracts, i.e. interest rate options and Interest Rate Swaps.

Control System

Independent level 2.2 control on the system for the management of interest rate risk is performed by the Risk Management and Permanent Controls Department of Crédit Agricole Italia, by verifying the system compliance with the internal model of Crédit Agricole S.A. Specifically, within its responsibilities, the Risk Management and Permanent Controls Department:

- Independently verifies compliance with the limits and alter thresholds provided for by the RAF and by the Risk Strategy; it also expresses its prior opinion in case of any changes to the approaches and methods used by the Finance Department, while reporting on them to the ALM Committee and to the Risk and Internal Control Committee;
- Submits the outcomes of its verifications to the Controlling Company on a monthly basis and, in case of breach of any one of the limits and alert thresholds set in the Risk Strategy and/or locally by the ALM Committee, it triggers the alert procedure, with a specific escalation measure depending on the type of breach detected, and analyzes and approves the action plan proposed by the relevant corporate structures.
- Reports to the Boards of Directors of the single Banks of the Group and to the Risk and Internal Control Committee on any breached limits or thresholds, problems arisen and compliance with the Risk Strategy.

The Risk Management and Permanent Controls Department is responsible for level 2.2. control on compliance with the set limits; therefore, on a monthly basis, it prepares and sends its Financial Risk Report to the Corporate Bodies, which provides information on the control outcomes and on any breaches of limits, and activates, where required, the appropriate alert procedures. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to the Boards of Directors of all the Entities of the Crédit Agricole Italia Banking Group.

Risk measurement: Methodological Aspects

The model for the measurement of global interest rate risk provides for an analysis of the contractual profile (cash flow generation by maturity), of all balance-sheet items and, where appropriate, for the “modeling” of other balance sheet items that, in terms of asset stability and responsiveness to changes in market interest rates, are among the items that are sensitive to interest rate risk for the Banks of the Group. Specifically, for interest rate risk analysis, the following elements are identified:

- Term loans (fixed and variable rate for the portion with an already established rate);
- Balance-sheet items modelled in accordance with Crédit Agricole S.A. guidelines;
- Balance-sheet items modelled in accordance with specific management rules set by the relevant corporate structures of Crédit Agricole Italia (local models).

As regards price risk for the Banking Book, global limits have been set, based on the type of instruments that can be held, which are expressed with reference to indicators, such as the balance sheet notional value and fair value, along with the outcomes of the management for stress testis on the relevant perimeter.

QUANTITATIVE DISCLOSURES

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Type/Residual maturity Sight Euro	Other currencies	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 year to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**18,234,140**	**38,170,146**	**2,798,016**	**1,936,912**	**20,529,810**	**6,650,085**	**8,264,600**	**139,307**
1.1 Debt securities	508	996,593	349,652	174,675	13,641,937	2,170,074	340,914	139,307
- with early repayment option	-	80	-	-	47,116	-	-	-
- other	508	996,513	349,652	174,675	13,594,821	2,170,074	340,914	139,307
1.2 Loans to banks	1,509,450	13,570,502	7,199	32,385	3,327	-	3,128	-
1.3 Loans to customers	16,724,182	23,603,051	2,441,165	1,729,852	6,884,546	4,480,011	7,920,558	-
- c/a	1,625,130	373,335	28,315	34,813	117,437	7,879	551,348	-
- other loans	15,099,052	23,229,716	2,412,850	1,695,039	6,767,109	4,472,132	7,369,210	-
- with early repayment option	3,272	377,185	181,691	27,876	88,407	13,647	15,357	-
- other	15,095,780	22,852,531	2,231,159	1,667,163	6,678,702	4,458,485	7,353,853	-
2. On-balance-sheet liabilities	**59,817,870**	**3,885,444**	**657,968**	**617,084**	**20,519,204**	**2,907,245**	**3,860,607**	**-**
2.1 Due to customers	59,358,261	231,396	180,638	237,494	696,111	156,324	2,100,730	-
- c/a	58,394,689	651	-	-	-	-	2,015,551	-
- other due and payables	963,572	230,745	180,638	237,494	696,111	156,324	85,179	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	963,572	230,745	180,638	237,494	696,111	156,324	85,179	-
2.2 Due to banks	457,278	1,105,519	293,807	983	16,272,828	-	15,775	-
- c/a	27,975	-	-	-	-	-	-	-
- other due and payables	429,303	1,105,519	293,807	983	16,272,828	-	15,775	-
2.3 Debt securities	2,324	2,548,529	183,523	378,607	3,550,265	2,750,921	1,744,102	-
- with early repayment option	1,015	240	12	-	-	-	-	-
- other	1,309	2,548,289	183,511	378,607	3,550,265	2,750,921	1,744,102	-
2.4 Other liabilities	7	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	7	-	-	-	-	-	-	-
3. Financial derivatives	**26**	**30,390,813**	**798,271**	**1,886,675**	**17,137,292**	**8,771,923**	**3,905,740**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	26	30,390,813	798,271	1,886,675	17,137,292	8,771,923	3,905,740	-
- Options	26	12,439	271	276,149	1,762,087	784,136	680,740	-
+ long positions	26	2,107	195	138,722	883,916	392,448	342,520	-
+Short positions	-	10,332	76	137,427	878,171	391,688	338,220	-
- Other derivatives	-	30,378,374	798,000	1,610,526	15,375,205	7,987,787	3,225,000	-
+ long positions	-	12,132,638	573,000	1,383,108	7,053,700	6,125,000	2,420,000	-
+Short positions	-	18,245,736	225,000	227,418	8,321,505	1,862,787	805,000	-
4. Other off-balance-sheet transactions	**581,197**	**104,664**	**1,494**	**23,973**	**5,436**	**1,621**	**1,061**	**-**
+ long positions	221,474	104,664	1,494	23,973	5,436	1,621	1,061	-
+ short positions	359,723	-	-	-	-	-	-	-

Type/Residual maturity Sight Other currencies	Other currencies	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 year to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**29,687**	**150,836**	**13,116**	**4,358**	**24,014**	**8,852**	**7,980**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	8,841	1,205	-	1,175	-	-	-	-
1.3 Loans to customers	20,846	149,631	13,116	3,183	24,014	8,852	7,980	-
- c/a	10,112	1	-	2	306	-	7,979	-
- other loans	10,734	149,630	13,116	3,181	23,708	8,852	1	-
- with early repayment option	271	13,704	7,373	576	-	-	-	-
- other	10,463	135,926	5,743	2,605	23,708	8,852	1	-
2. On-balance-sheet liabilities	**360,916**	**74,944**	**11,697**	**2,538**	**-**	**-**	**-**	**-**
2.1 Due to customers	345,484	1,060	-	1,186	-	-	-	-
- c/a	344,592	1,060	-	1,186	-	-	-	-
- other due and payables	892	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	892	-	-	-	-	-	-	-
2.2 Due to banks	15,432	73,884	11,697	1,352	-	-	-	-
- c/a	13,416	-	-	-	-	-	-	-
- other due and payables	2,016	73,884	11,697	1,352	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+Short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions	**16,017**	**18,601**	**184**	**-**	**-**	**-**	**-**	**-**
+ long positions	16,017	1,200	184	-	-	-	-	-
+Short positions	-	17,401	-	-	-	-	-	-

1.2.3 Foreign exchange risk

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of foreign exchange risk

General aspects

The Crédit Agricole Italia Banking Group is not engaged in proprietary trading on the currency market. Consequently, there are no exposures other than residual positions resulting from activities carried out to meet customer requirements, in both the spot and forward markets.

In its capacity as the Parent Company, Crédit Agricole Italia coordinates the foreign exchange risk profiles of the Group, centrally managing financial operations, as well as risk assessment and control activities.

Management and measurement of foreign exchange risk

Organisational aspects

The process for the management of foreign exchange risks is governed by the relevant risk policy, which is one of the key components of the overall risk governance model implemented by the Group, consistently with the guidelines given by Crédit Agricole S.A..

Within the process for foreign exchange risk management, primary responsibility is assigned to corporate bodies/departments, according to their respective scopes, and they must be fully aware of the Bank's level of exposure. Specifically:

- The Board of Directors is tasked with strategic oversight and is therefore responsible for defining risk governance policies and management processes;
- The Deputy General Manager in charge of Corporate Banking, and Lending through the Capital Market & Open Innovation Division, is responsible for risk management, and, therefore, defines and steers the Group's mechanism for the management of exchange rate risk, in compliance with the instructions and resolutions issued by the ALM Committee and by the Risk and Internal Control Committee;
- The Risk Management and Permanent Controls Department is responsible for level 2.2 control. It verifies the corporate risk management process and supervises compliance of the foreign exchange risk treatment with the applicable legislation in force and with the Group Risk Strategy.

The limit structure

The limit structure reflects the level of risk deemed acceptable with reference to the individual business areas and is designed to control that operations are performed in compliance with the management and strategic directions set by the Top Management.

The Group's framework system for foreign exchange risk is reviewed on a yearly basis, consistently with the guidelines and the risk appetite set by the Crédit Agricole S.A. Group. The risk appetite is structured through global limits and operational limits that are set by the Crédit Agricole Italia Group in its Risk Strategy.

The global limit is set in order to ensure a controlled development of the business. It is calculated as the sum of the value in Euro of the open foreign currency position (in absolute value) for each currency and is validated by the Group Risk Committee (CRG) of Crédit Agricole S.A. and approved by the Boards of Directors of Crédit Agricole Italia and of the single Entities of the Group. That limit takes into account the foreign currency position of both CA Italia and of CA FriulAdria at a consolidated level; following every transaction made by CA FriulAdria, the subsequent risk position is automatically immunized through the transaction reversal with the Parent Company CA Italia, which, therefore, centrally manages foreign exchange risk for the whole Group. Pending CREVAL full integration, in the IT systems of the Parent Company CA Italia, the foreign exchange position of CREVAL, which follows the same operational practices as CA Italia and is compliant with the transitional legislation in force, is monitored on a daily basis by the Capital Market & Open Innovation Division.

Control System

The monitoring of the limits, which is performed on daily basis except for CREVAL position, pending its full integration in the Group's IT systems, is the responsibility of the Risk Management and Permanent Controls Department; CREVAL position is managed and monitored on a daily basis by the Capital Market & Open Innovation Division. The outcomes of monitoring on limits are included in the monthly Report on Financial Risks. It is sent to the Group's Top Management (CFO), to the structures engaged in foreign exchange risk management (Corporate Banking Department), to the Internal Audit Department and to Crédit Agricole S.A. (Direction Risques Groupe).

A summary of this report is the basis for quarterly reporting on foreign exchange risks to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Boards of Directors of the Group's Entities).

If certain events occur (the limits are breached, there are material changes in markets, material losses, etc.), the Group triggers the alert procedure in force, reporting the event and the related remedial action plan to the Top Management Bodies and to the *Direction Risques Groupe* of Crédit Agricole S.A., depending on the type of breach.

Foreign exchange risk hedging

Foreign exchange risk hedging is based on the intermediation principle, which allows the Parent Company and the Subsidiaries of the Crédit Agricole Italia Banking Group not to take foreign exchange risk positions breaching the authorized operational limits. Back-to-back hedging transactions are carried out with authorized financial counterparties, are traded upon the closing of the relevant transactions with Customers and entered in the relevant procedures within the business day.

QUANTITATIVE DISCLOSURES

1. Breakdown by currency of assets, liabilities and derivatives

Items	Currencies					
	USD	GBP	JPY	CAD	CHF	Other currencies
A. Financial Assets	**202,960**	**5,182**	**2,522**	**2,064**	**16,761**	**6,872**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	36	-	-	-	-	1
A.3 Loans to banks	1,205	193	1,924	-	5	2,226
A.4 Loans to customers	201,719	4,989	598	2,064	16,756	4,645
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**38,240**	**9,217**	**2,639**	**3,310**	**9,753**	**15,658**
C. Financial liabilities	**360,472**	**25,556**	**8,339**	**4,768**	**25,887**	**26,272**
C.1 Due to banks	84,978	2,480	2	278	8,296	7,531
C.2 Due to customers	275,494	23,076	8,337	4,490	17,591	18,741
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**14,212**	**880**	**-**	**204**	**842**	**1,071**
E. Financial derivatives						
- Options						
+ long positions	803	251	8	30	-	-
+ short positions	803	251	8	30	-	-
- Other derivatives						
+ long positions	629,906	44,241	662	7,854	2,830	86,735
+ short positions	629,730	44,438	1,866	7,717	2,784	86,593
Total assets	**871,909**	**58,891**	**5,831**	**13,258**	**29,344**	**109,265**
Total liabilities	**1,005,217**	**71,125**	**10,213**	**12,719**	**29,513**	**113,936**
Mismatch (+/-)	**-133,308**	**-12,234**	**-4,382**	**539**	**-169**	**-4,671**

1.3 DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

1.3.1 Derivative instruments held for trading

A. Financial derivatives

A.1 FINANCIAL DERIVATIVES HELD FOR TRADING: CLOSING NOTIONAL VALUES

Underlying assets/ Type of derivatives	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates	**-**	**5,707,457**	**5,689,952**	**-**	**-**	**5,274,384**	**5,261,584**	**-**
a) Options	-	923,024	851,184	-	-	996,994	992,289	-
b) Swaps	-	4,784,433	4,838,768	-	-	4,277,390	4,269,295	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**218**	**-**
a) Options	-	-	-	-	-	-	218	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Valute e oro	**-**	**788,708**	**918,979**	**-**	**-**	**460,184**	**509,405**	**-**
a) Options	-	111,552	111,861	-	-	61,283	61,283	-
b) Swaps	-	55,674	55,674	-	-	56,097	56,097	-
c) Forwards	-	621,482	751,444	-	-	342,804	392,025	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**6,496,165**	**6,608,931**	**-**	**-**	**5,734,568**	**5,771,207**	**-**

A.2 FINANCIAL DERIVATIVES HELD FOR HEDGING GROSS POSITIVE AND NEGATIVE FAIR VALUE BREAKDOWN BY PRODUCT

Underlying assets/ Type of derivatives	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Positive fair value								
a) Options	-	7,807	2,206	-	-	458	3,589	-
b) Interest rate swaps	-	2,945	40,978	-	-	-	80,351	-
c) Cross currency swaps	-	-	255	-	-	-	260	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	7,928	7,742	-	-	2,972	7,283	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	349	470	-	-	225	-	-
Total	**-**	**19,029**	**51,651**	**-**	**-**	**3,655**	**91,483**	**-**
2. Negative fair value								
a) Options	-	2,216	7,435	-	-	2,976	411	-
b) Interest rate swaps	-	45,804	3,225	-	-	93,516	-	-
c) Cross currency swaps	-	260	-	-	-	263	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	6,576	8,727	-	-	6,571	3,515	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	457	342	-	-	-	217	-
Total	**-**	**55,313**	**19,729**	**-**	**-**	**103,326**	**4,143**	**-**

A.3 OTC FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTY

Underlying assets	Counterparties centrali	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	-	372,345	5,317,607
- positive fair value	X	-	1,648	39,671
- negative fair value	X	-	608	8,590
2) Equity securities and equity indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold				
- notional value	X	78,306	-	840,673
- positive fair value	X	673	-	9,660
- negative fair value	X	716	-	9,814
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional value	-	5,705,497	1,961	-
- gross positive fair value	-	9,290	1	-
- gross negative fair value	-	46,127	21	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	788,709	-	-
- gross positive fair value	-	9,737	-	-
- gross negative fair value	-	9,166	-	-
4) Commodities				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-

A.4 RESIDUAL MATURITY OF OTC FINANCIAL DERIVATIVES: NOTIONAL VALUES

Underlying asset/residual maturity	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	3,011,516	7,248,320	1,137,574	11,397,410
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial derivatives on foreign exchange rates and gold	1,601,973	105,713	-	1,707,686
A.4 Financial derivatives on other instruments	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31 Dec. 2021	**4,613,489**	**7,354,033**	**1,137,574**	**13,105,096**
Total 31 Dec. 2020	**3,618,954**	**6,399,840**	**1,486,981**	**11,505,775**

1.3.2 Accounting hedges

QUALITATIVE DISCLOSURES

A. Fair value hedging

Hedging interest rate risk has the objective of immunizing the Banking Book from changes in the fair value of funding and lending, caused by adverse movements in the yield curve.

The main financial instruments for the management of interest risk hedges are Interest Rate Swaps and Interest Rate Options, which, for their very nature, are contracts referring to “pure” interest rate risk.

Specifically, fixed-rate debenture loans have been hedged (micro-hedging), as have the mortgage loans with optional components to Customers (macro-hedging), government securities (micro- hedging), current accounts and fixed-rate mortgage loans in the macro-hedging portfolio.

In compliance with the financial reporting standards, the effectiveness of the hedges is assessed by the Finance Department, which carries out the relevant tests on a monthly basis and keeps formal documentation for every hedge.

B. Cash flow hedging

In 2021, no Cash Flow Hedge transactions were carried out.

C. Hedging instruments

The Crédit Agricole Italia Banking Group hedges interest rate risk resulting from some parts of its balance sheet items under fair value hedging, with the following instruments:

- IRS, both for micro-hedging (Issued Debenture Loans and Securities under assets), and for macro-hedging (modelled Retail Current Accounts under liabilities and fixed-rate mortgage loans to Customers);
- IRO, in macro-hedging, to hedge optional risk resulting from CAP options associated with a part of mortgage loans sold to Customers.

A source of ineffectiveness set for all the types of hedging used is the possible early repayment of the hedged item. Moreover, for hedging with IRS, also any possible sudden and material change in the Euribor rates, entailing the breach of the tolerance threshold set by IAS 39 for the hedge ratio (-80%/-125%), could be a cause of possible ineffectiveness. Finally, as regards hedging of “modelled” items, a change in the model’s financial characteristics, subsequent to the periodic review of the models, could also be yet another cause of ineffectiveness.

Over time, ineffectiveness resulting from early or from the periodic review of the models (reduction in the modelled item duration) has been overcome with total or partial unwinding of the hedging instruments.

D. Hedged items

Hedging of issued (fixed-rate) Debenture Loans

The hedged item is limited to portion referring to interest rate risk. Hedging uses IRS in which the fixed-rate leg equalizes the debenture loan rate and the variable-rate leg is determined as 3M Euribor +/- spread.

The spread on the variable-rate leg of the IRS is included in the hedging relationship, inverting its sign, as "spread adjustment" of the hedged item (debenture loan rate +/- spread adjustment). In this way, based on the assumption that the two legs of the IRS, on the trading date, have the same value and knowing that an IRS contract hedges interest rate risk only, the value of the "hedged item" referring to every debenture loan can be determined, or the only part of the debenture loan interest rate referring to the hedged risk (interest rate risk).

Hedging of Securities recognized as Assets (fixed rate)

The hedged item is limited to portion referring to interest rate risk. Hedging is done with IRSs in which the variable-rate leg is determined as 3M Euribor and the fixed-rate leg equalizes the swap market rate with maturity equal to the security maturity.

Hedging of Securities recognized as Assets (inflation-linked)

The hedged item is limited to the portion referring to fixed-rate + the principal periodic revaluation based on inflation. Hedging is done with IRSs in which the variable-rate leg is determined as 3M Euribor with spread adjustments and the fixed-rate leg equalizes the security rate.

Hedging of the fixed-rate part of Retail Current Accounts recognized as Liabilities

The hedged item is limited to portion referring to interest rate risk. Hedging uses IRS in which the fixed-rate leg equalized the rate of a "fictitious" bond-equivalent designed to identify the hedged item resulting from the modelling of a balance-sheet item (a set of current accounts) that, in contractual terms only, would not allow to separate the characteristics required for the hedging, and the variable-rate leg is determined as 3M Euribor. The value of the hedged rate and the duration of this bond-equivalent are determined with a modelling process that is specific to the Retail channel and is reviewed on a yearly basis and validated by the relevant structures of the Bank. Through a statistical analysis, the model breaks down a set of current accounts featuring the same behavioural aspects and product type (Retail current accounts under liabilities), into its different financial parts: stable part by volume (fixed-rate or variable-rate), and volatile part. The hedged part is the stable fixed-rate one.

Hedging of the CAP option on mortgage loans (variable rate)

The hedged item is limited to portion referring to interest rate risk. Hedging uses IRO traded in order to hedge the risk that a variable-rate mortgage loan contract, once having reached its cap, becomes a fixed-rate item, with subsequent increase in the Bank's financial leverage. Every IRO is specifically traded in order to hedge portfolios of mortgage loans having the same financial characteristics (strike, market parameter, payment schedule, ...). In this way, the Bank achieves its objective of having essential specularity between the characteristics of the implied Cap rates of the mortgage loans and those of the IRO hedging them.

Hedging of fixed-rate mortgage loans

The hedged item is limited to portion referring to interest rate risk and is an aggregate of mortgage loans homogeneous in terms of original duration (within the set time bracket) and interest settlement frequency. Once having defined the financial characteristics of the item to be hedged for interest rate risk, it is hedge "at par", i.e. with the swap market rate on the IRS fixed-rate leg, equal to the meta mortgage loan maturity,which, on the trade date, equalizes the value of 3M Euribor applied to the variable-rate leg.

QUANTITATIVE DISCLOSURES

A. Financial Derivatives held for hedging

A.1 FINANCIAL DERIVATIVES HELD FOR HEDGING: CLOSING NOTIONAL VALUES

Type of derivatives	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates	**-**	**31,947,126**	**300,000**	**-**	**-**	**29,709,217**	**757,555**	**-**
a) Options	-	2,559,680	-	-	-	2,723,216	-	-
b) Swaps	-	29,387,446	300,000	-	-	26,986,001	-	-
c) Forwards	-	-	-	-	-	-	757,555	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**31,947,126**	**300,000**	**-**	**-**	**29,709,217**	**757,555**	**-**

A.2 FINANCIAL DERIVATIVES HELD FOR HEDGING: GROSS POSITIVE AND NEGATIVE FAIR VALUE - BREAKDOWN BY PRODUCT

Type of derivatives	Positive and negative fair value								Change in value used to calculate hedge ineffectiveness	
	Total 31 Dec. 2021				Total 31 Dec. 2020					
	Over the counter			Organized markets	Over the counter			Organized markets	Total 31 Dec. 2021	Total 31 Dec. 2020
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements			
1. Positive fair value										
a) Options	-	105,290	-	-	-	1,714	-	-	-	1,714
b) Interest rate swaps	-	529,207	-	-	-	1,024,777	-	-	-	1,024,777
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	111	-	-	111
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**634,497**	**-**	**-**	**-**	**1,026,491**	**111**	**-**	**-**	**1,026,602**
2. Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	893,902	126,409	-	-	786,242	-	-	-	786,242
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	388	-	-	388
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**893,902**	**126,409**	**-**	**-**	**786,242**	**388**	**-**	**-**	**786,630**

A.3 OTC FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTY

	Central Counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	300,000	-	-
- positive fair value	X	-	-	-
- negative fair value	X	126,409	-	-
2) Equity securities and equity indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional value	-	31,947,126	-	-
- gross positive fair value	-	634,497	-	-
- gross negative fair value	-	893,902	-	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-

A.4 RESIDUAL MATURITY OF OTC FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES

Underlying asset/residual maturity	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	3,099,455	15,375,205	13,772,466	32,247,126
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial Derivatives on exchange rates and gold	-	-	-	-
A.4 Financial Derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31 Dec. 2021	**3,099,455**	**15,375,205**	**13,772,466**	**32,247,126**
Total 31 Dec. 2020	**3,154,710**	**14,567,678**	**12,744,384**	**30,466,772**

D. Hedged items

D.1 FAIR VALUE HEDGING

	Microhedges: book value	Micro-hedges – net positions: book value of assets or liabilities (before netting)	Micro-hedges			Microhedges: book value
			Cumulative value Fair value changes in the hedged item	Termination of hedging: Residual cumulative fair value changes	Change in value used to assess hedge ineffectiveness:	
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedging of:						
1.1 Debt securities and interest rates	-311,569	-	-7,215	-20	-	X
1.2 Equity securities and equity indexes	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortized cost – hedging of:						
1.1 Debt securities and interest rates	-315,485	-	-13,591	-	-	X
1.2 Equity securities and equity indexes	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	-16,125	-	-2,685	-	-	X
1.5 Other	-	-	-	-	-	X
Total 31 Dec. 2021	**-643,179**	**-**	**-23,491**	**-20**	**-**	**-**
Total 31 Dec. 2020	**-9,659,154**	**-**	**-227,546**	**-**	**-**	**-**
B. Liabilities						
1. Financial liabilities measured at amortized cost - hedging of:						
1.1 Debt securities and interest rates	1,749	-	1	-	-	X
1.2 Foreign exchange and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 31 Dec. 2021	**1,749**	**-**	**1**	**-**	**-**	**-**
Total 31 Dec. 2020	**8,975,830**	**-**	**529,331**	**-**	**-**	**-**

3.3 OTHER INFORMATION ON DERIVATIVE INSTRUMENTS (HELD FOR TRADING AND FOR HEDGING)

A.1 OTC FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUES BY COUNTERPARTY

	Central counterparties	Banks	Other financial companies	Other parties
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	-	37,656,197	374,307	5,317,607
- positive fair value	-	643,798	1,649	39,671
- negative fair value	-	939,918	629	8,591
2) Equity securities and equity indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	846,231	-	810,840
- positive fair value	-	10,238	-	9,469
- negative fair value	-	9,779	-	9,593
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
B. Credit Derivatives				
1) Purchase and protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Sale and protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

1.4 - LIQUIDITY RISK

Covid-19 – Impacts on liquidity risk

Having regard to liquidity risk, since the very beginning, the Crédit Agricole Italia Banking Group has deployed all necessary measures to optimize liquidity management, keeping a strong position that can rely on the availability of large buffers and on highly stable funding.

In 2021, the European Central Bank continued with its accommodative monetary policy, which succeeded in mitigating potential liquidity crunch striving to support the financial systems in order for it to lend to the real economy.

High vaccination rates in advanced Countries and in some emerging Countries reduced the economy sensitivity to the COVID-19 pandemic. The progressive reabsorption of the economic effects of the pandemic, the mismatches between demand and supply, and the signs of tension on the labour market prompted central banks to change their stance. In mid-December, the European Central Bank announced that, in Q1 2022, the amount of the pandemic emergency purchase programme (PEPP) with be tapered and then ended by the end of March 2022.

Based on these elements, the Group's available liquidity buffers have been deemed adequate to meet present and forward-looking requirements.

The table below reports the LCR and NSFR of the Crédit Agricole Italia Banking Group, including Creval contribution, as at 31 December 2021 and the estimated LCR and NSFR figures at the end of 2022, 2023, 2024 and 2025 based on the macroeconomic scenario provided by the Parent Company Crédit Agricole S.A..

Liquidity	2021	2022 BDG	2023	2024	2025
LCR (%)	277%	241%	173%	137%	124%
NSFR (%)	142%	134%	130%	128%	128%

The ratios LCR and NSFR remains well above the minimum regulatory requirement throughout the Business plan duration.

QUALITATIVE AND QUANTITATIVE DISCLOSURES

A. General aspects, management and measurement of liquidity risk General and organizational aspects

General and organisational aspects

Liquidity risk reflects the possibility that the Group may not be able to meet its payment commitments, both expected and unexpected, without prejudicing its daily operations or its financial conditions. This risk is managed based on the following components:

- Management of short-term liquidity: its objective is to ensure the balance between incoming and outgoing liquidity flows, in the perspective of continuously supporting normal banking operations;
- Management of structural liquidity: its objective is to maintain the balance between total liabilities and medium-/long-term assets.

The liquidity risk management model, approved by Crédit Agricole Italia Board of Directors, is based on the principle of separation of liquidity management and measurement processes from control processes, in compliance with the regulatory requirements and with the guidelines issued by Crédit Agricole S.A..

The model provides for the governance and management of liquidity risk to be centrally performed by the Parent Company Crédit Agricole Cariparma, which is also responsible for the funding process of all the entities of the Group. This framework is defined as the "Liquidity System".

The model lays down the responsibilities of the Corporate Bodies and Functions Holders involved, specifically:

- The Board of Directors, the body in charge of strategic oversight, is responsible for defining governance policies, the organizational structure and management processes. Specifically, it approves measurement methods, risk tolerance thresholds and the limits system, the assumptions at the basis of stress tests and the Contingency Funding Plan (CFP or *Plan d'Urgence*).
- The CFO, through the Finance Department, is the role responsible for management and, specifically, for the preparation of the reporting to the Bank of Italy, as well as of internal reporting on the Group's liquidity situation (Liquidity Report). The Finance Department operates in compliance with the directions set by the ALM Committee, the Risk and Internal Control Committee, the RAF and the Risk Strategy;
- The Risk Management and Permanent Controls Department is responsible for the permanent controls framework, verifies compliance with global and operational limits, as well as with alert thresholds, prepares the reporting to corporate Bodies and triggers, where required, the alert procedures. Jointly with the Finance Department, it is also responsible for monitoring the ratios and indicators provided for in the Contingency Funding Plan.

The process for the management of liquidity risk is governed by the relevant risk policy.

Risk management and control: Methodological Aspects

The model adopted for liquidity risk management is based on the monitoring of the short-term component (up to 12 months) and the medium/long-term one.

The main objective of the short-term liquidity management process is to ensure that the Group is able to satisfy on-balance-sheet payment commitments, expected and unexpected, in such a way as not to prejudice normal business.

A key condition for achieving this objective is to constantly maintain sufficient balance between incoming and outgoing liquidity flows.

The Group's liquidity risk monitoring system considers the following factors:

- Keeping immediate liquidity, i.e. the net balance of customer sources, surplus own funds and loans to customers. This is carried out by recognizing cash inflows and outflows expected in the various ranges of residual maturity making up the maturity ladder;
- The continuation of the business activity at a planned pace (monitoring the performance of liquidity used in loans to customers/from customer sources).

An essential aspect of liquidity management is the definition of an interbank short-term refinancing limit (LCT - *Limite Court Terme*), which is fine-tuned in accordance with the guidelines given by the Parent Company Crédit Agricole S.A., aimed at limiting short-term funding on the market over a one-year time horizon in a market featuring stress conditions.

Short-term liquidity risk management and oversight policies aim at ensuring the surmounting of any crisis that leads to serious reduction in the Group's normal financing sources; in this regard, three stress scenarios have been identified:

- Systemic crisis: a situation that leads to partial closure of the short-term and medium-/long-term refinancing market, with continuing business operations. The Group must be able to continue operations for a time horizon of one year;
- Idiosyncratic crisis: a situation that leads to a bank run, partial closure of the short-term market and total closure of the medium-/long-term market with continuing business operations. In this scenario, the Group must be able to continue operations for a time horizon of three months;
- Global crisis: a situation having the combined features of both a systemic crisis and an idiosyncratic crisis, in terms of substantial bank run, total closure of the markets, use of reserves even though with write-downs. The Group must be able to continue business operations in a serious crisis for a time horizon of one month.

Within Short-Term Liquidity Risk monitoring, on a daily basis the Crédit Agricole Italia Banking Group calculates its Liquidity Coverage Ratio (LCR= Stock of high quality liquid assets/Total net cash outflows in the subsequent 30 calendar days). The LCR is a 30-day horizon ratio that simulates the combination of a systemic crises and an idiosyncratic one and measures the ability of the stock of liquid assets to ensure coverage of expected net cash outflows in the subsequent 30 calendar days.

As at 31 December 2021, the Liquidity Coverage Ratio (LCR) of the Crédit Agricole Italia Banking Group was 277%, once again firmly above the set compliance requirements.

Global alert thresholds have also been implemented for the management medium-/long-term liquidity, by defining the ratios *Position en Resources Stable* (PRS – Stable Resources Position) and *Coefficient en Resources Stable* (CRS – Stable Resources Ratio). They aim at ensuring financial balance between stable founding (medium-/long-term funding on the market, funding from Customers, own funds) and long-term uses (non-current assets, loans to Customers, Customers' securities and LCR reserves). PRS and CRS positive levels substantiate the Group's ability to support its assets during a crisis.

Moreover, a concentration limit to medium/long-term maturities (*Concentration des échéances* MLT) has also been set, which aims at ensuring balance between maturities of MLT resources and long-term uses.

The resilience ratios and indicators for every one of the assumed scenarios are calculated on a monthly basis. These ratios and indicators have the purpose of monitoring compliance with the Group's risk appetite and are benchmarked against specific global limits laid down by Crédit Agricole S.A. and approved by the Group

Risk Committee upon presentation of the Risk Strategy and then submitted to the Board of Directors of the Parent Company Crédit Agricole Italia for its approval.

Within its medium/long-term Liquidity Risk monitoring, the Crédit Agricole Italia Banking Group calculated its Net Stable Funding Ratio (NSFR) on a quarterly basis. The ratio, which shall be higher than100%, has the Available Stable Funding (ASF) figure as the numerator and the Required Stable Funding (RSF) figure as the denominator.

As at 31 December 2021, the Liquidity Coverage Ratio (NSFR) of the Crédit Agricole Italia Banking Group was 142%, once again firmly above the set compliance requirements.

Diversification of the Group's refinancing sources through Covered Bonds placed in the market continued in 2021. To that effect, in March 2021, the Group substantiated once again its commitment to environmental protection with the first issue in the Italian market of Green Covered Bonds (CB), for a total amount of Euro 500 million and 12-year maturity. Consistently with the Group's green finance objectives, the issue aimed at financing or refinancing a pool of residential mortgage loans originated for the purchase of high energy efficiency properties. Furthermore, in June 2021 the Group made another issue of retained covered bonds with 4-year maturity for Euro 1,000 million.

With these transactions, the Group aims at improving its liquidity profile diversifying financing sources and stabilizing them on longer maturities.

Within the issues of covered bonds, the subsidiary Crédit Agricole FriulAdria participated in the cover pool transferring credit claims from mortgage loans and obtained its share of M/L term liquidity.

Furthermore, within the ECB Targeted Longer-Term Refinancing Operations,(TLTRO) programme, between December 2019 and March 2021, the Parent Company Crédit Agricole Italia participated in TLTRO-III.

Lastly, in marketing the products of the Group's Banks, the internal transfer rate system takes account of the cost of liquidity. Based on the products' financial features and on the prevailing market conditions, the system enables to determine the internal return rate, which, in turn, is the basis for the pricing of lending and direct funding products.

Risk control

The Risk Management and Permanent Controls Department is responsible for verifying compliance with the set limits; therefore it prepares its own Financial Risk Report on a monthly basis and sends it to relevant corporate bodies, informing them of the control outcomes and of any breaches of the limits or alert thresholds and, in case any limits or thresholds are breached, it asks the Finance Department for a recovery plan. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to Crédit Agricole Italia Boards of Directors. Lastly, in case any limits are breached, the Risk Management and Permanent Controls Department shall inform, through the Alert Procedure in force, the relevant Top Bodies of the Group and the relevant structures of Crédit Agricole SA., depending on the type of breach detected. Jointly with the Finance Department, the Risk Management and Permanent Controls Department is also responsible for monitoring the ratios/indicators provided for in the Contingency Funding Plan (CFP).

The CFP of the Crédit Agricole Italia Banking Group is approved by the Board of Directors of the Parent Company Crédit Agricole Italia and applies to all the legal entities within the liquidity risk monitoring perimeter.

DISCLOSURE

The document "Disclosure" (Basel III Third Pillar) referring to 31 December 2021 is published on the Group's website https://gruppo.credit-agricole.it/bilanci-Italia.

It is pointed out that the Crédit Agricole Italia Banking Group is controlled by a parent company based in the EU and, therefore, the conditions laid down in Part One, Title II, Chapter 2, Article 13, Paragraph 1 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) as amended (CRR 2 - Regulation (EU) 2019/876 on "Application of disclosure requirements on a consolidated basis" are met.

QUANTITATIVE DISCLOSURES

1. Breakdown of financial assets and liabilities by residual contract maturity

Items/Time brackets Sight Euro	On demand	From over 1 day a 7 days	From over 7 days a 15 days	From over 15 days a 1 month	From over 1 month Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets										
A.1 Government securities	739	-	3,668	-	369,867	363,464	278,081	12,541,015	1,939,307	-
A.2 Other debt securities	513	-	-	43,214	969	9,977	68,763	673,525	573,325	135,216
A.3 Units of collective investment undertakings	61,394	-	-	-	-	-	1,825	68,108	39,395	-
A.4 Loans	3,882,670	383,707	456,381	733,498	2,727,342	3,215,785	5,137,025	23,670,683	25,759,855	13,563,806
- banks	907,866	331	-	1,931	4,366	7,260	32,440	53,345	-	13,563,746
- customers	2,974,804	383,376	456,381	731,567	2,722,976	3,208,525	5,104,585	23,617,338	25,759,855	60
On-balance-sheet liabilities										
B.1 Deposits and current accounts	61,570,614	5,442	26,034	76,969	113,629	171,749	274,343	508,484	-	-
- banks	414,930	-	-	-	-	-	-	-	-	-
- customers	61,155,684	5,442	26,034	76,969	113,629	171,749	274,343	508,484	-	-
B.2 Debt securities	241,806	1,169	16,889	1,068,914	56,881	45,006	413,763	4,500,419	5,150,000	-
B.3 Other liabilities	271,209	-	629	6,124	18,758	22,563	1,085,706	16,021,846	1,158,388	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	-	33,545	25,445	70,363	184,056	191,969	184,880	41,485	-	-
- short positions	-	32,219	25,522	70,380	183,825	192,152	184,995	41,489	-	-
C.2 Financial derivatives without exchange of principal										
- long positions	55,840	26	14,408	19,409	57,624	45,125	261,813	110,000	500,000	-
- shot positions	60,487	447	1	1,919	36,658	14,761	66,283	610,000	135,000	-
C.3 Deposits and loans to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- shot positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- long positions	239,662	10	833	5	7,137	1,735	35,693	19,291	3,451	-
- shot positions	359,772	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	514	-	-	22	82	65	286	459	156	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- shot positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- shot positions	-	-	-	-	-	-	-	-	-	-

Items/Time brackets Other currencies **Sight**	On demand	From over 1 day a 7 giorni	From over 7 days a 15 giorni	From over 15 days a 1 mese	From over 1 month Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.4 Loans	25,538	4,475	17,231	38,072	94,795	12,951	3,848	25,780	13,718	-
- banks	57	3,117	61	91	1,060	-	1,196	-	-	-
- customers	25,481	1,358	17,170	37,981	93,735	12,951	2,652	25,780	13,718	-
On-balance-sheet liabilities										
B.1 Deposits and current accounts	358,017	6,930	10,902	11,671	45,594	11,702	2,542	-	-	-
- banks	13,416	6,930	10,902	11,671	44,525	11,702	1,355	-	-	-
- customers	344,601	-	-	-	1,069	-	1,187	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	3,969	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions										
C.1 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	32,726	26,217	71,638	187,693	197,494	189,592	40,703	-	-
- short positions	-	34,012	26,151	71,634	188,104	197,382	189,590	40,703	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	840	-	-	-	-	-	-	-	-	-
- short positions	821	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	844	-	-	-	-	-	-	-	-
- short positions	-	-	-	844	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	16,120	-	30,521	20	335	184	-	-	-	-
- short positions	-	47,077	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1.5 OPERATIONAL RISKS

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of operational risks

The Crédit Agricole Italia Banking Group has adopted the definition of operational risk given in "Basel 2 – International Convergence of Capital Measurement and Capital Standards" prepared by the Basel Committee on Banking Supervision.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

In that scope, in 2021 the Crédit Agricole Italia Banking Group underwent an audit by the Autorità Garante della Concorrenza e del Mercato (the Italian Competition Authority), which, on 22 September 2021, served the Issuer with the notice of start of preliminary investigations under Article 27, paragraph 3, of Italian Legislative Decree no. 206 of 6 September 2005 (the Italian Consumer Protection Code), and under Article 6 of the "Regulation on preliminary investigation procedures regarding misleading and comparative advertising, unfair commercial practices, violation of consumers' rights in contracts, breach of the prohibition of discrimination and unfair clauses" in order to assess whether the Issuer adopted a conduct allegedly breaching Articles 20, 24 and 26, paragraph 1, letter f), of the Consumer Protection Code as regards the methods whereby the Issuer proposes the instant credit transfer service to its customers. At the end of the proceeding, being of the view that the methods to present the service to customers (suggesting that the instant credit transfer option be chosen) and the request for the option confirmation qualify as fit to exercise undue influence and to limit the average consumer's freedom of choice, the Italian Competition Authority imposed an administrative pecuniary penalty on the Bank amounting to Euro 1,000,000.

Given the findings reported by the Bank of Italy after the audits it carried out on compliance with the transparency legislation in 2018, about which disclosure was given in 2019, the Crédit Agricole Italia Banking Group prepared and implemented an action plan to remedy the shortcomings found, which, among other things, aimed at reducing operational risks resulting form the fact that the contractual documents to be formally executed with customers were managed by hand, refunding any expenses debited by mistake, improving transparency in the proposal of insurance policies combined with loans, upgrading the remuneration of credit lines and overdraft to the guidelines published by the Bank of Italy during the audit and strengthening its controls system. Upon completion of the implemented actions, on 29 September 2021 the Bank of Italy made some additional requests for clarifications and/or further information.

On 26 November 2020, CONSOB (Italian Securities and Exchange Commission) started an audit under Article 6-*ter*, paragraph 1, of the Italian Consolidated Law on Finance, aimed at assessing the degree of compliance with the new legislation transposing MiFID II, having regard to the following scopes:

(i) The procedural structures designed for product oversight governance; and

(ii) The procedures for assessing the adequacy of the transactions made on behalf of customers.

On 10 January 2022, the Bank received a technical note from CONSOB containing the outcomes of the aforementioned audit, based on which no expenses are expected. The corporate officers of the Crédit Agricole Italia Group met with CONSOB in order to discuss the scopes in which the Group intends to strengthen its procedural structures, also in the light of the audit findings. By the end of Q1 2022, the Crédit Agricole Italia Group will submit a written report to CONSOB on the initiatives being planned both as regards the implementation of additional organizational controls, in addition to those already in force, and as regards the IT procedures that the Bank uses to provide its services. Some of the enhancement measures currently being assessed are, by way of example, the evolutions in the commercial planning process, aimed at giving more weight to customers' needs, update of the tools to survey customers' features and fine-tuning of the algorithms measuring the adequacy of the transactions made on behalf of customers.

Furthermore, on 25 November 2021 the aforementioned Authority served the Issuer with the notice of start of yet another preliminary investigation proceeding aimed at assessing the alleged violation of Article 20, paragraph 2, Article 24 and Article 25 of the Consumer Protection Code consisting in undue influence exercised on consumers and/or microenterprises in order for them to accept services provided by a consulting firm as the entity issuing the tax compliance endorsement that is necessary to obtain the transfer of tax credits from, and/or Article 20, paragraph 2 and Article 26, letter f), of the Consumer Protection Code, for a services not requested and provided for a price. The preliminary investigation proceeding started by the Italian Competition Authority was still underway as at the reporting date and there were no elements that could be used to make any forecast.

To consolidate and enhance control of operational risks, the Group has set clear objectives:

- To achieve full compliance with the requirements set by the Supervisory regulations for internal control systems (15th update of Bank of Italy's Circular No. 285/2013 as updated).
- To maintain constant full compliance of Crédit Agricole Italia (including the Creval Group until its merger by absorption) and CA FriulAdria with the regulatory requirements for the use of the Traditional Standardised Approach (TSA) and full compliance of the other banking entities of the Group with the requirements for the use of the Basic indicator approach (BIA) to calculate their regulatory capital.
- To constantly improve the monitoring of risks and losses, in order to allow a management- oriented approach, especially in terms of risk mitigation and prevention initiatives, as well as risk culture dissemination.
- Fine-tuning of the permanent controls systems and extension of the coverage of said controls within the company perimeter.

Macro-organisational aspects

Governance of the Group operational risks is the responsibility of the Risk Management and Permanent Controls Department of Crédit Agricole Cariparma, which implements the guidelines issued by the Risk Management Department of the Controlling Company Crédit Agricole S.A., and reports on a solid line to the latter.

The Risk Management and Permanent Controls Department (Italian acronym DRPC) performs risk management and control activities for all the Companies of the Crédit Agricole Italia Banking Group.

In compliance with the supervisory regulations, the Group has formalized the roles and responsibilities of the corporate bodies and structures involved in the management of operational risks.

The governance model provides for:

- A centralized strategy for the control of operational risks;
- Close connections with the activities for permanent controls;
- Synergies with the Compliance Department and with the Internal Audit Department.

Risk management

The Group has adopted a model that is consistent with the guidelines issued by Crédit Agricole and governed by the central department, which works with the well-established and complementary contributions, in its operating, management and mitigation activities, of specialized roles, departments and mechanisms:

- Operational Risk Manager (ORM or with the Italian acronym: MRO);
- Control on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE) and on Physical Security;
- MRSI (Manager des Risques SI), in charge of monitoring and control of IT risks on the Information System, on the Business Continuity Plan (BCP or with the Italian acronym PCO) and on physical security;
- CISO (Chief Information Security Officer), who is responsible for the security of corporate information;
- Information Security Manager (ISM): who is responsible for the implementation and management of the Information System operational security;
- Business Continuity Manager (BCM), who is responsible for the Group's Business Continuity Plan;
- Persons in charge of Controls, within the Distribution Network structures, with the task of performing 2nd degree 1st level permanent controls;
- Structures, systems and tools, instrumental for proper risk control and for the management of mitigation/improvement actions, including:
  - The Risk and Internal Control Committee;
  - The BCP (Business Continuity Plan) Interfunctional Unit;
  - The IT Security and Business Continuity Supervisory Committee;
  - The system of permanent controls for the Distribution Network, together with early warning synthetic indicators;
  - Work Groups for Improvement.

The upgrading of the process for the management and control of operational risks to the guidelines issued by Crédit Agricole S.A. aims at harmonizing the general methods used throughout the Group and consists of the macro-phases listed below:

- Detection, identification and classification of risks and losses and their recognition in the accounts where necessary;
- Assessment and measurement of the risk profile for every corporate environment;
- Identification of mitigation actions and preparation of the action plan;
- Verification of the adequacy of the control plan and increase in control points;
- Verification of actual implementation of controls;
- Verification of correct exercise of mitigation actions;
- Information and reporting.

In the above phases, the following processes are also applied:

- Loss data collection (recording, classification and processing of loss data);
- Risk self-assessment ((self-assessment of the exposure to operational risks relating to the specific structures engaged in operating functions and the relevant processes);
- Direct involvement of corporate structures in collective assessment work groups (Improvement, ...).

Each one of these processes entails information processing based on methods that are predefined, repeatable and formalized in the Company's normative instruments, as well as with the support of specific application tools.

Risk mitigation

The Group has implemented a policy for operational risk mitigation through:

- Specific self-assessment activities on a yearly basis (Risk Self-Assessment") aimed at designing an annual Action Plan containing all the initiatives that the owners of the various corporate processes have identified as required in order to mitigate the detected operational risks operational risks; the Action Plan is then submitted to the Board of Directors for approval;
- Implementation of the permanent controls plan, both within the Distribution Network and at Central Departments, in order to have the most critical processes fully under control;
- A fraud prevention system governed by the Compliance Department;
- Implementation of the framework for controlling and monitoring outsourced critical and important functions (CIF):
- Implementation of the framework for controlling and monitoring:
  - Physical security;
  - Business Continuity (BCP);
- Implementation of the function for control and monitoring of Information and Communication Technology (ICT) Risk.

Transfer of risk

The Structure in charge of Control on the Insurance Coverage of the Group, which is part of the Operational Risks Division of the Risk Management and Permanent Controls Department, is responsible for the process that governs the insurance policies covering the Group's insurable risks and for the definition of the regulations governing it.

The implemented insurance strategy provides - through specific policies - for the coverage of material events having exceptional nature and not for the coverage of recurring routine events having medium-low amounts (the so-called expected losses). It follows that the insurance policies in force cover events that are not frequent but that could have severe consequences, consistently with the insurance approach of the CA.sa Group and in full compliance with the guidelines issued by the Regulator.

Where the outcomes of specific assessments prove it appropriate, the Structure in charge shall:

- Transfer insurable risks underwriting specific insurance policies, in order to mitigate the impact of any unexpected losses and in accordance with the best practices in the System;

- Coordinate with CA S.A., in order to ensure full consistency between the transfer strategy and the Group objectives.
- Exercise control on and provide support to the various corporate structures in outsourcing management, with specific focus on the outsourcing of Critical and Important Functions (CIF);
- Perform controls and specific analyses on the insurance policies underwritten by the Providers of Outsourced Critical or Important Functions (CIF), in order to assess their adequacy to the risks associated with the outsourced essential services.

Risk management oversight and shared solutions

This is the specific task of the Group Risk and Internal Control Committee, composed of the main Corporate Function holders, which is responsible for:

- Approving guidelines and action plans on Operational Risks;
- Acknowledging the Loss Data Collection (LDC) outcomes;
- Monitoring control activities and outcomes, as well as periodically validating the mapping of operational risks;
- Governing Business Continuity for the Crédit Agricole Italia Banking Group;
- Monitoring and, if necessary, taking action on Information and Communication Technology (ICT) Risk for the Crédit Agricole Italia Banking Group, assessing the situation based on the periodic reporting made by the MRSI (*Manager des Risques SI*) and by the CISO (Chief Information Security Officer);
- Assessing the risk analyses of the essential services, that is to say CARITICAL OR Important Functions (CIF or with the Italian acronym FEII) for the Crédit Agricole Italia Banking Group;
- Managing risk transfer, with specific reference to insurance coverage.

Loss data

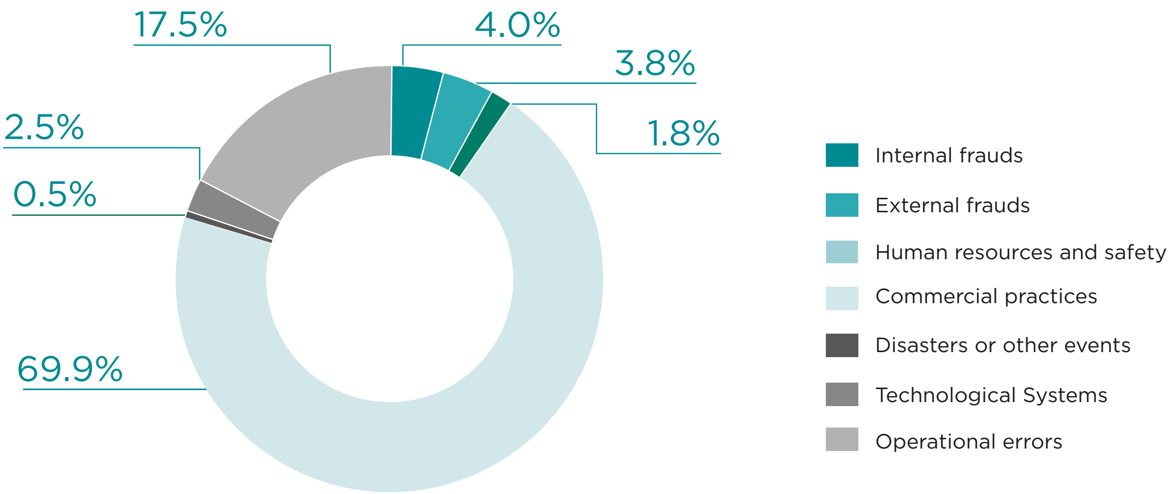
Operational losses, which the model considers as quantitative data, are collected, managed and analyzed, to different levels of granularity and detail, using an event classification scheme complying with the one set by the Basel II Framework, by the Supervisory Authority and by Crédit Agricole S.A. The basic structure is as follows:

- Internal frauds: events due to deliberate acts committed by at least one party internal to the Bank and causing losses to the Bank;
- External frauds: events due to deliberate acts committed exclusively by parties that cannot be defined as internal to the Bank, generally for the purpose of personal gain;
- Relations with staff and workplace safety: events relating to the relations between the company and its staff or to the failure of the workplace to meet health and safety standards. These include liabilities arising from accidents to employees in company offices or vehicles;
- Business practices: events linked to the supply of products and provision of services to Customers carried out in an improper or negligent manner (fiduciary requirements and adequate information on investments), as well as defects in the nature or features of products/models/contracts. These include liabilities arising from breach of public security laws or other legislation not specific to the banking sector;
- Disasters or other events: events due to natural causes or human actions, which lead to damage to company resources (tangible or intangible property, persons, etc.) and/or service interruptions or other events (including improper conduct/illegal acts by third-party companies that damage the company). The category also includes liabilities arising from political changes and retroactive changes in legislation and taxation;
- Technological systems and services: losses arising from the malfunctions, logical or structural defects in technological and other support systems;
- Execution, delivery and management of processes: events arising from unintentional errors in the management of operational and support assets or caused by counterparties other than Customers and Vendors.

For Loss Data Collection and for reporting consolidated loss data, the Crédit Agricole Italia Banking Group has adopted an IT application especially designed for the adoption of advanced approaches, as well as specific tools and models developed directly by Crédit Agricole S.A..

QUANTITATIVE DISCLOSURES

With reference to sources of operational risk, the breakdown of net losses (gross losses net of other collection excluding insurance-related ones) by event type recognized in 2021 is given below. Any“boundary losses” have been excluded.



Information and Communication Technology (ICT) Risk

Pursuant to the regulatory provisions issued by the Bank of Italy (Circular 285/13), Information and Communication Technology (ICT) Risk is defined as the “risk of suffering losses, in terms of income, reputation and market shares, associated with the use of Information and Communication Technology (ICT) [...]. In the integrated statement of corporate risks for prudential purposes (ICAAP), this type of risk is included, in accordance with specific aspects, among operational, reputational and strategic risks”.

To analyze and assess ICT risks on its IT resources, the Crédit Agricole Italia Banking Group implements and develops the key concepts of the “MESARI Risk Analysis Methodology” of the Parent Company Crédit Agricole S.A., supplementing it, to achieve an overall representation of its risk position, with:

- The definition of the risk taxonomy of the information system (ICT Governance and strategy, ICT availability and continuity risk, ICT security risk, ICT change risk, ICT data integrity risk, ICT outsourcing risk);
- The outcomes of the Risk Self-Assessment Process;
- The outcomes of the process for collection of Operational Losses data;
- The outcomes of the Permanent Controls framework;
- Continuous information flows on the main processes/events concerning the Information System and Information System Security, with specific reference to incident management.

The ICT Risk governance stricture meets the requirements in terms of roles and responsibilities; in 2021 the activities to comply with regulatory requirements and expectations were completed, specifically PSD2 (management of third party access, API Management).

Furthermore, the actions to manage the Covid-19 pandemic continued also in 2021 and led to keeping work from home (smartworking) at a considerably high level, as well as digitalization and remotization of contact and sale processes with Customers; safety and risk control measures were concomitantly upgraded to meet the changed operational needs, which caused strong pressure on the availability and security of the Group’s information system.

The structures involved in IT Risk Governance are:

- The Risk Management and Permanent Controls Department of the Crédit Agricole Italia Banking Group with the setting up within this Department of a unit to be engaged in Control of IT Risks (Information System and Information Security System - Italian acronym MRSI);
- The Chief Operating Officer (COO) of the Crédit Agricole Italia Group is also the Chief Information Security Officer (CISO), for the Information Security System scope;
- The Head of the Security Division of Crédit Agricole Group Solutions, who has been vested with the role of ICT Security Manager for the Information Security System scope;
- The Head of the Information Systems Department of Crédit Agricole Group Solutions (CIO, Chief Information Officer) for the Information System scope (other risk not security-related).

Business Continuity Plan (Italian acronym: PCO)

In 2021, the Group continued to update and verify its Business Continuity Plan to take account of the changes in the scenario and in the Group's organisational, technology and software infrastructure.

In 2021, the main activities were:

- Continuing the implementation of the Crisis Management Organizational Model (CMOM): specifically, to manage the health emergency, the Covid-19 Task Force continued its activities as the Crisis Management Operational Unit and as the Surveillance Team, with the Person in Charge of Physical Security and Occupational Safety, the Occupational Physician and the HR Department sitting on it; the Covid-19 Task Force reports to the Group Top Management on a regular basis, The persistence of the emergency required that the protection solutions provided for by the business continuity plan scenarios be adapted, in order to ensure the survival of the operational processes in the medium term;
- Periodic testing and certification exercises on the solutions for information system recovery and on critical processes in the business continuity scope;
- Adequacy assessment and analysis of business continuity plans and of the relevant tests of providers of Outsourced Critical and Important Functions (CIF), continuing also with the activity on NON-CIF vendors involved in critical processes;
- Testing the Crisis Management Organizational Model (Italian acronym MOGC), by simulating a cyberattack;
- The updating of the Business impact analysis (BIA);
- The updating of contingency Operational Plans (back-up solutions to be triggered in case of crisis);
- Participation in the "Test Contingency" of Eba Clearing, which provides for the simulation of a loss of part of the Target2 system.

Critical or Important Functions (CIF or FEI, called PSEE – Provisions of Outsourced Essential Services - by Crédit Agricole S.A.)

The FEI/PSEE Control function, performed by a unit that is part of the Operational Risks and Permanent Controls Division of the Risk Management and Permanent Controls Department, governs the system of controls on compliance of the process implemented for outsourced critical and important functions; it is also responsible for specific matters in the definition of risk monitoring controls and provides management and methodological support, especially on risk assessment.

Within the Organization Department, the Group Outsourcing Governance structure was set up to support the Outsourcing Manager of the Crédit Agricole Italia Banking Group, in its performing its functions as the single point of contact for outsourcing and vested with the responsibility for managing the governance of outsourced functions, providing support in the design of the strategic directions, managing communication and interaction with the Regulator, the preparation of information reports to the Corporate Bodies and to the Top Management of the Bank and of the Companies of the Group.

In 2021, the most important actions concerned:

- Strong support to the corporate structures in the phases of outsourcing management, aimed both at proper implementation of the process and at wider dissemination of an outsourcing culture and the analysis of the associated risks;
- The review and upgrading -by the Unit responsible for control on outsourced critical and important functions - of the monitoring tools it uses to perform its tasks;
- The review and update of the tools used to assess risks associated with outsourcing;
- Monitoring of the process for the preparation of the Register of Outsourcing Arrangements as a tool for the governance and management of information concerning all outsourcing arrangements in force, with different level of detail for critical and important functions;
- Monitoring of the project aimed at ensuring compliance with the outsourcing arrangements and with the new rules and expectations introduced by Circular 285/13 transposing the EBA new guidelines;
- General monitoring on and actions to increase the awareness of the outsourced service owners as regards their responsibilities, using also:
  - A specific "*tableau de bord*", managed by the CIFI/PSEE control unit;
  - Regular updating of the permanent controls plan;
  - Systematic performance of specific activities (e.g. "risk assessment", participation in work groups).

The most important results concerned the consolidation of methods, approaches and culture on this matter, all foreboding satisfactory general quality within the outsourcing of Critical and Important Functions (FEI).

PART F – INFORMATION ON CONSOLIDATED EQUITY

Section 1 – Consolidated equity

A. QUALITATIVE DISCLOSURES

The own funds management policy implemented by the Crédit Agricole Italia Banking Group is aimed at maintaining an adequate level of resources in order to be able to cope at any time with the risks taken.

B. QUANTITATIVE DISCLOSURES

B.1 Consolidated book equity: breakdown by type of undertaking

The breakdown of consolidated equity as at 31 December 2021 is given below:

Equity items	Prudential consolidation	Insurance undertakings	Other companies	Netting and adjustments on consolidation	Total 31 Dec. 2021
1. Capital	2,890,161	-	6,166	-1,897,888	998,439
2. Share premium reserve	3,601,246	-	2,700	-480,994	3,122,952
3. Reserves	2,270,333	-	-2,100	-445,201	1,823,032
3.5 Interim dividends		-	-	-	-
4. Equity instruments	815,000	-	-	-	815,000
5. (Treasury Shares)	-5,000	-	-	5,000	-
6. Valuation reserves	-58,092	-	-	-8,172	-66,264
- Equity securities designated at fair value through other comprehensive income	-20,489	-	-	-3,456	-23,945
- Hedging of equity securities designated at fair value through other comprehensive income		-	-		-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	15,563	-	-	-3,244	12,319
- Property, plant and equipment	11,687	-	-	-11,687	-
- Intangible assets		-	-		-
- Hedging of investments in foreign operations		-	-		-
- Cash flow hedges		-	-		-
- Hedging instruments (non-designated elements)		-	-		-
- Foreign exchange differences		-	-		-
- Non-current assets held for sale and discontinued operations	-50	-	-		-50
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)		-	-		-
- Actuarial gains (losses) relating to defined-benefit pension plans	-64,776	-	-	10,148	-54,628
- Share of valuation reserves on equity investments measured using the equity method	-27	-	-	67	40
- Special revaluation laws		-	-		-
7. Profit (loss) for the period (+/-) - attributable to Parent and Minority Interests	128,423	-	-405	480,354	608,372
Total	**9,642,071**	**-**	**6,361**	**-2,346,901**	**7,301,531**

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets/Value	Prudential consolidation		Mid-corp - Insurance		Prudential consolidation		Eliminations and adjustments		Total 31 Dec. 2021	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	16,098	535	-	-	-	-	-727	2,517	15,371	3,052
2. Equity securities	1,891	22,379	-	-	-	-	-	3,457	1,891	25,836
3. Loans			-	-	-	-	-	-	-	-
Total 31 Dec. 2021	**17,989**	**22,914**	**-**	**-**	**-**	**-**	**-727**	**5,974**	**17,262**	**28,888**
Total 31 Dec. 2020	**31,845**	**16,207**	**-**	**-**	**-**	**-**	**-**	**10,874**	**31,845**	**27,081**

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: changes for the year

	Debt securities	Equity securities	Loans
1 Opening balance	**30,539**	**-25,775**	**-**
2. Increases	**8,708**	**3,235**	**-**
2.1 Fair value gains	5,195	2,228	-
2.2 Adjustments for credit risk	1,873	X	-
2.3 Reclassification to profit or loss of negative reserves from disposal	1,640	X	-
2.4 Transfers to other equity components (equity securities)	-	81	-
2.5 Other changes	-	926	-
3. Decreases	**26,928**	**1,405**	**-**
3.1 Fair value losses	9,419	1,021	-
3.2 Recoveries for credit risk	237	-	-
3.3 Reclassification to profit or loss of positive reserves from disposal	17,272	X	-
3.4 Transfers to other equity components (equity securities)	-	384	-
3.5. Other changes	-	-	-
4. Closing balance	**12,319**	**-23,945**	**-**

B.4 valuation reserves relating to defined-benefit plans: changes for the year

	31 Dec. 2021
1. Opening balance	**-53,904**
2. Increases	**2,549**
2.1 Actuarial gains	2,321
2.2. Other changes	228
3. Decreases	**3,273**
3.1 Actuarial losses	3,273
3.2. Other changes	-
4. Closing balance	**-54,628**

Section 2 – Own Funds and supervisory requirements for Banks

Please, refer to the disclosure on own funds and capital adequacy contained in Sections 2 and 3 of the public disclosure (“Basel III Pillar 3”), on the website of the Crédit Agricole Italia Banking Group, https://gruppo.credit-agricole.it/, posted concomitantly with the publication of the Parent Company’s Annual Report and Financial Statements.

PART G - BUSINESS COMBINATIONS

Section 1 – Business combinations made in the reporting year

1.1 BUSINESS COMBINATIONS

Name	Transaction date (A)	Transaction cost €, mln (B)	Equity investment % (C)	Net banking income €, mln (D)	Profit (Loss) for 2020 €, mln (E)
Acquisition of Credito Valtellinese SpA	30.04.2021	862	100.00%	588	113

On 23 April 2021, the all-cash voluntary public tender offer made by Crédit Agricole Italia for all the shares in Credito Valtellinese S.p.A. was successfully completed, whereby Crédit Agricole Italia became the holder of 91.17% of the share capital of Credito Valtellinese S.p.A.

After the completion of the sell-out and squeeze-out procedures, Crédit Agricole Italia now holds 100% of the share capital of Credito Valtellinese S.p.A., for a total consideration of Euro 862 million.

The consideration per share paid by Crédit Agricole Italia was Euro 12.27 (ex-dividend, i.e. not including the 2021 dividend). In addition, a dividend of Euro 0.23 per share was paid on 28 April 2021 by Credito Valtellinese S.p.A., resulting in a total consideration per share of Euro 12.50. The settlement date of the public tender offer was on 30 April 2021.

This combination is based on a sound business plan, whereby Crédit Agricole Italia has further strengthened its competitive position as the sixth commercial banking player in the Italian market by indirect funding and the seventh bank by total assets and number of Customers, achieving a market share of about 5% at a national level (by number of branches), drawing on a shared culture of continuous support to the local communities.

The above-described combination has been recognized by Crédit Agricole Italia S.p.A. in accordance with IFRS 3 “Business Combinations”. Indeed, in the consolidated financial statements of the Crédit Agricole Italia Banking Group, the acquisition of control of Credito Valtellinese S.p.A. by Crédit Agricole Italia S.p.A. Represents a ’business” acquired and, therefore, it is to be presented as a finalized business combination and recognized in accordance with the acquisition method provided for by IFRS 3 (called the ‘purchase method’ in the 2004 version of IFRS 3), which comprises the following steps:

- Identification of the acquirer and determination of the acquisition date;
- Determination of the cost of the acquisition (or consideration transferred);
- Purchase Price Allocation (PPA) and recognition of the gain or bargain purchase (so-called badwill or negative goodwill).

Identification of the acquirer and determination of the acquisition date

IFRS 3 requires that, for every finalized business combination, one of the entities participating in said combination be identified as the “acquirer”. In a business combination that occurred essentially through the transfer of cash and cash equivalents (or the transfer of other assets or assumption of liabilities),the acquirer is generally the entity that transfers the cash and cash equivalents (or other the assets or that assumes the liabilities) and obtains control, meaning the power to direct the acquiree’s financial and operating policies in order to have benefits from its operations.

For the Public Tender Offer, Crédit Agricole Italia S.p.A. incurred a total cost of Euro 786 million as the price for obtaining 91.17% of Credito Valtellinese S.p.A. share capital. Within the subsequent procedures required under the Italian Consolidated Law on Finance (sell-out and squeeze-out procedures) and because of the shares it purchased under direct agreements not in the scope of said procedures, Crédit Agricole Italia S.p.A. purchased all remaining shares, equal to 8.83% of the share capital of Credito Valtellinese S.p.A. for a total cost of Euro 76 million, thus obtaining control of 100% of the acquiree. The total amount paid for the acquisition of 100% of Credito Valtellinese S.p.A. share capital was Euro 862 million. Therefore, the acquirer was identified in Crédit Agricole Italia S.p.A..

Another key aspect for the recognition of a business combination is the determination of the acquisition date, that is to say the date on which the acquirer actually obtains control of the acquiree. Determining the acquisition date is important also because it is only from said date that the business profit or loss of the acquired investee are to be consolidated on a line-by-line basis in the acquirer's balance sheet. Furthermore, it is also the date on which the fair value of the assets acquired and liabilities assumed is measured.

Having regard to the business combination in question, Crédit Agricole Italia S.p.A. announced, on 23 November 2020, and all-cash Public Tender Offer for all the shares in Credito Valtellinese S.p.A..

Crédit Agricole Italia obtained their joint authorization from the ECB and the Bank of Italy on 17 March 2021 to the purchase of a qualifying holding in Credito Valtellinese S.p.A. and of indirect qualifying holdings in CrevalpiùFactor add GeneralFinance; afterwards, on 21 April 2021, the offer was accepted as to 62.,32,666 shares, representing 88.7% of Creval share capital, which, in addition to the shares that had already been acquired by Crédit Agricole Italia S.p.A., resulted in its holding hitting 91.2% of the share capital with voting rights, (thus meeting the minimum threshold condition). Therefore, subsequent to the success of the public tender offer, 30 April 2021 was set as the payment date and it has been considered the acquisition date.

Determination of the cost of the acquisition (or consideration transferred)

For the Public Tender Offer, Crédit Agricole Italia incurred a total cost of Euro 786 million as the price for obtaining 91.17% of Creval share capital.

Within the subsequent procedures required under the Italian Consolidated Law on Finance (sell-out and squeeze-out procedures) and because of the shares it purchased under direct agreements not in the scope of said procedures, Crédit Agricole Italia purchased all remaining shares, equal to 8.83% of Creval share capital for a total cost of Euro 76 million, thus obtaining control of 100% of the acquiree. The total amount paid for the acquisition of 100% of Creval share capital was Euro 862 million.

Purchase Price Allocation (PPA) and recognition of the "gain or bargain purchase"

The Purchase Price Allocation (PPA) process, requires the restatement by the acquirer in its consolidated financial statements of the assets acquired and liabilities assumed at their fair value as at the acquisition date.

Moreover, for each business combination, any minority interests in the acquiree may be recognized at fair value or proportionally to the minority interest in the identifiable net assets of acquiree. For this business combination, the Group opted for the recognition at, fair value of the minority interests.

The difference between the consideration transferred and the equity restated at fair value, equal to the difference between the assets and liabilities estimated at fair value as at date on which control was obtained, is to be recognized as goodwill if positive, and as a gain if negative.

Crédit Agricole Italia made a purchase at favourable prices, that is to say it carried out a business combination in which the net value of the amounts, as at the acquisition date, of the identifiable assets acquired and of the identifiable liabilities assumed measured in compliance with IFRS 3 is higher than the consideration transferred.

Although, given the complexity of determining the fair value of the assets acquired, liabilities assumed and contingent liabilities, IFRS 3 gives a 12 month term of the acquisition date to complete the recognition of business combinations on a final basis, in order to ensure that the measurements correctly reflect all the information available as at the acquisition date, at the time of preparation of the annual report and financial statements as at 31 December 2021,the allocation process had been completed and the PPA was recognized in a final manner.

The measurement at fair value of the identifiable assets acquired and liabilities assumed (including any identified contingent liabilities) of the business combination resulted in a negative adjustment of the book equity figure as at the acquisition date amounting to Euro 599 million gross of the tax effects (Euro 429 million net of tax effects), as summarized in the table below:

Book equity of Credito Valtellinese SpA as at 30 April 2021	**1,787**
Fair value total difference (gross of tax effects)	-598
Tax effects	171
Fair value total difference (net of tax effects)	-429
Equity of Credito Valtellinese as at 30 April 2021 stated at fair value	**1,359**
Purchase price paid by Crédit Agricole Italia S.p.A.	-786
Minority interest value	-76
Total purchase price for 100% of Credito Valtellinese SpA	-862
Gain on bargain purchase (badwill or negative goodwill)	**497**

Based on the effects relating to the measurement at fair value of the identifiable assets acquired and liabilities assumed, including contingent liabilities, as given in the table above, Credito Valtellinese SpA equity stated at fair value was determined as amounting to Euro 1,188 million.

Considering the consideration transferred of Euro 862 million, the *gain on bargain purchase* amounting to Euro 497 million was recognized as a positive effect on the consolidated income statement for the financial year closed as at 31 December 2021 and classified under item 230 “Other operating expenses/income”.

The amount of the Bargain Purchase that emerged largely depends on Italian banks valuation that is implicit in their market prices: in fact Italian banks have stock market prices that are below their tangible equity and this is actually the decisive factor in the emergence of the Bargain Purchase.

To prepare its consolidated financial statements as at 31 December 2021, Crédit Agricole Italia identified, also with the support provided by independent experts, the fair value of the assets acquired and of the liabilities and contingent liabilities assumed.

The tables below give the aggregate (assets and liabilities) carrying amounts as at the acquisition date 30 April 2021 of the business combination, as well as their fair value in accordance with IFRS 3.

€/mln	Carrying amounts	Delta Fair Value	Taxation	Budget entry value
10. Cash and cash equivalents	**146**	**-**	**-**	**146**
a) financial assets held for trading	1	-	-	1
c) other financial assets mandatorily measured at fair value	176	-51	-	125
20. Financial assets measured at fair value through Profit or loss	**177**	**-51**	**-**	**126**
30. Financial assets measured at fair value through other comprehensive income	**1,162**	**-8**	**-**	**1,154**
a) due from banks	3,705	3	-	3,708
b) Loans to customers	18,690	-355	-	18,336
40. Financial assets measured at amortized cost	**22,396**	**-351**	**-**	**22,044**
70. Equity investments	**21**	**-**	**-**	**21**
90. Property, Plant and Equipment	**515**	**-106**	**-**	**409**
100. Intangible assets	**18**	**46**	**-**	**63**
a) Current assets	73	-	-	73
b) Deferred assets	665	-	259	924
110. Tax assets	**738**	**-**	**259**	**997**
120. Non-current assets held for sale and discontinued operations	**12**	**-**	**-**	**12**
130. Other assets	**148**	**-**	**-**	**148**
Total Assets	**25,332**	**-469**	**259**	**25,122**

€/mln	Carrying amounts	Delta Fair Value	Taxation	Budget entry value
a) Due to banks	5,016	-		5,016
b) Due to Customers	16,786	20		16,806
c) Debt securities issued	892	27		919
10. Financial liabilities measured at amortized cost	**22,694**	**47**		**22,741**
20. Financial liabilities held for trading	**-**	**-**		**-**
40. Hedging derivatives	**145**	**-**		**146**
b) deferred	8	-	89	97
60. Tax liabilities	**8**	**-**	**89**	**97**
80. Other liabilities	**564**	**-**		**564**
90. Employee severance benefits	**38**	**-**		**38**
100. Provisions for risks and charges	**96**	**82**		**178**
Equity attributable to minority interests	**-**	**-**		**-**
Total Liabilities	**23,545**	**129**	**89**	**23,763**
Equity	**1,787**	**-598**	**171**	**1,359**
Net badwill				**-497**
Total cost				**862**

The maim categories of assets, liabilities and contingent liabilities identified in the PPA process are given below, along with the related measurement method adopted:

Assets

- **20. Financial assets measured at fair value through profit or loss:** The negative fair value change of about Euro 51 million resulted almost exclusively from the measurement of units in OICR collective investment undertakings not quoted in any active market under 'IFRS 13, the fair value of which was determined with a mark-to-model approach, using observable market inputs to the largest possible extent and appropriate corrective parameters to take into account the liquidity and risk profile of said instruments.
- **40. Financial assets measured at amortized cost:** The change resulted from the measurement of non-performing loans, performing loans and debit instruments.

  ***Performing loans*:** the measurement method for the performing portfolio took into account the different types of technical forms and their intrinsic features. For technical forms featuring an amortization/repayment schedule, the future cash flows as per the amortization schedule were estimated for each credit line in force as at 30 April 2021. That estimate was made determining the cost of risk "*Expected Credit Loss*" by applying the *Probability of Default* for each loan and the *Loss Given Default* including an *adjustment factor* to factor in the riskiness profile of some sub-portfolios. The cash flows were discounted by defining a *Weighted Average Cost of Capital* discount rate.

  Conversely, as regards the technical forms not featuring any amortization/repayment schedule (e.g. current accounts) and the technical forms subject to the so-called Bersani Law and this essentially equivalent to "sight" items, the expected cash flows, the discount component of which was considered essentially null, were estimated using an *adjustment factor* to take the riskiness profile into account.

  The measurement process resulted in a total fair value of *performing loans* lower than their carrying amount by a total of about Euro 52 million, gross of the related tax effects.

  ***Non-performing loans*:** the non-performing portfolio was broken down into Bad Loans, Unlikely to Pay and Past Due. The measurement method was based on the following approaches: for the portfolio portion for which, as at the measurement date, future disposal could be realistically assumed considering the intrinsic features of the loans and the expected recovery flows, the *fair value* was estimated based on comparable market transactions, conversely, for the other portion, a measurement model taking into account the lower expected cash flows was used. The expected cash flows were discounted by defining a *Weighted Average Cost of Capital* discount rate, appropriately corrected vs. the parameter used for the performing portfolio to factor in the higher risk associated with the non-performing portfolio.

  The measurement process resulted in a total fair value of *non-performing loans* lower than their carrying amount by a total of about Euro 418 million, gross of the related tax effects.

Debt instruments: essentially consisting of Government securities and corporate bonds classified under the *Hold-to-Collect* business model and Senior securitization notes. Government securities were measured at the quoted prices of the issuer Country, corporate bonds were measured at their stock exchange or market maker quoted prices. Conversely, the measurement model adopted to estimate the fair value of the securitization notes was based on the Discounted Cash Flow method.

The measurement process resulted in a total fair value of the debt securities portfolio higher than its carrying amount by a total of about Euro 115 million, gross of the related tax effects.

- **90. Property, Plant and Equipment:** The change was due to the measurement of property and rights of use.

  Property: the measurement approach was defined based on the operating value and planned use of operating/non-operating property. As regards operating property, the Market Value ("MV") was considered assuming continuity of use as representing the fair value, taking into account their nature as *core assets*. Conversely, as regards non-operating property, the Vacant Possession Value ("VPV") was considered to determine their fair value, given the *non-core* nature of these assets, appropriately corrected to take into account the different types of asset class, located in different places and featuring different disposal scenarios and time frames.

  The measurement process resulted in a total fair value of property lower than its carrying amount by a total of about Euro 100 million, gross of the related tax effects.

  Rights of use: the measurement method consisted in measuring the *leasehold interest* estimating the present value of the difference between the contractual lease payments and market rents; conversely, in one case, the adjustment was determined as the difference between the present value f incoming and outgoing cash flows (determined based on sub-rental proposals received) represented for the reaming contract term as at the analysis date.

  The measurement process resulted in a total fair value of rights of use of property lower than their carrying amount by a total of about Euro 6 million, gross of the related tax effects.

- **110. Intangible Assets:** In order to determine the customer relationship value, the'*Excess Earnings* method was adopted.

Liabilities

- **10. Financial liabilities measured at amortized cost** The change resulted from the measurement of due to customers and debt securities issued;

  Due to customers: the *fair value* change concerns direct funding from customers; the fair value was determined through an impact analysis of positions with funding rates higher than the thresholds currently applied by Crédit Agricole Italia (which are deemed consistent with the conditions applied in the market), jointly with the analysis and adoption of the Group ALM logics, which are deemed consistent with the *best practices* adopted by market players.

  Therefore, the analysis outcomes led to the recognition of higher liabilities by a total of about Euro 20 million, gross of the related tax effects.

  Debt securities issued: the change fully resulted from the measurement at fair value of the debenture loans issued by Creval, which was made, wherever possible, with a Mark-to-Market approach; as an alternative, a Mark to Model approach was used, using, to the largest possible extent, observable market inputs, including issuer risk.

  Therefore, the analysis outcomes led to the recognition of higher liabilities by a total of about Euro 27 million, gross of the related tax effects.

- **100. Provisions for risks and charges:** The main types of risk for which provisions had been recognized by the Creval Group were analyzed; the analyses focused on need, in accordance with the measurement policies and methods adopted by the Crédit Agricole Italia Group, for any additional provisioning for homogeneous risk types. The emerged contingent liabilities are mainly associated with lending-related disputes, claims for compensation or contractual penalties.

Tax effects

In accordance with IAS 12, in a business combination, as the identifiable assets acquired and liabilities assumed are recognized at fair value as at the acquisition date, temporary differences arise when the amount recognized for tax purposes of the identifiable assets acquired or identifiable liabilities assumed is not affected by the business combination.

In methodological terms, the logic applied to determine the amount of DTA/DTL attributable to the PPA was as follows:

- Identification of the cases for which temporary differences may generally arise, based on income determination rules, for both the Italian corporate income tax (IRES) and the Italian Regional Tax on Productive Activities (IRAP) purposes, which may actually be deductible costs/taxable revenues;
- Estimate of the actual possibility of recovery for IRES and IRAP in the FY the DTA,will be absorbed, specifically taking into account that, for IRAP, unlike for IRES, any losses referring to a given FY cannot be recovered in following FYs and, therefore, are lost for good.

Summary of the measurement process carried out

Having regard to the measurement process that resulted in the recognition of the aforementioned badwill, it is pointed out that, in accordance with paragraph 36 of IFRS 3, in order to ensure that the measured values correctly reflect all information available as at the acquisition date, before recognizing the profit for the bargain purchase (badwill or negative goodwill), the acquirer shall perform an analysis of the measurement process it implemented aimed at assessing the completeness and correctness of the process for the identification and measurement of all assets acquired and liabilities assumed.

Complying with said requirement, Crédit Agricole Italia carried out its first and preliminary Purchase Price Allocation and consequent Badwill determination exercise in July 2021, on the reporting date of its half-year financial statements as at 30 June 2021, and then, with the support provided by independent experts, reviewed the procedures implemented for the identification and fair value measurement of the assets acquired and liabilities assumed within the preparation of its Annual Report and Consolidated Financial Statements as at 31 December 2021, recognizing the PPA in a final manner.

Specifically, compared with the provisional PPA results, the bargain purchase increased from Euro 378 million to Euro 497 million, subsequent to the determination of the fair value of the assets regarding mainly performing loans,i intangibles and DTA recognition.

As further verification of the correctness and reasonableness of the reached conclusions and of the emerging Bargain Purchase to be recognized in the 2021 Income Statement, the Bank retained a different independent expert to carry out a critical examination of the measurement methods used, specifically verifying the reasonableness and non-arbitrariness of the measurement methods and parameters adopted.

The overall outcome of the measurement process conducted with the assistance of independent experts and the outcomes of the business combination recognition were submitted for approval to the Board of Directors of Crédit Agricole SpA..

Section 2 – Business combinations made after the reporting date

No business combinations were made after the reporting date.

Section 3 – Retrospective adjustments

No retrospective adjustments were made after the reporting date.

PART H – TRANSACTIONS WITH RELATED PARTIES

The closeness of some persons to a company's decision-making centers may compromise the objectivity and impartiality of its decisions, with possible distortions in the allocation of resources, as well as expose the company to risks and damages to itself and to its stakeholders.

This is the matter addressed by CONSOB with its Regulations containing provisions relating to transactions with related parties (adopted by CONSOB with Resolution no. 17221 of 12 March 2010, laying down specific measures for Italian companies listed in Italian regulated markets or in regulated markets of other EU Member States and whose shares are publicly held to a considerable extent, in order to ensure transparency and substantial and procedural fairness of transactions with related parties carried out directly or through subsidiaries.

The regulation issued by the Bank of Italy on 12 December 2011, on risk activities and conflicts of interest with associated persons falls within the scope of the regulatory framework concerning related parties (Article 2391-bis of the Italian Civil Code, Article 53 of the Italian Consolidated Law on Banking (TUB) and CONSOB Regulation No. 17221/10) and has been designed to "*control the risk that the closeness of some persons to the Bank's decision-making centers may compromise the objectivity and impartiality of decisions relating to loan granting and other transactions with the same persons, with possible distortions in the allocation of resources, in the Bank's exposure to risks not adequately measured or controlled, potential damages to depositors and shareholders*". This regulation came into force on 31 December 2012 and, consequently, the Group submitted its the first supervisory reporting on 31 March 2013, as expected by the competent Authorities.

The Crédit Agricole Italia Banking Group had already adopted a Regulation on transactions with related parties implementing the original CONSOB regulation of 2010; afterwards, on 11 December 2012, in accordance with the regulation issued by the Bank of Italy, Crédit Agricole Italia approved the Document "Regulation for Risk Assets and Conflicts of Interests with Parties associated to the Crédit Agricole Italia Banking Group", in order to give the Group a specific internal normative instrument on this matter and to harmonize the various regulations in force; the Document was then updated on 29 July 2014.

On 25 July 2018, the Board of Directors of Crédit Agricole Italia approved the adoption of the new "Regulation on transactions with Associated Persons", which was then adopted by the other Banks and Companies of the Banking Group.

Afterwards, with resolution no. 21624 of 10 December 2020 CONSOB amended the Regulation on Transactions with Related Parties as issued with its previous resolution no. 17221 of 12 March 2010. As said amendments entered into force on 1 July 2021, the "Regulation on Transactions with Associated Persons" of the Crédit Agricole Italia Group had to be aligned with them; the Regulation on Transactions with Associated Persons defines and formalizes, in a single normative instrument, the procedures that the Banks and the Companies of the Crédit Agricole Italia Banking Group apply to transactions with associated persons, in compliance with the relevant instructions and rules issued by CONSOB and by the Bank of Italy.

Furthermore, the document implements the amendments introduced with the 33rd update of 23 June 2020 to "Supervisory Provisions for Banks - Risk assets and conflicts of interest with associated persons", whereby a new chapter, Chapter 11, was added to Part III, up to then contained in Circular no. 263/2006, aligning it to the new regulatory framework and, specifically, it excluded, under certain conditions, equity investments in insurance undertakings from the scope of application of prudential limits.

In addition to identifying the related parties and the associated persons of the Crédit Agricole Italia Banking Group, the Regulation on transactions with Associated Persons lays down prudential limits to risk assets with associated persons, sets the procedures to process and approve transactions with related parties, defines specific rules with regard to transactions with related parties made by the companies belonging to the Group and lays down procedures and timeframes for the provision of reporting and appropriate documentation on the transactions (i) to independent directors/Related Party Committee, as well as, where necessary, (ii) to the control bodies.

With regard to controls, the required activities are carried out by different corporate roles and structures, in different capacities and in the different phases of the process, in order to ensure constant compliance with the prudential limits and resolution-making procedures as provided for by the applicable legislation, also pursuing the objective to appropriately prevent and manage potential conflicts of interests that may result from transactions with associated persons.

Related parties

In accordance with the aforementioned Consob Regulation[26] a related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity"). Specifically:

(a) A person or close member of that person's family is related to a reporting entity if that person:
- (iii) Has control or joint control over the reporting entity,
- (iv) Has significant influence over the reporting entity; or
- (v) Is a member of the key management personnel of the reporting entity, i.e. the Bank and the supervised intermediary of the Banking Group, or of a parent of the reporting entity;

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the Crédit Agricole Group;
- (ii) The entity is an associate or joint venture of the Bank and/or of the supervised intermediary (or an associate or joint venture of a member of the Crédit Agricole Group);
- (iii) Both entities are a joint venture of the same third party;
- (iv) It is a joint venture of a third entity that is an associate of bank and of the supervised intermediary;
- (v) It is a post-employment defined benefit plan for the benefit of employees of either the bank and/or supervised intermediary or of an entity that is related to them;
- (vi) It is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In the definition of related party, an associate includes the subsidiaries of the associate and a joint venture includes the subsidiaries of the joint venture.

In accordance with the Bank of Italy Provisions:

(c) Corporate Officer;

(d) Shareholder/Investor[27];

(e) The person, other than a shareholder/investor, that can appoint, on his/her/its own, one or more members of the Board of Directors, also based on any agreements in whatsoever form or clauses of the Articles of Association dealing with or providing for the exercise of the above rights and powers;

(f) A company or an enterprise, also set up in a legal form other than that of a company, on which a bank or an entity of the Group can exercise control or significant influence.

Connected Persons

Persons connected to a related party are defined as follows:

1. Companies or enterprises, also set up in a legal form other than that of a company, which are controlled by a related party among those set forth at letters a), b), d) and e) of the definition of related party, as well as companies or enterprises, also set up in a legal form other than that of a company, on which one of the related parties as per letter a) of the definition (i.e. Corporate Officer) can exercise significant influence;
2. Persons exercising control on a related party among those listed at letters d) and e) of the relevant definition, as well as entities that are directly or indirectly subject to joint control with the same related party;
3. Close family members of one of the related parties set forth in letters c), d), e), and f) of the relevant definition and the companies or enterprises, also set in a legal form other than that of a company, that are controlled, subject to joint control or significant influence by such related party.

Associated Persons

Associated persons of the Crédit Agricole Italia Banking Group are defined as the set consisting of a related party and of all the persons connected to the same. For application at individual level, the banks and supervised intermediaries belonging to the Group refer to the same perimeter of associated persons as determined by the Parent Company.

26 The parties as defined by the IAS/IFRS endorsed in accordance with the procedure laid down in Article 6 of Regulation (EC) 1606/2002.

27 Shareholder/Investor": the party that is required to apply for the authorizations under Article 19 et seq. of the Italian Consolidated Law on Banking.

1. Information on remuneration of managers vested with strategic responsibilities

In the light of the above-mentioned Regulation, "Managers vested with strategic responsibilities" or "Key management personnel" includes individuals having direct and indirect power and responsibility over the planning, management and control of the operations of Crédit Agricole Italia, including Directors, both executive and non-executive, and the members of control bodies.
The remuneration of Directors and Auditors is established with specific resolutions passed by the General Meeting of Shareholders.

The table below reports the amounts of the man benefits awarded to Directors, Auditors and managers vested with strategic responsibilities.

	31 Dec. 2021
Short-term employee benefits	16,362
Post-employment benefits	390
Other long-term benefits	-
Employee severance benefits	-
Share-based payments	401

2. Information on transactions with related parties

Transactions with related parties are the transfer of resources, services or bonds between the Company (or companies directly and/or indirectly controlled) and one or more of the related parties, independently of whether payment was agreed or not.

Transactions entered into with related parties followed the procedural process specifically provided for in the aforementioned "Regulation".

Type of related parties	Cash and cash equivalents	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	Financial assets measuredat amortized cost: loans to Customers	Financial assets measuredat amortized cost: due from Banks	Financial liabilities measuredat amortized cost: due to Customers	Financial liabilities measuredat amortized cost: due to Banks	Guarantees given
Controlling Company	193,372	-	-	-	2,229	-	997,695	5,971
Entities exercising significant influence in the Company	-	-	-	-	-	14,218	-	-
Associates	-	-	-	54,196	-	15,743	-	1,745
Directors and managers vested with strategic responsibilities	-	-	-	9,083	-	5,810	-	598
Other related parties	7,419	19,397	3,609	5,968,489	508,793	562,951	342,446	259,338
Total	**200,791**	**19,397**	**3,609**	**6,031,768**	**511,022**	**598,721**	**1,340,141**	**267,652**

Main income transactions with related parties

Type of related parties	Net interest income	Net fee and commission income	Personnel expenses
Controlling Company	-24,895	-812	-245
Entities exercising significant influence on the Company	-	20	-
Associates	772	92	-
Directors and Managers with strategic responsibilities	21	155	-17,153
Other related parties	38,368	471,106	-990

PART I – SHARE-BASED PAYMENTS

QUALITATIVE DISCLOSURES

The Group has no agreements in place for payments based on its shares.

The share capital increase by the French Parent Company Crédit Agricole S.A., in favour of all Employees of the Crédit Agricole. Group was completed in December 2021 with the allotment of shares to Employees.

The Employees were given the opportunities to invest in shares of Crédit Agricole S.A. with a 20% discount vs. market value. These shares will be tied for the following five years (until 31 May 2026), at the end of which time each employee may freely dispose of them.

In 2021, this financial transaction entailed a cost equal to the discount applied to the shares subscribed, which had – as a balancing item in accordance with IFRSs – an identical increase in equity through a specific reserve.

Furthermore, for Credito Valtellinese, the incentive systems MBO 2018, 2019 and 2020 were in force as at the reporting date, as was the LTI 2019-2021 system, for which payment will be made in Phantom Shares of the Parent Company Crédit Agricole S.A..

That transaction entailed a cost recognized under item Personnel expenses, which had an increase in liabilities as the balancing item.

QUANTITATIVE DISCLOSURES

The specific provision for the matter mentioned in the previous point amounts to Euro 95 thousand.

PART L – SEGMENT REPORTING

OPERATIONS AND PROFITABILITY BY BUSINESS SEGMENT

In compliance with IFRS 8 Operating Segments, the figures on operations and profitability by business segment are given using the "management reporting approach".

In compliance with the Bank of Italy provisions, segment reporting was prepared, in line with the Group management reporting, using the multiple ITR (internal transfer rate) method, integrating also the cost of liquidity.

The data are presented in compliance with the reclassified layouts contained in the management report on operations and compared with 2020, whereas balance sheet data are presented consistently with the statutory layouts.

The Crédit Agricole Italia Banking Group operates through an organizational structure that includes: **Retail**, **Private Banking and Financial Advisors** channels designed to provide services to individuals, households and small businesses, and the **Corporate Banking** channel designed to provide services to larger-size companies. Therefore, given the features of the Group, the Other channel is of a residual nature and includes the activities pertaining to central departments,with specific reference to governance.

The income contributions and financial balances of Creval – which, as already pointed out, are consolidated in these Financial Statements – are presented as a separate business unit, in view of the integration process that will lead, in 2022, to the acquiree absorption into Crédit Agricole Italia; consequently, comparison by Channel to the relevant 2020 figures are smooth; it is specified that the"Other" aggregate reports, as regards 2021 actuals, also the non-recurring effects set out below, which resulted mostly from Creval. acquisition

In 2021, the **"Retail Banking, Private Banking and Financial Advisors"** channels achieved operating income amounting to Euro 1,573MILLION (+2,6%): the growth in net fee and commission income (+10.9%) more than offset the lower contribution given by net interest income (-5.7%) and by income from trading (-5.7%); operating costs slightly increased (+1.6%, +0.4% net of the higher ordinary contributions to the banking system) due to the growth in operations; therefore, the operating profit came to Euro 594 million (+4.4%). Net of the ordinary cost of risk, markedly decreasing to Euro 136 million (-34.6%) and after taxes, the net profit came to Euro 307 million (+13.9%).

In 2021, the **"Corporate Banking**" channel achieved operating income amounting to Euro 332 million (+0.2%): net fee and commission income increased by 15.2% and countered the decrease in net commission income (-4.8%) and in income from trading (-21.7%); operating costs increased (+2.4% and +1.4% net of the higher ordinary contributions to the banking system), with the operating profit stable at Euro 253 million (-0.5%). Net of the *ordinary cost of risk*, which came to Euro 114 million (-46.5%) and after taxes, the net profit came to Euro 93 million (+225.2%).

Assets by segment (point-in-time volumes) consisted of net loans to Customers; as at 31 December 2021, the assets of the Retail Banking, Private Banking and Financial Advisors channels came to Euro 31,254 million (+3.0% YoY); the assets of the Corporate Banking channel came to Euro 19,721 million (-0.8% YoY).

Liabilities by segment (point-in-time volumes) consisted of direct funding from Customers; within this aggregate, funding of the Retail Banking, Private Banking and Financial Advisors channel came to Euro 36,659 million (+4.9% YoY); the Corporate Banking channel posted a balance of Euro 8,873 million (-7.2% YoY).

It is pointed out that unallocated assets and liabilities report the set of inter-bank transactions, the Covered Bonds issued and other balance sheet aggregates, such as: unallocated property, plant and equipment/intangible assets, tax assets/liabilities and specific-purpose provisions.

In accordance with IFRS 8, it is reported that the business operations of the Crédit Agricole Italia Banking Group are essentially carried out in the Italian national territory, they are not subject to periodic performance reporting to the management with breakdown by foreign geographical area. The Group has not achieved revenues resulting from transactions with single external customers for amounts exceeding 10% of the income recognized in the financial statements.

SEGMENT REPORTING AS AT 31 DECEMBER 2021

	31 Dec. 2021				
	Retail and Private	Corporate Bank	Creval (8 months)	Other and Purchase Items	Total
External Operating Income					
Net interest income	721,060	199,083	223,596	-12,999	1,130,740
Net fee and commission income	853,851	118,695	162,564	6,388	1,141,498
Net profit (loss) on trading activities	4,105	13,913	3,763	40,288	62,069
Dividends	-	-	319	11,110	11,429
Other net operating income	-5,862	-131	1,527	-42	-4,508
Total operating income	**1,573,154**	**331,560**	**391,769**	**44,745**	**2,341,228**
Personnel and administrative expenses and depreciation and amortization	-978,702	-78,254	-307,566	-376,207	-1,740,729
Operating Income	**594,452**	**253,306**	**84,203**	**-331,462**	**600,499**
Personnel and administrative expenses and depreciation and amortization	-130,651	-109,469	-88,708	-320,850	-649,678
Provisioning for risks	-5,661	-4,853	-31,475	-1	-41,990
Total Cost of Risk	**-136,312**	**-114,322**	**-120,183**	**-320,851**	**-691,668**
Profit (losses) on equity investments - Profits on disposal of investments	-	-	-15,687	303	-15,384
Profit/loss before tax	**458,140**	**138,984**	**-51,667**	**-652,010**	**-106,553**
Taxes	-151,017	-45,707	190,551	255,415	249,242
Profit for the FY before Badwill and Creval integration expenses	**307,123**	**93,277**	**138,884**	**-396,595**	**142,689**
Non-recurring effects from Creval acquisition	-	-	-	465,683	465,683
Profit for the FY	**307,123**	**93,277**	**138,884**	**69,088**	**608,372**
Assets and Liabilities					
Assets by segment (customers)	31,254,226	19,720,993	13,883,245	20,462	64,878,926
Equity investments in associates	**-**	**-**	**24,600**	**20,551**	**45,151**
Unallocated assets	-	-	11,475,953	28,542,883	40,018,836
Total Assets	**31,254,226**	**19,720,993**	**25,383,798**	**28,583,896**	**104,942,913**
Liabilities by segment	36,658,739	8,873,214	18,117,052	732,481	64,381,486
Unallocated liabilities	**-**	**-**	**5,753,766**	**27,506,130**	**33,259,896**
Total liabilities	**36,658,739**	**8,873,214**	**23,870,818**	**28,238,611**	**97,641,382**

SEGMENT REPORTING AS AT 31 DECEMBER 2020

	31 Dec. 2020			
	Retail and Private	Corporate Banking	Other	Total
External Operating Income				
Net interest income	764,501	209,065	2,135	975,701
Net fee and commission income	770,125	103,077	6,378	879,580
Net profit (loss) on trading activities	4,353	17,774	-1,916	20,211
Dividends	-	-	10,449	10,449
Other net operating income	-6,186	1,012	13,055	7,881
Total operating income	**1,532,793**	**330,928**	**30,101**	**1,893,822**
Personnel and administrative expenses and depreciation and amortization	-963,446	-76,384	-200,052	-1,239,882
Operating Income	**569,347**	**254,544**	**-169,951**	**653,940**
Adjustments to financial assets	-204,366	-209,576	-8,076	-422,018
Provisioning for risks	-3,934	-4,040	1	-7,973
Total Cost of Risk	**-208,300**	**-213,616**	**-8,075**	**-429,991**
Profit (losses) on equity investments - Profits on disposal of investments"	-	-	65,600	65,600
Profit/loss before tax	**361,047**	**40,928**	**-112,426**	**289,549**
Taxes	-91,434	-12,242	28,525	-75,151
Profit for the FY	**269,613**	**28,686**	**-83,901**	**214,398**
Goodwill impairment	-186,530	-73,081	-	-259,611
Profit for the period net of Goodwill Impairment	**83,081**	**-44,394**	**-83,900**	**-45,213**
Assets and Liabilities				
Assets by segment (customers)	30,345,649	19,874,444	16,049	50,236,142
Equity investments in associates	**-**	**-**	**20,483**	**20,483**
Unallocated assets	-	-	26,196,993	26,196,993
Total Assets	**30,345,649**	**19,874,444**	**26,233,525**	**76,453,618**
Liabilities by segment	34,947,396	9,564,044	809,048	45,320,488
Unallocated liabilities	**-**	**-**	**24,634,063**	**24,634,063**
Total liabilities	**34,947,396**	**9,564,044**	**25,443,111**	**69,954,551**

PART M – DISCLOSURE OF LEASES

Section 1 – Lessee

The additional information on leases required by IFRS 16, which applies to reporting periods starting on or after 1 January 2019, is given below.

For the Group, the scope of application comprises property leases and car and IT structure rentals. Property leases represent the most impacted scope; these contracts concern properties used as branches, officers and guest accommodation.

RIGHT OF USE

Lease type	Right of Use value as at 1.1.2021	Amortization for the year	new contracts	of which from business combinations	Other changes	Impairment loss for the period	Right of Use value as at 31 Dec. 2021	Number of contracts as at 31 Dec. 2021
Buildings used in operations	194,640	-45,003	139,907	111,642	-10,436	-5,880	273,228	979
Operating land	172						172	1
Land used in o perations	5,786	-3,190	11,362	8,394	-585		13,373	216
Buildings used for investment	2,140	-1,719	2,969	701	99		3,489	513
Other property, plant and equip-ment: IT structures and Atms		-2,356	20,268	4,363	-1,591		16,321	4
Total	**202,738**	**-52,268**	**174,507**	**125,100**	**-12,513**	**-5,880**	**306,583**	**1,713**

LEASE LIABILITY

Lease type	Liability as at 1.1.2021	Interest expenses	New contracts	of which from business combinations	Cash outflows	Other changes	Remaining liability as at 31 Dec. 2021	Remaining liability - breakdown by term to maturity			
								Maturity< 1 year	Term to maturity between 1 and 3years	Term to maturity between 3 and 6years	Term to maturity > 6 years
Operating land and buildings	225,956	7,010	144,800	117,189	-50,503	-11,180	316,082	48,907	79,997	98,900	88,278
Buildings used for investment	5,836	441	17,088	14,311	-3,365	-446	19,554	3,249	4,830	4,055	7,420
Other property, plant and equipment assets: vehicles	2,153	20	2,818	715	-1,725	299	3,567	1,519	1,757	290	-
Other property, plant and equipment:IT structures		65	17,301	4,509	-1,747	-1,603	14,016	3,810	5,190	3,548	1,468
Total	**233,945**	**7,536**	**182,008**	**136,725**	**-57,340**	**-12,930**	**353,219**	**57,485**	**91,774**	**106,793**	**97,166**

BREAKDOWN OF REAL ESTATE OPERATING LEASES BY GEOGRAPHICAL AREA AND BY ANNUAL LEASE PAYMENT BRACKET

REGION	Lease payments up to5 thousand	Lease payments from €5 thousandto €50 thousand	Lease payments from €50 thousandto €100 thousand	Lease payments over100 thousand	Total
LOMBARDIA	27	144	60	34	265
EMILIA ROMAGNA	11	223	25	4	263
VENETO	3	70	25	7	105
TOSCANA	6	52	25	13	96
SICILIA	10	69	8	3	90
PIEMONTE	7	49	24	9	89
LAZIO	3	28	13	32	76
CAMPANIA	-	31	20	12	63
LIGURIA	10	38	9	4	61
FRIULI VENEZIA GIULIA	5	29	5	1	40
MARCHE	5	8	5	-	18
OTHER	-	25	3	2	30
Total	**87**	**766**	**222**	**121**	**1,196**

FREQUENCY OF PAYMENT INSTALMENT BY LEASE TYPE

Lease type	Instalment frequency	Number of contracts
Properties used in operations	Monthly	71
	Quarterly	804
	Other	105
	Total	**980**
Property used for investment	Quarterly	214
	Other	2
	Total	**216**
Vehicles	Monthly	513
	Total	**513**
IT structures	Quarterly	1
	Half-yearly	1
	Other	2
	Total	**4**
Totals		**1,713**

LEASE CONTRACTS OUT OF IFRS 16 SCOPE OF APPLICATION (RECOGNITION EXEMPTIONS PARA. 5 IFRS 16)

Crédit Agricole Italia has applied paragraph 6 of IFRS16 to short-term leases and to leases with the underlying asset having low value.

The table reports the information required under paragraph 53 letter d) of IFRS 16.

Lease type	Short term lease - 2021 payments	Low value lease - 2021 payments
Real Estate properties	585	35
Vehicles	174	-
POS	-	7,600
Other	-	813
Total (net of VAT)	**759**	**8,448**

Section 2 – Lessor

2. FINANCE LEASES

QUALITATIVE DISCLOSURES

Finance leases are contracts whereby one of the parties (lessee) asks a lease firm (lessor) to purchase an asset from a manufacturer or seller (supplier) or to have it manufactured, in order to enjoy its use against a periodic lease payment.

The Group, specifically, Crédit Agricole Leasing Italia and Creval, recognizes finance leases in accordance with IFRS 16 and classifies them under financial assets measured at amortized cost.

In accordance with finance lease contracts (the specialist entity of the Group is Crédit Agricole Leasing Italia), the lessee, at the end of the set lease term and granted that it has fulfilled all obligations undertaken, is entitled to choose:

- To acquire the ownership of the asset by paying a pre-set price (redemption value);
- To return the leased asset.

Lease terms, whose duration is based on the useful life of the assets, and the pre-set redemption value of the leased assets are such to generally induce lessees to purchase the asset at end of the lease term.

QUANTITATIVE DISCLOSURES

The table below reposts the classification by time bands of lease payments to be received and the reconciliation between payments to be received and lease loans.

Non-performing exposures (bad loans, Unlikely to Pay and non-performing past due exposures) have been allocated to the relevant time bands based on the recovery forecast for financial reporting measurement purposes.

Performing exposures are stated gross of the related writedowns.

TIME BANDS	Total 31 Dec. 2021		
	Lease payments to be received		Total lease payments to be received
	Non-performing exposures	Performing exposures	
Up to 1 year	56,496	532,550	589,046
From over 1 year to 2 years	35,329	472,261	507,590
From over 2 year to 3 years	2,721	398,180	400,901
From over 3 year to 4 years	2,466	294,378	296,844
From over 4 year to 5 years	3,594	187,615	191,209
From over 5 years	20,555	517,178	537,733
Total lease payments to be received	**121,161**	**2,402,161**	**2,523,322**
RECONCILIATION WITH LOANS			
Unearned financial income (-)	- 7,217	- 170,915	- 178,132
Unguaranteed residual value (-)			
Collective impairment	-	- 27,757	- 27,757
Loans for leases	**113,944**	**2,203,489**	**2,317,433**

These loans are reported in Part B) of this Note to the financial statements, Section 4 - Financial assets measured at amortized cost: breakdown by type of loans to customers.

Information on interest income on lease loans is given in Part C – Section 1 – Table 1.1 Interest and similar income: breakdown”.

Financed assets are different according to the lease applicant and/or the nature of business operations. In general, financed assets belong to 4 categories: motor vehicles (cars, commercial vehicles and industrial vehicles), air rail naval (aircraft, pleasure boats, railway cars), equipment and property (commercial and industrial buildings both completed and to be built) and renewable energy equipment (photovoltaic plants, wind turbines, hydroelectric plants, etc.).

Lease loans classified by quality and type of leased asset

	Performing exposures		Non-performing exposures	
	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
A. Movable assets	**933,932**	**780,871**	**97,343**	**97,676**
- Land				
- Buildings	933,932	780,871	97,343	97,676
B. Capital assets	**1,010,798**	**774,679**	**15,830**	**22,106**
C. Movable assets	**258,759**	**221,683**	**772**	**1,372**
- Motor vehicles	184,947	157,633	565	1,368
- Air sea and rail	57,469	64,050	-	4
- Other	16,343	-	207	-
D. Intangible assets	**-**	**-**	**-**	**-**
- Trademarks	-	-	-	-
- Software	-	-	-	-
- Other	-	-	-	-
Total	**2,203,489**	**1,777,233**	**113,945**	**121,154**

The finance lease contracts signed with Customers provide for risk management in accordance with the Group policies.

OTHER INFORMATION

Leaseback transactions

Sale and leaseback is a transaction whereby the leased asset is sold and immediately leased back, by signing a lease contract for the same asset.

Loans resulting from leaseback contracts, which have no particular features in their clauses, except possibly in the ones relating to the regulation of the Supplier role (identifiable with the lessee), came to Euro 148 million.

3. OPERATING LEASES

The disclosure required by paragraph 97 of IFRS 16 is given below.

3.1 CLASSIFICATION OF PAYMENTS TO BE RECEIVED BY TIME BAND

Time bands	Lease payments to be received
Up to 1 year	1,377
From over 1 year to 2 years	1,323
From over 2 year to 3 years	1,266
From over 3 year to 4 years	1,020
From over 4 year to 5 years	944
From over 5 years	2,627
Total	**8,557**

The payments to be received reported in the table refer to property lease contracts.

There are no variable payments not included in the reported amounts and there are no purchase options on the leased asset.

DISCLOSURE OF THE FEES FOR THE AUDIT OF THE ACCOUNTS AND OTHER SERVICES PURSUANT TO ARTICLE 149-DUODECIES OF THE ISSUER REGULATION

The table below reports the information on the fees due to Audit Firms PricewaterhouseCoopers S.p.A. and EY S.p.A for the services provided in 2021.

FEES FOR:	EY S.p.A.	PWC S.p.A.	31 Dec. 2021
Statutory audit of annual accounts	74	1,519	1,593
Certification services	189	28	217
Other services	2,567	79	2,646
Total	**2,830**	**1,626**	**4,456**

DISCLOSURE OF PUBLIC FUNDING

Public funding transparency requirements are laid down in Article 1, paragraphs 125-129, of Italian Law no. 124/2017 but the wording gave rise to several DOUBTS in terms of interpretation and application. The worries expressed by trade associations (including Assonime, the Italian Association of Joint-stock Companies) were for the most part solve by Article 35 of Italian Decree Law no. 34/2019 (Growth Decree), which, in many cases, clarifies important matters, in order to streamline and rationalize the aforementioned requirements.

The Law establishes the obligation to disclose, in the note to the financial statements as at 31 December 2019 – and, where applicable, in the note to the consolidated financial statements – the amounts of and other information on “grants, subsidies, advantages, contributions or aids, in money of in kind, not given in general and other than considerations, remuneration or compensations, received from public administration bodies and other identified entities” (hereinafter for short “public funding”).

Noncompliance with these obligations is punished with a civil fine equal to 1% of the received amounts, with a minimum fine of Euro 2,000 and the ancillary penalty of complying with the disclosure obligation. If the offender does not comply with the set disclosure obligation and does not pay the fine within 90 days of its imposition, it shall be required to return the all the amounts received to the entities that granted them.

In order to prevent accumulation of non-relevant information, the Euro 10,000 threshold has been kept, below which the recipient is not required to disclose any information on the received public funding.

Furthermore, in August 2017 the Italian national State Aid Registry was set up at the Directorate-general for business incentive at the Italian Ministry of Economic Development, where all State aids and small amount aids to businesses shall be entered by those that give or manage such aids.

For the aids to Crédit Agricole Italia, please refer to the “Registry Transparency” section, which is publicly available.

COUNTRY-BY-COUNTRY REPORTING

Country where the Company is headquartered: ITALY

A) NAME OF THE COMPANIES HEADQUARTERED IN THE COUNTRY AND NATURE OF THEIR BUSINESS

Company name	Nature of its business
Crédit Agricole Italia S.p.A.	Joint-stock company operating in the sector of retail banking services, commercial banking services and retail intermediation services
Crédit Agricole FriulAdria S.p.A.	Joint-stock company operating in the sector of retail banking services, commercial banking services and retail intermediation services
Crédit Agricole Leasing Italia S.r.l.	Private limited liability company operating in the placement and management of lease products
Crédit Agricole Group Solutions S.c.p.a.	Not-for-profit consortium company, with the corporate purpose of providing, mainly to and/or in the interest of its shareholders, organizational, technical, IT and administrative
Mondo Mutui Cariparma S.r.l. in liquidation	services private limited liability company that was incorporated pursuant to the Italian Law on Securitization Transactions and Issue of Covered Bonds in liquidation as at 31 December 2020
Crédit Agricole Italia OBG S.r.l.	private limited liability company that was incorporated pursuant to the Italian Law on Securitization Transactions and Issue of Covered Bonds currently used for a Covered Bonds issue programme
Sliders S.r.l.	Private limited liability company whose corporate purpose comprises the purchase, exchange/swap, sale and lease of property; the acquisition of equity investments to be held as non-current assets
Crédit Agricole Real Estate Italia S.r.l.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
San Piero Immobiliare S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
San Giorgio Immobiliare S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
Le Village by CA Parma S.r.l.	Company operating in the promotion and dissemination of innovation in products, services and processes
Agricola Le Cicogne S.r.l.	Private limited liability company operating in the management of land and farms, both owned and of third parties
Credito Valtellinese S.p.A.	Joint-stock company operating in the sector of retail banking services, commercial banking services and retail intermediation services
Stelline Real Estate S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
Creval PiùFactor S.p.A.	Company engaged in lending to the public under Article 106 et seq. of Italian Legislative Decree no. 385 of 1 Sept. 1993 ("Italian Consolidated Law on Banking")
Creval Covered Bond S.r.l.	private limited liability company that was incorporated pursuant to the Italian Law on Securitization Transactions and Issue of Covered bonds
Quadrivio SME 2018 S.r.l.	private limited liability company that was incorporated pursuant to the Italian Law on Securitization Transactions
Le Village by CA Triveneto S.r.l.	Company operating in the promotion and dissemination of innovation in products, services and processes

B) REVENUE

Item (thousands of Euros)	31 Dec. 2021
Net banking income(*)	2,205,608

C) NUMBER OF EMPLOYEES

Item	31 Dec. 2021
Number of employees expressed as full-time equivalents	9,721
Number of employees(*)	13,096

D) PROFIT OR LOSS BEFORE TAXES

Item (thousands of Euros)	31 Dec. 2021
Taxes on income from continuing operations(*)	343,716

E) TAXES ON PROFIT OR LOSS

Item (thousands of Euros)	31 Dec. 2021
Taxes on income from continuing operations(*)	264,656

F) GOVERNMENT GRANTS RECEIVED

Item (thousands of Euros)	31 Dec. 2021
Government grants	62

(*) Data source: 2020 Annual Report and Financial Statements of the Crédit Agricole Italia Banking Group.

Crédit Agricole Italia

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR 2021

FINANCIAL HIGHLIGHTS AND ALTERNATIVE PERFORMANCE MEASURES

Income Statement highlights(°) (thousands of Euros)	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Net interest income	748,307	786,070	-37,763	-4.8
Net fee and commission income	823,358	743,098	80,260	10.8
Dividends	11,057	10,438	619	5.9
Financial income (loss)	50,421	14,262	36,159	
Other operating income (expenses)	-5,823	7,149	-12,972	
Net operating revenues	1,627,320	1,561,017	66,303	4.2
Operating expenses	-1,244,720	-1,034,916	209,804	20.3
Income from operations	382,600	526,101	-143,501	-27.3
Cost of Risk	-514,034	-372,821	141,213	37.9
Of which net adjustments to loans	*-502,263*	*-357,565*	*144,698*	*40.5*
Net profit (loss)	-71,836	168,206	-240,042	

Balance Sheet highlights(°) (thousands of Euros)	31 Dec. 2021	31 Dec. 2020(*)	Changes	
			Absolute	%
Loans to Customers	52,132,666	50,289,041	1,843,625	3.7
Of which Securities measured at amortized cost	*9,396,177*	*7,716,344*	*1,679,833*	*21.8*
Net financial Assets/Liabilities at fair value	53,050	26,258	26,792	
Financial assets measured at fair value through other comprehensive income	3,108,575	2,954,732	153,843	5.2
Equity investments	2,105,245	1,078,486	1,026,759	95.2
Property, plant and equipment and intangible assets	1,872,982	1,929,916	-56,934	-3.0
Total net assets	62,372,495	59,392,169	2,980,326	5.0
Net due to banks	3,020,189	2,099,769	920,420	43.8
Funding from Customers	49,511,267	47,909,364	1,601,903	3.3
Indirect funding from Customers	73,145,204	67,286,030	5,859,174	8.7
of which: asset management(§)	*36,981,297*	*33,478,907*	*3,502,390*	*10.5*
Equity	6,803,997	6,515,252	288,745	4.4

Operating structure	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Number of employees	7,639	7,679	-40	-0.5
Average number of employees(§)	7,100	7,087	13	0.2
Number of branches	712	712	-	-

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 407 and 418..

(*) Current accounts and "sight" deposits with Central Banks and Banks have been reclassified from item "Due from Banks" to item "Cash and cash equivalents" in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

(§) The average number has been calculated as the weighted average of employees and atypical workers, where the weight is the number of months worked in the year; part-time personnel is conventionally weighted at 50%.

Structure ratios(°)	31 Dec. 2021	31 Dec. 2020(*)
Loans to Customers/Total net assets	68.5%	71.7%
Direct funding from Customers(ç)/Total net assets	79.4%	80.7%
Asset under management/Indirect funding from Customers	50.6%	49.8%
Loans to Customers/Direct funding from Customers	86.3%	88.9%
Total assets/Equity	10.9	10.8

Profitability ratios(°)	31 Dec. 2021	31 Dec. 2020
Net interest income/Net operating income	46.0%	50.4%
Net fee and commission income/Net operating income	50.6%	47.6%
Cost/Income ratio(^)	60.4%	61.9%
Net income/Average equity (ROE)(a)	-1.1%	2.6%
Net income/Average Tangible Equity (ROTE)(a)	-1.3%	3.2%
Net income/Total assets (ROA)	-0.1%	0.2%
Net income/Risk weighted assets	-0.3%	0.7%

Risk ratios(°)	31 Dec. 2021	31 Dec. 2020
Gross bad loans/Gross loans to Customers	3.0%	2.6%
Net bad loans/Net loans to Customers	0.1%	0.8%
Net adjustments to loans/Net due from/loans to Customers	1.2%	0.8%
Cost of risk(b)/Income from operations	134.4%	70.9%
Net bad loans/Total Capital(c)	0.9%	6.0%
Net non-performing exposures/Net loans to customers (net NPE ratio)	1.5%	2.8%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio)	3.1%	5.6%
Total adjustments of non-performing loans/Gross non-performing loans	54.1%	51.5%
Total Impairments of performing loans/Gross performing loans	0.5%	0.5%

Productivity ratios(°) (in income terms)	31 Dec. 2021	31 Dec. 2020
Operating expenses/No. of Employees (average)	175.3	146.0
Operating income/No. of Employees (average)	229.2	220.3

Productivity ratios(°) (in financial terms)	31 Dec. 2021	31 Dec. 2020
Loans to Customers/No. of employees (average)	6.019.2	6.007.2
Direct funding from Customers/No. of Employees (average)	6.973.4	6.760.2
Gross banking income(d)/No. of Employees (average)	23.294.8	22.261.6

Capital and liquidity ratios	31 Dec. 2021	31 Dec. 2020
Common Equity Tier 1(e)/Risk-weighted assets (CET 1 ratio)	19.1%	18.7%
Tier 1(f)/Risk-weighted assets (Tier 1 ratio)	22.5%	21.8%
Total Capital(c)/Risk-weighted assets (Total capital ratio)	26.4%	25.5%
Risk-weighted assets (Euro thousands)	23.795.668	22.805.850
Liquidity Coverage Ratio (LCR)	302%	246%
Net Stable Funding Ratio (NSFR)	142%	n.a.

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 385 and 396.
(*) Current accounts and “sight” deposits with Central Banks and Banks have been reclassified from item “Due from Banks” to item “Cash and cash equivalents” in compliance with the new provisions laid down by Bank of Italy Circular no. 262.
(ç) La raccolta diretta da clientela comprende le emissioni di Covered Bond fatte utilizzando come sottostante mutui erogati alla clientela.
(^) Ratio calculated excluding ordinary and extraordinary contributions to support the banking system and provisioning for Voluntary Redundancy, expenses for Creval integration and the costs incurred to handle the Covid-19 health emergency.
(a) Ratio of net earnings to equity weighted average (for ROTE net of intangibles).
(b) The cost of risk includes provisioning for risks and charges, net impairment of loans and impairment of securities.
(c) Total Capital: total regulatory own funds.
(d) Loans to Customers + direct funding + indirect funding
(e) Common Equity Tier 1: Common Equity Tier 1
(f) Tier 1: Tier 1 Capital.

MANAGEMENT REPORT

PERFORMANCE OF OPERATIONS

The performance of balance sheet aggregates

In 2021, commercial operations performed well across all business lines, along the trend they showed throughout the year with productivity firmly back to its before-crisis levels. The volumes of Customers' assets give evidence of the positive performance across all components.

In short:

- Performing loans up by +2% YoY thanks to the development in loans to households and to businesses.;
- Assets under management up by +11%YoY with funding on the increase across all asset classes, benefiting from the very good performance of new inflows and market prices;
- Direct funding up by +3% YoY riven by the increase in liquid savings held for protection from the crisis, as well as by new securities issued in the year.

Reclassification of the balance sheet

In order to provide a more direct representation of the Company's equity and financial position, a summary balance sheet was prepared by suitably grouping balance-sheet items. These grouping concerned:

- Presentation of "Financial Assets/Liabilities at fair value" on a net basis;
- Presentation of "Due from from/Due to banks" on a net basis;
- Inclusion of the value of "Hedging Derivatives" and of "Fair value change of financial assets/liabilities in macro-hedge portfolios" in the "Other Assets/Other Liabilities" items;
- Grouping of "Property, Plant and Equipment and Intangible Assets" into a single aggregate;
- Inclusion of "Cash and cash equivalents" in the "Other Assets" residual item;
- Grouping in the "Funding from customers" item of the "Due to customers" and "Debt securities issued" items;
- Reclassification of lease liabilities from "funding from customers" and from "net due from banks/net due to banks" to "other liabilities" items;
- Grouping of specific-purpose provisions (i.e. "employee severance benefits" and "provisions for risks and charges") into a single aggregate.

The figures reported in the next pages are expressed in thousands of Euros.

Reclassified Balance Sheet

Assets	31 Dec. 2021	31 Dec. 2020(*)	Changes	
			Absolute	%
Net financial Assets/Liabilities at fair value	53,050	26,258	26,792	
Financial assets measured at fair value through other comprehensive income	3,108,575	2,954,732	153,843	5.2
Loans to Customers	52,132,666	50,289,041	1,843,625	3.7
Equity investments	2,105,245	1,078,486	1,026,759	95.2
Property, plant and equipment and intangible assets	1,872,982	1,929,916	-56,934	-3.0
Tax assets	1,367,421	1,278,123	89,298	7.0
Other assets	1,732,556	1,835,613	-103,057	-5.6
Total assets	**62,372,495**	**59,392,169**	**2,980,326**	**5.0**

Liabilities	31 Dec. 2021	31 Dec. 2020(*)	Changes	
			Absolute	%
Net due to banks	3,020,189	2,099,769	920,420	43.8
Funding from Customers	49,511,267	47,909,364	1,601,903	3.3
Tax liabilities	281,166	187,774	93,392	49.7
Other liabilities	2,235,458	2,313,804	-78,346	-3.4
Specific-purpose provisions	520,418	366,206	154,212	42.1
Capital	979,283	979,235	48	-
Equity instruments	815,000	715,000	100,000	14.0
Reserves (net of treasury shares)	5,130,216	4,686,595	443,621	9.5
Valuation reserves	-48,666	-33,784	14,882	44.1
Profit (Loss) for the period	-71,836	168,206	-240,042	
Total liabilities and equity	**62,372,495**	**59,392,169**	**2,980,326**	**5.0**

(*) Current accounts and "sight" deposits with Central Banks and Banks have been reclassified from item "Due from Banks" to item "Cash and cash equivalents" in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

Reconciliation of the official and reclassified balance sheets

Assets	31 Dec. 2021	31 Dec. 2020(*)
Net financial Assets/Liabilities at fair value	**53,050**	**26,258**
20 a. Financial assets held for trading	**49,299**	**71,126**
20 c. Financial assets mandatorily measured at fair value	56,776	36,678
20. Financial liabilities held for trading	-53,025	-81,546
Financial assets measured at fair value through other comprehensive income	**3,108,575**	**2,954,732**
30. Financial assets measured at fair value through other comprehensive income	3,108,575	2,954,732
Loans to Customers	**52,132,666**	**50,289,041**
40 b. Loans to and receivables from Customers	52,132,666	50,289,041
Equity investments	**2,105,245**	**1,078,486**
70. Equity investments	2,105,245	1,078,486
Property, plant and equipment and intangible assets	**1,872,982**	**1,929,916**
80. Property, Plant and Equipment	734,685	766,813
90. Intangible assets	1,138,297	1,163,103
Tax assets	**1,367,421**	**1,278,123**
100. Tax assets	1,367,421	1,278,123
Other assets	**1,732,556**	**1,835,613**
10. Cash and cash equivalents	540,293	527,828
120. Other assets	631,492	246,848
50. Hedging derivatives (Assets)	570,135	943,109
60. Fair value change of financial assets in macro-hedge portfolios	-9,364	112,621
110. Non-current assets held for sale and discontinued operations	-	5,207
Total assets	**62,372,495**	**59,392,169**

(*) Current accounts and “sight” deposits with Central Banks and Banks have been reclassified from item “Due from Banks” to item “Cash and cash equivalents” in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

Liabilities	31 Dec. 2021	31 Dec. 2020(*)
Net due to banks	**3,020,189**	**2,099,769**
10 a. Due to banks	14,831,132	12,940,955
To deduct: Lease liabilities	-141	-209
40 a. Due from banks	-11,810,802	-10,840,977
Funding from Customers	**49,511,267**	**47,909,364**
10 b Due to Customers	38,772,716	37,527,841
To deduct: Lease liabilities	-188,763	-202,953
13. Debt securities issued	10,927,314	10,584,476
Tax liabilities	**281,166**	**187,774**
60. Tax liabilities	281,166	187,774
Other liabilities	**2,235,458**	**2,313,804**
10 a. Due to banks: of which lease liabilities	141	209
10 b. Due to customers: of which lease liabilities	188,763	202,953
40. Hedging derivatives (Liabilities)	823,174	705,939
50. Fair value change of financial liabilities in macro-hedge portfolios	139,353	386,253
80. Other liabilities	1,084,027	1,018,450
Specific-purpose provisions	**520,418**	**366,206**
90. Employee severance benefits	83,191	92,002
100. Provisions for risks and charges	437,227	274,204
Capital	**979,283**	**979,235**
160. Capital	979,283	979,235
Equity instruments	**815,000**	**715,000**
130. Equity instruments	815,000	715,000
Reserves (net of treasury shares)	**5,130,216**	**4,686,595**
140. Reserves	2,011,528	1,568,206
150. Share premium reserve	3,118,688	3,118,389
Valuation reserves	**-48,666**	**-33,784**
110. Valuation reserves	-48,666	-33,784
Profit (Loss) for the period	**-71,836**	**168,206**
180. Profit (Loss) for the period	-71,836	168,206
Total liabilities and equity	**62,372,495**	**59,392,169**

(*) Current accounts and "sight" deposits with Central Banks and Banks have been reclassified from item "Due from Banks" to item "Cash and cash equivalents" in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

Loans to Customers

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
– Current accounts	1,417,679	1,485,506	-67,827	-4.6
– Mortgage loans	29,107,602	27,856,303	1,251,299	4.5
– Invoice financing and credit facilities	11,569,871	12,028,483	-458,612	-3.8
– Non-performing loans	641,337	1,202,405	-561,068	-46.7
– Non-government securities measured at amortized cost	500,317	165,604	334,713	
Loans to Customers	**43,236,806**	**42,738,301**	**498,505**	**1.2**
Government securities measured at amortized cost	8,895,860	7,550,740	1,345,120	17.8
Total loans to Customers	**52,132,666**	**50,289,041**	**1,843,625**	**3.7**

As at 31 December 2021 net loans to customers came to Euro 43.2 billion (+1.2% YoY) with the figure reporting the effect of the securitization of bad loans finalized in Q4 2021. The actual increase in the “performing customers” perimeter is of Euro +0.7 billion (2% YoY), and was driven by mortgage loans (up by Euro +1.3 billion from the beginning of the year, i.e. +4%), whereby the Bank provided support to households with Euro 2.9 million in originated home loans (+8% YoY) and by the origination to businesses of loans backed by State guarantees for Euro 0.8 billion in 2021 (totalling Euro 2.8 billion from the entry into force of the State guarantee measure in April 2020).

Conversely, short-term loans decreased in the period, as to both advances and loans (-4%), and current accounts (-5%) as customers used State-guaranteed loans to a larger extent under the measures deployed in 2020 by the Italian Government to address the economic crisis caused by the pandemic emergency.

The decrease in net non-performing loans (down by Euro -0.6 billion vs. 31 December 2020,,i.e. -47%) resulted from the disposal of an NPL portfolio made in Q4 2021 and by fewer positions to be classified as defaulted, partially mitigated by the effect of moratoria.

Credit quality

	31 Dec. 2021			31 Dec. 2020		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
- Bad loans	255,801	201,629	54,172	1,151,742	805,780	345,962
- Unlikely to Pay	1,066,574	491,332	575,242	1,297,901	468,266	829,635
- Past-due/overlimit loans	13,079	1,156	11,923	29,288	2,480	26,808
Non-performing loans	**1,335,454**	**694,117**	**641,337**	**2,478,931**	**1,276,526**	**1,202,405**
- Performing loans - stage 2	3,000,707	144,514	2,856,193	2,409,565	155,338	2,254,227
- Performing stage 1(*)	39,818,420	79,144	39,739,276	39,353,166	71,497	39,281,669
Performing loans	**42,819,127**	**223,658**	**42,595,469**	**41,762,731**	**226,835**	**41,535,896**
Loans to Customers	**44,154,581**	**917,775**	**43,236,806**	**44,241,662**	**1,503,361**	**42,738,301**
Government securities measured at amortized cost	**8,906,942**	**11,082**	**8,895,860**	**7,560,177**	**9,437**	**7,550,740**
Total loans to Customers	**53,061,523**	**928,857**	**52,132,666**	**51,801,839**	**1,512,798**	**50,289,041**

(*) Includes non-government securities at amortized cost.

	31 Dec. 2021			31 Dec. 2020		
	Gross exposure weight	Net exposure weight	Coverage ratio	Gross exposure weight	Net exposure weight	Coverage ratio
- Bad loans	0.6%	0.1%	78.8%	2.6%	0.8%	70.0%
- Unlikely to Pay	2.4%	1.3%	46.1%	2.9%	1.9%	36.1%
- Past-due/overlimit loans	0.0%	0.0%	8.8%	0.1%	0.1%	8.5%
Non-performing loans	**3.0%**	**1.5%**	**52.0%**	**5.6%**	**2.8%**	**51.5%**
- Performing loans - stage 2	6.8%	6.6%	4.8%	5.4%	5.3%	6.4%
- Performing loans - stage 1	90.2%	91.9%	0.2%	89.0%	91.9%	0.2%
Performing loans	**97.0%**	**98.5%**	**0.5%**	**94.4%**	**97.2%**	**0.5%**
Loans to Customers	**100.0%**	**100.0%**	**2.1%**	**100.0%**	**100.0%**	**3.4%**

Furthermore, in 2021, the strategy to reduce non-performing loans continued, thus with the ratio of non-performing loans to total loans down to 3% in gross terms (vs. 5.6% in 2020) and to 1.5% in net terms (vs. 2.8% in 2020), with bad loans close to zero. The decrease resulted from the disposal of a portfolio of bad loans amounting to Euro 1.1 billion finalized in Q4 2021, as well as from the fact that fewer positions had to be classified as defaulted. The coverage ratio of loans (the ratio of cumulative adjustments to the amount of gross non-performing loans) further increased on the remaining bad loans, hitting 78.8% (+8.8 points YoY) and on Unlikely to Pay hitting 46.1% (+10 points YoY).

Funding from Customers

Total funding, as the sum of direct and indirect funding, came to Euro123 billion, increasing by Euro 7.5 billion (+7% YoY).

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
– Deposits	474,161	1,068,051	-593,890	-55.6
– Current and other accounts	37,918,405	36,051,709	1,866,696	5.2
– Other items	191,387	205,128	-13,741	-6.7
– Repurchase agreements	-	-	-	-
Due to Customers	**38,583,953**	**37,324,888**	**1,259,065**	**3.4**
Debt securities issued	**10,927,314**	**10,584,476**	**342,838**	**3.2**
Total direct funding	**49,511,267**	**47,909,364**	**1,601,903**	**3.3**
Indirect funding	**73,145,204**	**67,286,030**	**5,859,174**	**8.7**
Total funding	**122,656,471**	**115,195,394**	**7,461,077**	**6.5**

Direct funding came to Euro 56.7 billion (Euro 49.5 billion including Creval), up by +3% YoY, thanks to the growth in Customers deposits, driven by the higher tendency of keeping liquid savings as protection from the crisis, as well as to the new issues of Green Covered Bonds - the first issue of this kind in Italy. The issue of Green Covered Bonds for a total of Euro 500 million with 12-year maturity is consistent with the Group's green finance objectives and aimed at financing or refinancing a pool of residential mortgage loans selected based on sustainability criteria and originated for the purchase of high energy efficiency properties. The issue had the smaller spread ever recorded in any Covered Bonds of Italian issuers and gives evidence of the Group's appeal to investors.

Indirect funding

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
– wealth management	16,836,260	15,260,659	1,575,601	10.3
– Insurance products	20,145,037	18,218,248	1,926,789	10.6
Total assets under management	**36,981,297**	**33,478,907**	**3,502,390**	**10.5**
Assets under administration	**36,163,907**	**33,807,123**	**2,356,784**	**7.0**
Indirect funding	**73,145,204**	**67,286,030**	**5,859,174**	**8.7**

Indirect funding increased by 9% hitting Euro 73.1 billion (Euro; the growth was even more marked in assets under management, which came to Euro 37 billion, up by +11% YoY thanks mainly to higher net inflows, with the increase both in wealth management (+10% YoY) and in insurance products (+11% YoY).

Financial assets and liabilities measured at fair value

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Financial assets and liabilities measured at fair value through profit or loss				
- Debt securities	743	95	648	
- Equity securities and units of collective investment undertakings	56,126	36,678	19,448	53.0
- Loans	-	-	-	-
- Derivative financial instruments with positive FV	49,206	71,031	-21,825	-30.7
Total assets	**106,075**	**107,804**	**-1,729**	**-1.6**
- Derivative financial instruments with negative FV	53,025	81,546	-28,521	-35.0
Total liabilities	**53,025**	**81,546**	**-28,521**	**-35.0**
Net Total	**53,050**	**26,258**	**26,792**	
Financial assets measured at fair value through other comprehensive income				
- Debt securities	2,871,187	2,717,777	153,410	5.6
- Equity securities	237,388	236,955	433	0.2
Total	**3,108,575**	**2,954,732**	**153,843**	**5.2**

As at 31 December 2021 Financial assets measured at fair value through other comprehensive income amounted to Euro 3.1 billion, increasing by 5% vs. 31 December 2020 in the component of government debt securities, which came to Euro 2.9 billion.

Government securities held

	31 Dec. 2021		
	Nominal value	Book value	Valuation reserve
Financial assets held for trading			
Italian Government securities	11	13	X
Argentinian Government securities	26	-	X
Financial assets through other comprehensive income			
Italian Government securities	2,609,200	2,871,187	12,588
Financial assets measured at amortized cost			
Italian Government securities	8,231,000	8,895,860	X
Total	**10,840,237**	**11,767,060**	**12,588**

As the reporting date, government securities held totalled Euro 11.8 billion, increasing by Euro 1.5 billion from the beginning of the year (+15%).

Equity investments

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
– Subsidiaries	2,084,412	1,057,847	1,026,565	97.0
– Joint arrangements	-	-	-	-
Investees subject to significant influence	20,833	20,639	194	0.9
Total	**2,105,245**	**1,078,486**	**1,026,759**	**95.2**

The Equity investments of the Bank item came to Euro 2.1 billion: the Euro 1 billion increase is broken down below:

- As to Euro 164 million it resulted from the increase in Crédit Agricole FriulAdria shareholding, following the success of the voluntary public tender offer for the shares in Crédit Agricole FriulAdria, whereby Crédit Agricole Italia ended up holding over 99% of its shared capital;
- As to Euro 862 million it resulted from the acquisition of control of Credito Valtellinese;
- As t Euro 0.2 million it resulted from the subscription of the increase in the share capital of investee Le Village by Crédit Agricole Milano.

Property, plant and equipment and intangible assets

As at the reporting date, property, plant and equipment and intangible assets came to Euro 1.9 million. Specifically, "Property, plant and equipment" came to Euro 735 million, down by Euro 32 million vs. 2020, due to the recognition of depreciation and the change in assets recognized as "right of use" (in compliance with IFRS16). Intangible assets came to Euro 1.138 billion and include goodwill for Euro 1.042 billion.

Specific-purpose provisions

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Employee severance benefits	83,191	92,002	-8,811	-9.6
Provisions for risks and charges	437,227	274,204	163,023	59.5
a) commitments and guarantees given	30,334	25,328	5,006	19.8
b) post-employment and similar obligations	32,692	35,816	-3,124	-8.7
c) other provisions for risks and charges	374,201	213,060	161,141	75.6
Total specific-purpose provisions	**520,418**	**366,206**	**154,212**	**42.1**

Specific-purpose provisions came to Euro 520 million, up by Euro 154 million (+42%) vs. 31 December 2020, of which Euro 124 million worth of extraordinary provisioning for voluntary redundancy incentives within the Next Generation project.

Equity

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Share capital	979,283	979,235	48	-
Share premium reserve	3,118,688	3,118,389	299	-
Income reserves	1,591,565	1,565,178	26,387	1.7
Other reserves	419,963	3,028	416,935	-
Valuation reserves for financial assets through other comprehensive income	-235	14,092	-14,327	-
Valuation reserves for actuarial gains (losses) relating to defined-benefit pension plans	-48,431	-47,876	555	1.2
Equity instruments	815,000	715,000	100,000	14.0
Profit for the period	-71,836	168,206	-240,042	-
Total (book) equity	**6,803,997**	**6,515,252**	**288,745**	**4.4**

As at 31 December 2021, equity amounted to Euro 6.8 billion, increasing by Euro 0.3 billion vs. 31 December 2020 (+4%).

The increase resulted specifically from the contribution for future share capital increase made by the Parent Company Crédit Agricole S.A. For a total of Euro 417 million, net of the change in the profit for the period.

The “Equity instruments” item reports the amount of additional tier 1 (AT1) instruments issued.

Own Funds and capital ratios

	31 Dec. 2021	31 Dec. 2020
A. Common Equity Tier 1 (CET1) prior to the application of prudential filters	**5,822,997**	**5,708,933**
of which CET1 instruments subject to transitional arrangements	*-*	*-*
B. CET1 (+/-) prudential filters	**-12,845**	**-7,519**
C. CET1 gross of elements to be deducted and of the effects of the transitional regime (A +/- B)	**5,810,152**	**5,701,414**
D. Elements to be deducted from CET1	**1,272,016**	**1,444,011**
E. Transitional regime - Impact on CET1 (+/-)	**-**	**-**
F. Total Common Equity Tier 1 (CET1) (C – D +/-E)	**4,538,136**	**4,257,403**
G. Additional Tier 1 (AT1) gross of elements to be deducted and of the effects of the transitional regime	**815,000**	**715,000**
of which AT1 instruments subject to transitional provisions	*-*	*-*
H. Elements to be deducted from AT1	**-**	**-**
E. Transitional regime- Impact on AT1 (+/-)	**-**	**-**
L. Total Additional Tier 1 (AT1) (G - H +/- I)	**815,000**	**715,000**
M. Tier 2 (T2) including deductible elements and the effects of the transitional regime	**925,363**	**839,740**
of which T2 instruments subject to transitional arrangements	*294*	*1,080*
N. Elements to be deducted from T2	**-**	**-**
O. Transitional regime- Impact on T2 (+/-)	**-**	**-**
P. Total Tier 2 (T2) (M - N +/- O)	**925,363**	**839,740**
Q. Total own funds (F + L + P)	**6,278,499**	**5,812,143**

	Non-weighted amounts		Weighted amounts/requirements	
	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
C. RISK ASSETS				
A.1 Credit and counterparty risks	73,820,746	71,180,465	21,221,553	20,194,667
1. Standardized approach	51,670,151	50,148,938	17,304,818	16,587,395
2. IRB approach	21,809,945	21,031,527	3,555,380	3,607,272
2.1 Foundation	-	-	-	-
2.2 Advanced	21,809,945	21,031,527	3,555,380	3,607,272
3. Asset-backed securities	340,650	-	361,355	-
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks			1,697,724	1,615,573
B.2 Risk of value adjustments of loans			6,024	8,432
B.3 Regulatory risk			-	-
B.2 Market risks			**387**	**536**
1. Standardized approach			387	536
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational risk			**199,518**	**199,927**
1. Basic indicator approach			-	-
2. Standardized approach			199,518	199,927
3. Advanced approach			-	-
B.5 Other measurement elements			-	-
B.6 Total prudential requirements(*)			1,903,653	1,824,468
C. EXPOSURES AND CAPITAL ADEQUACY RATIOS				
C.1 Risk-weighted assets			23,795,668	22,805,850
C.2 Common Equity Tier 1/Risk-weighted assets (CET 1 capital ratio)			19.1%	18.7%
C.3 Tier 1/Risk-weighted assets (Tier 1 capital ratio)			22.5%	21.8%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			26.4%	25.5%

As at 31 December 2021, Common Equity Tier 1 hit Euro 4,538 million, increasing vs. the previous FY (Euro 4,257 million). The increase resulted essentially from the developments in the related equity items, including the contribution for future share capital increase made by the Parent Company Crédit Agricole S.A. totalling Euro 417 million, to support the acquisition made in H1 (of which Euro 300 million paid in H1 and another Euro 117 million paid in H2 2021), the distribution of reserves as proposed by the Board of Directors and the shortfall zeroing subsequent to the disposal of bad loans finalized at the end of December 2021.

In the reporting period, Additional Tier 1 instruments for Euro 100 million and Tier 2 instruments for Euro 80 million were issued.

Risk-weighted assets came to Euro 23,796 million, increasing vs. 2020 (up by Euro +990 million) essentially in line with the development in commercial activities.

Based on the above-reported facts, the Common Equity Tier 1 ratio as at 31 December 2021 came to 19.1% (18.7% as at 31 December 2020), the Tier 1 ratio to 22.5% (21.8% as at 31 December 2020) and the Total Capital ratio to 26.4% (25.5% as at 31 December 2020): all ratios are well above the regulatory requirements.

PROFIT OR LOSS

The performance posted in 2021 gives evidence of Crédit Agricole Italia' ability to generate profit as done in the previous years, thanks to its balanced and diversified business model, as substantiated by the increase in income (+4%), effective control of operating costs and by the strong decrease in ordinary cost of risk.

The 2021 profit or loss was affected by non-recurring components associated with Creval acquisition and the derisking strategy deployed.

Income Statement reclassification

In order to represent profit or loss performance more effectively, a summary income statement has been prepared through appropriate reclassifications and in accordance with more suitable bases of presentation to report the various items on the basis of consistent operational standards.

The reclassifications concerned the following:

- The effect of the amortized cost of hedges of debt instruments has been reported under the "Net Interest Income" item rather than under "Gains (Losses) on Hedging Activities";
- "Net Profit (Loss) on trading activities", "Net Profit (Loss) on hedging activities" and "Net Profit (Loss) on financial assets and liabilities measured at fair value through profit or loss" have been reported under "FINancial income (loss)";
- "Profit (losses) on disposal or repurchase of securities classified as financial assets measured at amortized cost", "Profit (losses) on disposal or repurchase of: financial assets measured at fair value through other comprehensive income" and "Profit (loss) on disposal or repurchase of financial liabilities" have been reported under Financial income (loss);
- "Expenses, taxes and levies recovered" have been reported as a direct decrease in "Administrative Expenses", rather than being recognized under "Other operating income/expenses";
- "Expenses for the management of non-performing loans and related recoveries" have been reclassified as "Net Adjustments of Loans";
- "Commission income for fast loan application processing" has been taken to "Net fee and commission Income" rather than being recognized under "Other operating income/expenses";
- "Net provisioning for risks and charges regarding commitments and guarantees given" have been reclassified under "Net adjustments of loans";
- "Net value adjustments for credit risk" of "securities classified as financial assets measured at amortized cost" and of "financial assets measured at fair value through other comprehensive income" have been restated under the "Net impairment of securities" item;
- "Price adjustment after the sale of equity investments" has been reported under "Other operating income/expenses" rather than being recognized under "Profit (loss) on other investments";
- The measurement of financial instruments to be mandatorily measured at fair value has been taken to item "Net adjustments of loans" , rather than being recognized under item "Income from banking activities";
- Covid-19-related rent concessions have been reported under item "depreciation of property, plant and equipment and amortization of intangible assets" rather than under item "Other operating income/expenses";
- Deposit fees and commissions have been reported under "Net interest income" rather than under "Fee and commission income";
- The impairment release on securities measured at amortized cost and on securities measured at fair value through other comprehensive income has been reported under item "Impairment of securities" rather than being recognized under "Profit (losses) on securities measured at amortized cost" and under "Profit (losses) on securities measured at fair value through other comprehensive income" respectively;
- The provision for possible expenses on sold loans has been reclassified from item "Net provisioning for risks and charges" to item "Net adjustments of loans".

The figures reported in the next pages are expressed in thousands of Euros.

Reclassified income statement

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Net interest income	748,307	786,070	-37,763	-4.8
Net fee and commission income	823,358	743,098	80,260	10.8
Dividends	11,057	10,438	619	5.9
Profit (loss) on trading activities	50,421	14,262	36,159	
Other operating income (expenses)	-5,823	7,149	-12,972	
Net operating revenues	**1,627,320**	**1,561,017**	**66,303**	**4.2**
Personnel expenses	-689,731	-554,771	134,960	24.3
Administrative expenses	-470,512	-397,684	72,828	18.3
Amortization of intangible assets and depreciation of property, plant and equipment	-84,477	-82,461	2,016	2.4
Operating expenses	**-1,244,720**	**-1,034,916**	**209,804**	**20.3**
Income from operations	**382,600**	**526,101**	**-143,501**	**-27.3**
Net provisioning for risks and charges	-9,851	-7,502	2,349	31.3
Net adjustments to loans	-502,263	-357,565	144,698	40.5
Impairment of securities	-1,920	-7,754	-5,834	-75.2
Profit (loss) on other investments	-71	64,605	-64,676	
Profit (loss) before tax from continuing operations	**-131,505**	**217,885**	**-349,390**	
Taxes on income from continuing operations	59,669	-49,679	-109,348	
Profit (Loss) for the period	**-71,836**	**168,206**	**-240,042**	

Reconciliation of the official and reclassified income statements

	31 Dec. 2021	31 Dec. 2020
Net interest income	**748,307**	**786,070**
30. Net interest income	743,477	784,468
40. Fee and commission income: of which Deposit Fees and Commissions	4,837	1,612
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	-7	-10
Net fee and commission income	**823,358**	**743,098**
60. Net fee and commission income	827,536	743,547
To deduct: Deposit fees and commissions	-4,837	-1,612
200. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	659	1,163
Dividends and similar income = item 70	**11,057**	**10,438**
Financial income (loss)	**50,421**	**14,262**
80. Net profit (loss) on trading activities	23,459	16,723
90. Net profit (loss) on hedging activities	-5,733	-10,402
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	7	10
100. Profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	7,671	10,123
100. Profit (loss) on disposal or repurchase of: b) financial assets measured at fair value through other comprehensive income	26,803	-1,821
To deduct: release of provision for impairment of securities measured at fair value through other comprehensive income	-1,866	-
100. Profit (loss) on disposal or repurchase of: c) financial liabilities	33	52
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	-4,244	-487
To deduct: b) other financial assets mandatorily measured at fair value of which measurement of financial instruments	4,291	-64
Other operating income (expenses)	**-5,823**	**7,149**
200. Other operating expenses/income	260,621	250,266
To deduct: expenses recovered	-263,326	-247,666
To deduct: recovered expenses for the management of non-performing loans	-2,459	-3,423
To deduct: Commission income from Fast Loan Application Processing	-659	-1,163
To deduct: Covid-19-related rent concessions	-	-626
220. Gains (Losses) on equity investments of which Price Adjustment for disposal of equity investments	-	9,761
Net operating revenues	**1,627,320**	**1,561,017**
Personnel expenses = item 160 a)	**-689,731**	**-554,771**
Administrative expenses	**-470,512**	**-397,684**
160. Administrative expenses: b) other administrative expenses	-750,544	-656,629
To deduct: expenses for the management of non-performing loans	16,706	11,279
200. Other operating expenses/income: of which expenses recovered	263,326	247,666
Depreciation and amortization	**-84,477**	**-82,461**
180. Net adjustments to/recoveries on property, plant and equipment	-59,671	-58,260
200. Other operating expenses/income: of which Covid-19-related rent concessions	-	626
190. Net adjustments to/recoveries on intangible assets	-24,806	-24,827
Operating expenses	**-1,244,720**	**-1,034,916**
Income from operations	**382,600**	**526,101**
Goodwill impairment = item 240	**-**	**-**
Net provisioning for risks and charges	**-9,851**	**-7,502**
170. Net provisioning for risks and charges; b) other net provisioning	-39,851	-7,502
To deduct: provisioning for possible expenses on sold loans	30,000	-
Net adjustments to loans	**-502,263**	**-357,565**
100. Profit (loss) on disposal or repurchase of: a) financial assets measured at amortized cost	-109,119	-10,203
To deduct profit (loss) on disposal or repurchase of: securities classified as financial assets measured at amortized cost	-7,671	-10,123
To deduct: release of provision for impairment of securities measured at amortized cost	-580	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss of: b) other financial assets mandatorily measured at fair value: of which measurement of financial instruments	-4,291	-64
130. Net impairment for credit risk of: a) financial assets measured at amortized cost	-332,233	-336,384
To deduct: net impairment for credit risk of: a) securities classified as financial assets measured at amortized cost	2,223	6,773
140. Profits/Losses on contract modifications without derecognition	-1,067	-1,310
160. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	-16,706	-11,279
200. Other operating expenses/income: of which recovered expenses for the management of non-performing loans	2,459	3,423
170. Net provisioning for risks and charges: a) commitments and guarantees given	-5,278	1,602
170. Net provisioning for risks and charges; b) other net provisioning: of whic provisioning for possible expenses on sold loans	-30,000	-
Impairment of securities	**-1,920**	**-7,754**
130. Net adjustments for credit risk of: a) O/w securities classified as financial assets measured at amortized cost	-2,223	-6,773
130. Net adjustments for for credit risk of:: b) financial assets measured at fair value through other comprehensive income	-2,143	-981
100. Profit (loss) on disposal or repurchase of: a) of which impairment release on securities measured at amortized cost	1,866	-
100. Profit (losses) from sale or repurchase of: b) of which impairment release on securities measured at fair value through other comprehensive income	580	-
Profit (loss) on other investments	**-71**	**64,605**
220. Profit (losses) on equity investments	-670	9,640
To deduct: Price Adjustment on disposal of equity investments	-	-9,761
230. Net profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
250. Profit (losses) on disposals of investments	599	64,726
Profit (loss) before tax from continuing operations	**-131,505**	**217,885**
Taxes on income from continuing operations = item 270	**59,669**	**-49,679**
Profit (Loss) for the period	**-71,836**	**168,206**

Net operating revenues

Net operating revenues came to Euro 1,627 million, increasing by Euro 66 million (+4%) vs. the previous year, driven by fee and commission income (+11%), by the performance of financial activities with over three times the profit vs. 2020 and offset by the decrease in net interest income.

Net interest income

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Business with customers	566,851	624,363	-57,512	-9.2
Business with banks	60,362	21,995	38,367	
Debt securities issued	-98,914	-95,960	2,954	3.1
Spreads on hedging derivatives	48,918	186,388	-137,470	-73.8
Financial assets held for trading	9	-	9	-
Securities measured at amortized cost	132,864	43,223	89,641	
Securities through other comprehensive income	37,217	9,619	27,598	
Other net interest income	1,000	-3,558	4,558	
Net interest income	**748,307**	**786,070**	**-37,763**	**-4.8**

Net interest income came to Euro 784 million, down by -5% vs. the previous year. Net interest income continued to be affected by the decreasing trend in market rates, with a reduction attributable to intermediation with Customers (-9%) due also to the origination of loans having better risk profile, which was partly offset by the lower cost of funding. The contribution given by business with banks increased (up by Euro +38 million) subsequent to the higher impact on profit or loss of the funding obtained through the ECB refinancing operations, while the decrease in market rates negatively impacted (-19 €million) on the net mismatch of interest on other asset and liability items and hedges.

Dividends

Dividends came to Euro 11.1 million, increasing by Euro 0.6 million vs. 2020 (+6%).

Net fee and commission income

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
– guarantees given	4,918	3,888	1,030	26.5
– collection and payment services	44,884	42,293	2,591	6.1
– current accounts	174,884	179,756	-4,872	-2.7
– debit and credit card services	35,369	31,715	3,654	11.5
Commercial banking business	**260,055**	**257,652**	**2,403**	**0.9**
– securities intermediation and placement	213,269	175,683	37,586	21.4
– intermediation in foreign currencies	4,093	3,192	901	28.2
– asset management	5,562	5,997	-435	-7.3
– distribution of insurance products	258,715	231,625	27,090	11.7
– other intermediation/management fee and commission income	31,020	25,939	5,081	19.6
Management, intermediation and advisory services	**512,659**	**442,436**	**70,223**	**15.9**
Other net fee and commission income	**50,644**	**43,010**	**7,634**	**17.7**
Total net fee and commission income	**823,358**	**743,098**	**80,260**	**10.8**

In 2021 net fee and commission income came to Euro 823 million, increasing by approximately Euro 80 million (+11% YoY). The weight of fee and commission income hit 51% of total revenues,vs. 48% in 2020, driven by the “management, intermediation and advisory services” component, which increased by Euro 70 million (+16% YoY) reflecting the growth in placed volumes of asset management products, fostered also by the good performance of financial markets and by the now large implementation of web collaboration tools, enabling the Bank’s account managers to interact with customers remotely.

The “Traditional banking business and other” component generated a total of Euro 311 million (+3% YoY) recovering on the transactional components that were hit the hardest by the pandemic restrictions in 2020. Conversely, fee and commission income from short-term credit lines was affected by the lower demand by businesses, which used State-guaranteed loans to a larger extent.

Profit (loss) from financial activities

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Activities on interest rates	16,613	10,282	6,331	61.6
Stocks	-	-194	194	
Foreign exchange	6,879	6,684	195	2.9
Commodities	-	3	-3	
Total profit (losses) on financial assets held for trading	**23,492**	**16,775**	**6,717**	**40.0**
Total profit (losses) on assets held for hedging	**-5,726**	**-10,392**	**-4,666**	**-44.9**
Net profit (loss) on financial assets and liabilities measured at fair value	**47**	**-423**	**470**	
Total profit (losses) on securities measured at amortized cost	**7,671**	**10,123**	**-2,452**	**-24.2**
Total profit (losses) on securities through other comprehensive income	**24,937**	**-1,821**	**26,758**	
Financial income (loss)	**50,421**	**14,262**	**36,159**	

Profit from financial activities came to Euro 50 million, up by Euro 36 million vs. 2020, benefiting from higher revenues from capital gains up by Euro 24 million vs. 2020 realized on the sale of securities held in a favourable market scenario. Operations in foreign exchange and interest rate hedging on loans to customers also performed well, which, in 2021, generated revenues of Euro 23 million (+40% YoY).

Other operating income (expenses)

This item reports both income and expenses from operations, including those of subsidiaries not subject to management and coordination and operating in sectors outside the banking and financial industry, as well as non-recurring components.

The balance of item "Other operating income (expenses)" was negative by Euro 6 million and reports expenses for "amortization of leasehold improvements" amounting to Euro 4.2 million, lower by Euro 1 million vs. 2020. The difference vs. the positive balance of Euro +7 million recognized in 2020, which reported considerable non-recurring components, such as the adjustment price regarding the sale some years ago of the equity investment in CA Vita (Euro 10 million) and income resulting from the settlement of the liability action against the former directors of Cassa di Risparmio di Rimini (Euro 4 million).

Operating expenses

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
– wages and salaries	-411,280	-403,204	8,076	2.0
– social security contributions	-110,616	-107,178	3,438	3.2
– other personnel expenses	-167,835	-44,389	123,446	
Personnel expenses	**-689,731**	**-554,771**	**134,960**	**24.3**
– general operating expenses	-30,185	-34,604	-4,419	-12.8
– IT services	-191,475	-166,534	24,941	15.0
– direct and indirect taxes	-99,524	-95,811	3,713	3.9
– real estate property management	-5,694	-6,980	-1,286	-18.4
– legal and other professional services	-33,411	-16,408	17,003	
– advertising and promotion expenses	-12,929	-8,674	4,255	49.1
– indirect personnel expenses	-3,185	-5,069	-1,884	-37.2
– contributions to support the banking system	-85,762	-48,777	36,985	75.8
– other expenses	-271,673	-262,492	9,181	3.5
– expenses and charges recovered	263,326	247,665	15,661	6.3
Administrative expenses	**-470,512**	**-397,684**	**72,828**	**18.3**
– intangible assets	-24,806	-24,828	-22	-0.1
– property, plant and equipment	-59,671	-57,633	2,038	3.5
Depreciation and amortization	**-84,477**	**-82,461**	**2,016**	**2.4**
Operating expenses	**-1,244,720**	**-1,034,916**	**209,804**	**20.3**

Operating expenses came to Euro 1,245 million. The increase of Euro 210 million (+20%) vs. 2020 was driven by non-recurring costs:

- Euro 131 million (the ordinary cost up by +2% YoY) in expenses for voluntary redundancy incentives, accrued in Q4 following the implementation of the “Next Generation” generational turnover programme;
- Euro 86 million in contributions to the banking system funds (up by Euro +37 million YoY);
- Euro 44 million in expenses for Creval integration.

Ordinary administrative expenses would come to Euro 334 million, down by 1.4% YoY, mainly because the higher costs to manage the health emergency no longer applied, as well as thanks to the effective cost management policy and to the network rationalization actions deployed.

The Depreciation and amortization item came to Euro 84 million (+2% YoY) consistently with the investments provided for in the Medium Term Plan (MTP) and made in the last few years.

The cost/income ratio hit 60.4%, improving by almost 2 percentage points vs. 2020 (61.9%).

Net provisioning for risks and charges

Provisioning for risks and charges mostly regarded provisioning for lawsuits in which the Group is the defendant and revocatory actions, and amounted to Euro 10 million vs. Euro 8 million in the previous year.

Net adjustments to loans

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
– Bad loans	-212,225	-142,462	69,763	49.0
– Unlikely to Pay	-221,052	-131,410	89,642	68.2
– Past-due loans	-3,786	-3,994	-208	-5.2
Non-performing loans	**-437,063**	**-277,866**	**159,197**	**57.3**
– Performing loans - stage 2	-2,161	-45,548	-43,387	-95.3
– Performing loans - stage 1	-8,157	-26,522	-18,365	-69.2
Performing loans	**-10,318**	**-72,070**	**-61,752**	**-85.7**
Net impairment of loans	**-447,381**	**-349,936**	**97,445**	**27.8**
Profits/Losses on contract modifications without derecognition	-1,067	-1,310	-243	-18.5
Measurement of financial instruments	-4,291	-64	4,227	
Provisioning for possible expenses on sold loans	-30,000	-	30,000	-
Expenses/recovered expenses for loan management	-14,246	-7,857	6,389	81.3
Net adjustments for guarantees and commitments	-5,278	1,602	6,880	
Net adjustments to loans	**-502,263**	**-357,565**	**144,698**	**40.5**

In Q4 2021 non-recurring adjustments were recognized totalling Euro 291 million resulting from the effect of profit or loss of the securitization with a portfolio of bad loans as the underlying assets and from the development in the policies on the measurement of non-performing loans within the wider derisking process started by the Bank; Excluding the aforementioned impacts, ordinary net adjustments of loans and financial assets came to Euro 211 million, markedly decreasing vs. the 2020 figure (down by -41% YoY), in which additional non-recurring adjustments were made to allow for the revised macroeconomic scenario factoring in the Covid-19 impacts. Therefore, the recurring cost of credit (the ratio of the adjustments for credit risk recognized in the income statement to net loans to Customers) came to 49 bps (- 35 bps YoY), back to its pre-crisis levels.

Profit (loss) before tax from continuing operations

The facts reported above resulted in a loss before tax from continuing operations of Euro -132 million. Nonetheless, net of the "non-ordinary" components described above, the figure would be a profit before tax from continuing operations of Euro 420 million, higher by Euro 220 million vs. the same figure for 2020.

Taxes on income from continuing operations

Current and deferred taxes had overall a positive balance amounting to approximately Euro 60 million vs. a negative balance of about Euro 50 million in the previous year and report non-recurring effects, such as the positive effect of about Euro 74 million generated by the exercise of the option for tax realignment of property, plant and equipment and intangible assets under Article 110 of Italian Decree Law 104/2020 and the effect of provisioning for the fee for conversion of DTA from losses under Article 1, paragraph 233 et seq., of Italian Law no. 178 of 30 December 2020, associated with the upcoming merger of Creval, for an amount of about Euro 73 million. Excluding the impact of non-recurring components, tax assets recognized came to Euro 59 million. Thus calculated, the tax rate is positive and came to 44.6%, Besides the difference in sign, caused by the loss for the period, the percentage increase vs. the previous tax rate (negative) of 22.8% resulted especially from the weight of deductible components that cannot be recognized through profit or loss and thus determine a recovery tax rate higher than the tax nominal rates.

Net income (loss)

The Bank reports a loss of Euro 72 million. Net of the non-recurring effects associated with the derisking strategy, voluntary redundancy and taxes, the Bank would report a net profit of Euro 210 million.

Comprehensive income

		31 Dec. 2021	31 Dec. 2020
10.	**Profit (Loss) for the period**	**-71,836**	**168,206**
	Other comprehensive income after tax not recycled to profit or loss		
20.	Equity securities designated at fair value through other comprehensive income	536	-6,940
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income	-	-
50.	Property, Plant and Equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	-554	-2,390
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of valuation reserves on equity investments measured using the equity method	-	-
	Other income components reclassified to profit or loss		
100.	Hedges of investments in foreign operations	-	-
110.	Foreign exchange differences	-	-
120.	Cash flow hedges	-	-
130.	Hedging instruments (non-designated elements)	-	-
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	-14,864	20,336
150.	Non-current assets held for sale and discontinued operations	-	-
160.	Share of valuation reserves on equity investments measured using the equity method	-	-
170.	**Total other comprehensive income after taxes**	**-14,882**	**11,006**
140.	**Comprehensive income (Item 10+170)**	**-86,718**	**179,212**

Comprehensive income came to -87 million Euro and consists of the loss for the period (-72 million Euro) and of the changes in the value of assets recognized directly in equity reserves, which generated a negative impact totalling Euro15 million, mostly due to the increase in the valuation reserves on financial assets measured at fair value con through other comprehensive income.

It is pointed out that the inclusion in comprehensive income of the item reporting “Financial assets measured at fair value through other comprehensive income” entails strong volatility that must be taken into account when analyzing the table.

OTHER INFORMATION

ALL-CASH VOLUNTARY PUBLIC TENDER OFFER MADE BY CRÉDIT AGRICOLE ITALIA FOR ALL SHARES IN CREDITO VALTELLINESE

On 23 April 2021, the all-cash voluntary public tender offer made by Crédit Agricole Italia for all the shares in Credito Valtellinese S.p.A. (Creval) was successfully completed, whereby Crédit Agricole Italia became the holder of 91.17% of Creval share capital.

Moreover, after the completion of the sell-out and squeeze-out procedures, Crédit Agricole Italia now holds 100% of Creval share capital, for a total consideration of Euro 862 million. The consideration per share paid by Crédit Agricole Italia was Euro 12.27 (ex-dividend, i.e. not including the 2021 Dividend). In addition, a dividend of Euro 0.23 per share was paid on 28 April 2021 by Creval, resulting in a total consideration per share of Euro 12.50.

The tender offer is a step forward in the strategic partnership between Crédit Agricole and Creval, supported by strong industrial and cultural affinity, and in line with Crédit Agricole Italia's strategy of sustainable growth, which can rely also on the successful integration of other banks, as proved with the previous acquisitions. Crédit Agricole and Creval had strong cooperation in place also before the acquisition: Crédit Agricole Vita, the Group's Italian subsidiary operating in the life-insurance business, was the exclusive partner of Creval, while its Parent Company, Crédit Agricole Assurance, was one of Creval's main shareholders, with an equity investment of 9.8%.

This combination is based on a sound business plan, whereby Crédit Agricole Italia has further strengthening its competitive position as the sixth commercial banking player in the Italian market by indirect funding and has become the seventh bank by total assets and number of Customers, achieving a market share of ~5% at a national level (by number of branches), drawing on a shared culture of continuous support to the local communities.

For Crédit Agricole Italia, the acquisition of Creval is an ideal opportunity for growth in terms of geographical coverage:

- Increased critical mass in areas that are complementary and adjacent to the ones already served, strengthening local coverage of Customers;
- Considerable strengthening in Northern Italy (~70% of the proforma number of branches);
- Two-fold increase in the market share in Lombardy (from 3% to over 6%), where Creval operates with more than 40% of its branches, thus becoming the seventh bank in the Region, a considerable improvement in the largest and wealthiest Region in Italy and, especially, in Milan;
- Size increase in the Piedmont, Marche and Lazio Regions, as well as access to new Regions, including the most dynamic metropolitan areas in Sicily, Valle d'Aosta and Trentino.

Within the wider process for the integration into Crédit Agricole Italia of Creval and Crédit Agricole FriulAdria networks, some actions for the rationalization of the resulting network in geographical terms, in accordance with the following guidelines:

- Resolution of cases of overlapping branches generated by the integration of Creval Network, maintaining the same coverage of the communities Creval has long been operating in;
- Evolution in the geographical coverage model towards a Network consisting of fewer but larger-sized and more specialized branches, focusing on higher added value activities rather than on mere transaction execution, especially in big cities.

Most of the planned actions (88) are going to be implemented within the Crédit Agricole Italia – Creval integration in April 2022, the remaining 6 concern Creval vs Crédit Agricole FriulAdria overlapping cases and will be implemented in November 2022.

Therefore, the success of this deal has strengthened the Group's competitive position in Italy, with the creation of a stronger Italian Banking Group, which benefits from the financial strength, support, skills and range of products and services of one the largest and most successful European groups, with considerable positive impacts on the economy of the communities concerned and in the interest of all stakeholders. Specifically, the deal is going to generate advantages:

- For Customers, as they now have access to an attractive and complete range of financial solutions, including the full range of Bancassurance products and services of the Crédit Agricole Group, a leading player in Europe;
- or the human resources of Creval, who have become part of a financial group that is a leading player in the industry and a top employer;
- For shareholders, thanks to a return on their investment of more than 10% within the third year, based on cost and funding synergies only, continuing to develop the Group's *raison d'être* with a strong commitment to providing support to the Italian economy and local communities, proving once again close to the regions.

Thanks to the experience gained in the previous integrations, Creval distribution model is being progressively aligned with the Group one, extending the services provided and the full range of products supplied to Customers: the distribution of Amundi products started in August, distribution agreements for consumer credit and leasing products were finalized, the partnership with Crédit Agricole Assurance for distribution of life insurance products was strengthened and over 2,000 employees were trained to speed up the Network operations.

Furthermore, the activities in preparation for Creval merger into Crédit Agricole Italia, which will be completed in April 2022, are going on as scheduled.

THE DEAL FINALIZATION

Making reference to the Offer Document, the Offer Prospectus and to all the other documents made available as required by the law, as well as to the single notices given over time regarding the Offer progress and its outcome, here it is only mentioned that the Offer was made by Crédit Agricole Italia on 23 November 2020 as an all-cash Public Tender Offer, with a unit consideration of Euro 10.50 (cum dividend, i.e. including the coupons for any distributed dividend) for each share in Creval.

With notice published on 14 April 2021, Crédit Agricole Italia increased the Offer consideration up to a maximum amount of Euro 12.50 (cum dividend) for each share concerning which the Offer was accepted, of which Euro 12.20 as a fixed consideration and Euro 0.30 (the "Additional Consideration") subject to the conditions that the Offeror would end up holding more than 90% of Creval share capital.

Later, on 20 April 2021, Crédit Agricole Italia decided not to subject payment of the Additional Consideration to the 90% acquisition threshold, but rather to pay a Euro 12.50 consideration (cum dividend) for each concerning which the Offer was accepted (the "Updated Consideration") irrespective of whether the 90% threshold was exceeded or not. Therefore, the acceptance period was automatically extended to 23 April 2021.

Based on the final results – which were announced to the market on 28 April 2021 – during the acceptance period (extended as specified above) the Offer was accepted for 62,232,666 shares, representing approximately 88.714% of Creval share capital with voting rights. Therefore, as the Offeror already held 1,720,791 Creval shares, representing 2.453% of its share capital, Crédit Agricole Italia ended up holding a total of 63,953,457 shares in Creval, representing 91.167% of its share capital with voting rights.

Hence, the Minimum Threshold Condition (i.e. the Offeror obtaining shares totalling at least 50% + 1 share in Creval share capital with voting rights) was met, as were the other Offer Effectiveness Conditions. Therefore, the Offer was effective and could be finalized.

Given that Crédit Agricole Italia had already stated in the Offer Document that it would not take any actions to restore sufficient floating capital to ensure regular trading of Creval shares, and given that, at the end of the Acceptance Period, Crédit Agricole Italia obtained a shareholding above 90% but below 95%, the requirements for the sell-out procedure (i.e. obligation to purchase) were met under Article 108, paragraph 2, of the Italian Consolidated Law on Finance, concerning a maximum of 6,196,237 remaining shares (the "Remaining Shares") representing 8.833% of Creval share capital.

The sell-out procedure, which was carried out from 3 May to 21 May 2021, collected requests for sale concerning a total of 1,835,136 remaining shares, representing 2.616% of Creval share capital and 29.617% of the remaining shares, in addition to another 2,398,846 shares that were purchased outside the sell-out procedure. Based on the outcome of the sell-out procedure, which were announced on 26 May 2021, Crédit Agricole Italia ended up obtaining a total of 68,187,439 shares in Creval, representing 97.203% of its share capital.

After the sell-out procedure, as it ended up obtaining over 95% of Creval share capital, Crédit Agricole Italia exercised its right to purchase under Article 111, paragraph 3, of the Italian Consolidated Law on Finance, through a specific joint procedure (the squeeze-out procedure), which, as agreed with CONSOB and Borsa Italiana, was held on 4 June 2021.

The Joint Procedure concerned 1,962,255 Creval shares still outstanding, which represented 2.797% of its share capital. The consideration provided for in the Joint Procedure was the same as paid for the shares purchased in the procedure under Article 108, paragraph 2 of the Italian Consolidated Law on Finance, i.e. Euro 12.50 (cum dividend) for each one of the remaining shares. Therefore, after completing the Joint Procedure, Crédit Agricole Italia became the owner of 100% of Creval share capital.

It is also pointed out that Borsa Italiana, with resolution no. 8770 adopted on 27 May 2021, ordered Creval shares (ISIN: IT0005412025) to be removed from trading on the Mercato Telematico Azionario (i.e. their delisting) effective as of 4 June 2021 (the Joint Procedure execution date), after suspending them from trading on 2 and 3 June 2021. On 18 June 2021, the General Meeting of Creval Shareholders was held and appointed the new Board of Directors; the new Board held a meeting immediately after the General Meeting and appointed Filippo Zabban as its Chairman, Giampiero Maioli as its Deputy Chairman, Roberto Ghisellini as Creval General Manager and Giliane Coeurderoy as Creval Deputy General Manager.

VOLUNTARY PUBLIC TENDER OFFER MADE BY CRÉDIT AGRICOLE ITALIA IN 2018 FOR THE SHARES IN CRÉDIT AGRICOLE FRIULADRIA

On 17 September 2021, the voluntary public tender offer made by Crédit Agricole Italia for all the remaining shares in its subsidiary Crédit Agricole FriulAdria was successfully completed, whereby Crédit Agricole Italia became the holder of 99.101% of Crédit Agricole FriulAdria share capital.

Hence, Crédit Agricole Italia intends to proceed with the merger by absorption of Crédit Agricole FriulAdria, whereby the Crédit Agricole Italia Banking Group will be able to increase its management and operational flexibility and to pursue its strategic objectives in a more agile manner. Crédit Agricole FriulAdria integration will continue in the footsteps of the ones that the Crédit Agricole Italia Banking Group carried out in the past (namely the mergers by absorption into Crédit Agricole Italia of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A., Cassa di Risparmio di San Miniato S.p.A. and Crédit Agricole Carispezia S.p.A.), as well as in the footsteps of Creval integration.

Making reference to the detailed information given in the Offer Document and to the information published over time about the Offer development and about its outcome, the deal milestones are outlined below.

As resolved by the Board of Directors on 16 June 2021, Crédit Agricole Italia informed the public and notified CONSOB, with communication under Article102 of the Italian Consolidated Law on Finance and Article 37 of CONSOB Issuer Regulation ("Communication 102") of its voluntary public tender offer for the shares in Crédit Agricole FriulAdria: on 16 June 2021 Crédit Agricole Italia announced, under Article 102 of the Italian Consolidated Law on Finance and Article 37 of the Issuer Regulation, its voluntary public tender offer for all the 4,159,603 ordinary shares in Crédit Agricole FriulAdria it did not already own, representing 17.233% of its share capital (excluding the 112,359 treasury shares held by Crédit Agricole FriulAdria). Indeed, Crédit Agricole Italia already owned 19,865,895 shares in Crédit Agricole FriulAdria, amounting to 82.302% of its share capital thus exercising management and coordination activities on Crédit Agricole FriulAdria as its controlling company pursuant to Article 93 of the Italian Consolidated Law on Finance.

The Offer was instrumental to the integration of Crédit Agricole FriulAdria through its merger by absorption into Crédit Agricole Italia, within the wider scope of the "Single Bank Project" provided for by the 2019-2022 Medium Term Plan. In the same scope, the Crédit Agricole Italia Banking Group is going to be reorganized subsequent to the acquisition of Creval, which is going to be merged by absorption in order to implement the business and integration plan based on which Crédit Agricole Italia made its public tender offer for Creval shares.

The shares in Crédit Agricole FriulAdria were admitted to trading on the "Hi-Mtf" multilateral trading facility ("Order Driven" segment) being publicly held to a considerable extent, pursuant to Article 116 of the Italian Consolidated Law on Finance and Article 2-*bis* of CONSOB Issuer Regulation. Nevertheless, although traded on the Hi-Mtf, Crédit Agricole FriulAdria shares have always featured low trading volumes and, therefore, poor liquidity. This is the reason why on 14 December 2018 a contract between Crédit Agricole Italia and Equita SIM S.p.A. entered into force under which the latter operated in order to support the liquidity of the shares; said the term of validity of said contract ended on 15 June 2021 (and it was not renewed as, in accordance to the contract itself, the liquidity supporting activities would have been discontinued after the announcement of the public tender offer). Furthermore, as Crédit Agricole Italia shares are not traded on any regulated market or on multilateral trading facility, subsequent to the merger Crédit Agricole FriulAdria shareholders would have become the owners of financial instruments that are unlisted and thus illiquid and consequently difficult to sell and representing a very small stake in the share capital of Crédit Agricole Italia.

Considering the above, consistently with its vocation as a bank always standing by the communities it operates in and as a token of its attention to the customers that are also Crédit Agricole FriulAdria shareholders, Crédit Agricole Italia decided to make the public tender offer in order to give Crédit Agricole FriulAdria shareholders an opportunity of disinvestment before the merger at a price comprising an implied premium vs. the market price, thus enabling them to immediately profit from their investment.

For each share regarding which the Offer was accepted, Crédit Agricole Italia awarded an all-cash unit consideration of up to Euro 40 to every shareholder that accepted the Offer, with said consideration consisting of a fixed component of Euro 35 with immediate payment and a deferred component of Euro 5. The deferred component shall be paid in Q3 2024 upon condition that the shareholder accepting the Offer meets the requirements set out in the Offer Document between the Offer announcement date (i.e. 16 June 2021) and 16 June 2024, on a continuous basis. The total maximum consideration included a share premium of 37.9% vs. the last share price on 11 June 2021 (i.e. the date of the last weekly auction on the 'Hi-Mtf before the Offer announcement date – on 16 June 2021 – which was Euro 29); the immediate component only included a 20.7% premium on the share last market price.

The acceptance period started on 9 August 2021 and ended on 17 September 2021 – with its end date being postponed vs. the one of 10 September 2021 originally stated in the Offer Document – after CONSOB granted the request to extend the Offer acceptance period. Consequently, the consideration immediate component was paid on 23 September 2021, rather than on 15 September, i.e. on the fourth day of open market of the end of the acceptance period.

Based on the final results – which were announced to the market on 21 September 2021 – during the acceptance period (extended as specified above) the Offer was accepted for 4,054,988 shares, representing approximately 97.485% of the share the offer was made for and 16.799% of Crédit Agricole FriulAdria share capital with voting rights. Therefore, as Crédit Agricole Italia already owned 19,865,895 shares in Crédit Agricole FriulAdria, representing 83.302% of its share capital, Crédit Agricole Italia ended up holding a total of 23,920,883 shares in Crédit Agricole FriulAdria, representing 99.101% of its share capital, for a total consideration (calculated assuming that all the shareholders that accepted the offer meet the requirements for the deferred consideration) of Euro 162 million.

As Crédit Agricole FriulAdria shares are not listed on any Italian regulated market, once the offer ended the following did not apply: (i) the obligation to buy the remaining shares from those so requesting under Article108, paragraph 2, of the Italian Consolidated Law on Finance in case the Offeror ends up holding, subsequent to the offer acceptance, a total stake of more than 90% but less than 95%; and (ii) the right to purchase the remaining shares under Article 111 of the Italian Consolidated Law on Finance and the purchase obligation under Article 108, paragraph 1, of the Italian Consolidated Law on Finance.

SHARE CAPITAL INCREASE

On 25 January 2022 the extraordinary General Meeting of Crédit Agricole Italia Shareholders resolved to increase its share capital by Euro 500 million through the issue of 121,951,220 shares having a nominal value of Euro 1 each to be offered in option to the shareholders at a unit price of Euro 4.10, of which Euro 1 as capital and Euro 3.10 as share premium. The share capital increase completed the capital strengthening phase aimed at supporting Creval acquisition, which had started in 2021 with contributions for a future capital increase given by the controlling company Crédit Agricole S.A. totalling Euro 417 million.

NEXT GENERATION PLAN

Within the Creval integration project, the Crédit Agricole Italia Group started a generational turnover programme having strategic extent and value, which will in a short time lead to having state-of-the-art competences and skills.

With the exit of the resources who are the oldest in age and have been on staff the longest and the concomitant entry of young resources having the knowledge and skills to "keep up with the times", the Group will the able to continue to effectively compete in its industry, which is undergoing deep transformation, not only in technology terms.

Based on the outcome of the management and organizational analyses as useful to achieve the Plan objectives, the Group proposed that a voluntary redundancy schemes offering incentives be implemented for up to a total of 1,000 resources, with concomitant hiring of 500 recent graduates.

For the voluntary redundancy scheme with incentives, as done with the previous schemes implemented in 2012 and 2016 and similarly to industry ones, the following tools were deployed in the Group:

- Voluntary redundancy incentives applying to all those that meet the pension requirements to qualify for the Italian General Compulsory Insurance (AGO) benefits; this solutions may apply to a maximum of 200 people;
- Qualifying for the extraordinary benefits given by the solidarity fund for banking sector employees; this solution may apply to those that will qualify for pension in the period between H2 2022 and 2027.

On 1 October 2021 the Voluntary Redundancy Agreement was signed with the Trade unions.

In order for the turnover to be appropriately gradual, four timeslots in 2022 and 2023 have been set for the resources who have taken the voluntary redundancy scheme to leave.

During this period, structured retraining and professional conversion programmes will be provided aimed at facilitating the management requirements for any coverage of vacancies, also from a professional development standpoint.

STELVIO PROJECT

Within the derisking actions deployed on the NPE portfolio, in 2021 the Crédit Agricole Italia Banking Group successfully completed disposals of non-performing loans for a gross book value of approximately Euro 1.6 billion, combining the securitization transaction called "Stelvio Project" and the disposal of single positions during the ordinary collection activities.

Specifically, the Stelvio transaction perimeter is a portfolio of about 13,500 loans classified as bad, for a gross exposure of Euro 1.55 billion, 71% of which was originated by Crédit Agricole Italia (Euro 1.10 billion), 17% by Credito Valtellinese and 12% by Crédit Agricole FriulAdria.

The transfer of the loans by the 3 originator banks of the Group to the special-purpose entity Ortles 21 S.r.l., incorporated under Italian Law 130/99, was finalized on 3 December 2021.

In order to finance the purchase of the loans, on 17 December 2021, the special-purpose entity issued three tranches of ABS as listed below:

- Senior (Class A) notes, amounting to Euro 340 million and equal to 18.5% of the gross collectible value of the sold loans, to which a BBB investment grade rating was assigned by Scope Rating, DBRS and Arc Rating and were subscribed by Crédit Agricole Italia;
- Mezzanine (Class B) notes, amounting to Euro 40 million and equal to 2.2% of the gross collectible value of the sold loans, without rating and subscribed by Crédit Agricole Italia;
- Junior (Class J) notes, amounting to Euro 14.3 million and equal to 0.8% of the gross collectible value of the sold loans, without rating and subscribed by Crédit Agricole Italia.

As regards the Senior notes, which are 100% held by Crédit Agricole Italia, the application for admission to the Italian State guarantee scheme on securitization of NPLs (GACS) was submitted to the Italian Ministry of the Economy and Finance.

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

The qualitative and quantitative analysis of the transactions made in the year with parties falling within the definition of related party as given by the "Regulation on Transactions with Associated Persons" of the Crédit Agricole Italia Banking Group", which was adopted in July 2018 and updated as of 1 July 2021, is reported in Part H of the Note to the Financial Statements, to which reference is made.

DISCLOSURE ON ATYPICAL AND/OR UNUSUAL TRANSACTIONS

The analysis of any atypical and/or unusual transactions, in accordance with the definition given in CONSOB Regulation 11971/99, is reported in Part H of the Note to the Financial Statements, to which reference is made. In the year, no atypical or unusual transactions were carried out whose size or features might have jeopardized or affected the protection of corporate assets and the interests of shareholders.

RESEARCH AND DEVELOPMENT

For information on research and development activities, please see other parts of the Report to the Consolidated Financial Statements, specifically the chapter on the Strategic Plan and Business Development Lines as regards the creation of new products and services for Customers.

RISKS AND UNCERTAINTIES

The Risk monitoring, management and control policies continue to be key principles on which Banks will have to measure themselves both against each other and against domestic and international markets.

Making references to other parts of the Note to the financial statements for more exhaustive examination of the risks and uncertainties to which Crédit Agricole Italia is exposed (along with the techniques) for their mitigation), it cannot but be once again said that the Group and its Management pay constant and close attention to this matter.

Indeed, the Bank's governance bodies are fully aware that sustainable development and growth do require also effective analysis of the risks which Crédit Agricole Italia is exposed to and of the relating uncertainties, in terms of impacts that may be generated on its financial position, cash flows and performance; effective management and mitigation of said risks to acceptably low levels are another crucial requirement for sustainable growth, also in order to protect savings (and, with them, Customers' confidence) on the one hand, and loans (healthy drivers of growth) on the other.

Crédit Agricole Italia, like the Crédit Agricole Italia Banking Group, uses risk control methods, measurement standards and tools that are consistent throughout the Crédit Agricole Group as a whole and appropriate for the type and size of the risks taken.

Nearly two years after the outbreak of the Covid-19 pandemic, its impacts and effects on public health, economic activity and trade continue to affect the present and forward-looking scenario in which Crédit Agricole Italia operates and will operate.

In 2021 the macroeconomic scenario gave positive signs, with strong growth driven by the termination of containment measures and the spreading of vaccination campaigns, which took trade back at its pre-pandemic levels. In H2, the spreading of new variants of the virus (Delta and Omicron) and tensions in commodity procurement caused investments and production to slow down and contributed to the global increase in inflation.

Albeit in a complex scenario still featuring profound uncertainties, the analyses performed by the governance bodies based on the information currently available gave evidence to conclude that Crédit Agricole Italia will be able to address the risks and uncertainties generated by the situation.

Crédit Agricole Italia and the Crédit Agricole Italia Banking Group can rely on their proven capital quality and strength to control risks and to respond to the challenges that the economic recovery after the pandemic will pose to the banking system.

The sound and prudent management that has always informed Crédit Agricole Italia operations aims also at ensuring strong development through strategies that pursue sustainable growth.

The development in the geopolitical tensions that led to the military invasion of Ukraine by Russia is an uncertainty factor for Crédit Agricole Italia. Any assessment of the consequences on the economy materially depends on how the situation will evolve; therefore, all the scenarios designed and described for 2022 will have to be reviewed and will be subject to changes that, for the time being, cannot be quantified.

REALIGNMENT OF CARRYING AMOUNTS AND TAX BASES

Under Article 110 of Italian Decree Law 104/2020, as amended by Italian Law 178/2020 and Italian Law 234/2021, Crédit Agricole Italia exercised the option for the realignment of the tax bases of some property, plant and equipment assets and some intangible assets to their higher carrying amounts by paying a substitute tax. More information is given in paragraph "Significant events in the reporting period" in part A of the Note to the financial statements.

TREASURY SHARES

Crédit Agricole Italia does not hold treasury shares. For more information on equity, please see the note to the financial statements.

APPROACH TO SUSTAINABILITY AND OTHER NON-FINANCIAL ASPECTS

The non-financial data and information of the Crédit Agricole Italia Banking Group are part of the Consolidated Non-Financial Statement prepared by the French Parent Company Crédit Agricole S.A.; therefore, the Crédit Agricole Italia Banking Group would be entitled to the exemption pursuant to Article 6 of Italian Legislative Decree No. 254 of 30 December 2016 (hereinafter "D.Lgs. 254/2016") for reporting entities that belong to a Group that prepares a Consolidated Non-Financial Statement. Nevertheless, in agreement with the French Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group decided not to opt for the exemption provided for by the aforementioned Article 6 of D.Lgs 254/2016 and has prepared its Consolidated Non-Financial Statement (NFS) as at 31 December 2020 in compliance with D.Lgs. 254/2016.

Crédit Agricole Italia decided to opt for the exemption provided for by Article 6 of D.Lgs. 254/2016 and not to prepare its separate Non-Financial Statement, in its capacity as a public Interest Entity (PIE) falling in the scope of D.Lgs, 254/2016 whose non-financial data and information are included in the consolidated Non-Financial Statement prepared by the Crédit Agricole Italia Banking Group. The Non-Financial Statement of the Crédit Agricole Italia Banking Group reports the Crédit Agricole Italia's activities as at 31 December 2021 and is a stand-alone document separated from the Management Report, but an integral part of the 2021 Annual Report and Financial Statements The NFS reports information relating to environmental matters, social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters, as relevant in accordance with the features of the Banks of the Crédit Agricole Italia Banking Group, for full disclosure and reporting on them and on the resulting impacts.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE - INFORMATION PURSUANT TO ARTICLE 123-BIS PARAGRAPH 2, LETTER B) OF ITALIAN LEGISLATIVE DECREE 58/98 (THE ITALIAN CONSOLIDATED ACT ON FINANCE -TUF)

For the Report on corporate governance and ownership structure, please refer to the Annual Report and Consolidated Financial Statements of the Crédit Agricole Italia Banking Group.

PROPOSAL TO THE GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

The Annual Report and Financial Statements for the financial year from 1 January to 31 December 2021, submitted for your examination, consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, the Note to the Financial Statements, as well as of the Annexes, and are accompanied by the Management Report.

The Bank complied with Article110 of Italian Decree Law 104/2020, as amended and supplemented, for the realignment of tax amounts to the higher IAS amounts recognized, paying the related substitute tax due, with the subsequent requirement for a specific tax suspension constraint for tax purposes on one or more existing equity reserves, for an amount equal to the differences aligned, net of the substitute tax. On 1 March 2022 with Circular no. 6/E, Agenzia delle Entrate (the Italian Revenue Agency) admitted, under certain conditions, the possibility of another approach to calculate goodwill realignment, which before was not recognized. It being said that thorough assessments and verifications must be performed, considering that, in any case, in order to proceed with further realignment and thus to obtain any benefits on the income statement resulting therefrom, the constraint on the reserve should be resolved now, also as regards any higher maximum amount of realignment.

Therefore, the General Meeting of Shareholders is invited to approve the tax suspension constraint represented in the draft Annual Report and Financial Statements for 2021 by the specific equity reserve of Euro 878,094,774.65 using the extraordinary reserve by the same amount.

Furthermore, considering the levels of the Bank's capital ratios and the agreements reached with Crédit Agricole S.A., the General Meeting is invited to resolve that the loss for the period of Euro 71,836,243 be covered using the extraordinary reserve by the same amount and reserves be distributed as dividend for a total amount of Euro 166 million, i.e. with a unit dividend of Euro 0.15074 for each of the 1,101,234,560 shares of which Crédit Agricole Italia share capital will consist at the time of dividend payment, of which Euro 121,951,220 new shares issued within the share capital increase that will be finalized in April and however before the dividend payment. The General Meeting of Shareholders is invited to instruct the Board of Directors to set the payment date.

Parma, 24 March 2022

The Chairman of the Board of Directors
Ariberto Fassati

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS OF ITALIAN LEGISLATIVE DECREE NO. 58/1998

CRÉDIT AGRICOLE

1. The undersigned Giampiero Maioli, Chief Executive Officer, and Pierre Débourdeaux, Senior Manager in charge of the preparation of the company accounting statements of Crédit Agricole Italia S.p.A., hereby certify, considering also the provisions of article 154-bis, paragraphs 3 and 4, of legislative decree No. 58 of 24 February 1998:

- the adequacy in relation to the company's characteristics and
- the actual application of the administrative and accounting procedures for the formation of the financial statement during the course of the 2021 financial year.

2. With regard to this, no significant aspects have emerged.

3. The undersigned certify also that:

3.1 The report and financial statements as at 31 december 2021:

a) have been drawn up in compliance with the applicable International accounting principles endorsed within the European Union pursuant to EC Regulation no. 1606/2002 of the European Parliament and of the European Council dated 19 July 2002;

b) correspond to the results recorded in the accounting books and registers;

c) furnishes a true and correct representation of the capital, economic and financial situation of the issuer.

3.2 The management report includes a reliable analysis on the management trend and performance, as well as of the issuer's situation and a description of the major risks and uncertainties to which it is exposed.

Parma, 24 March 2022

Giampiero Maioli

Chief Executive Officer

Pierre Débourdeaux

Senior Manager in charge of the preparation of the Company accounting statements

Crédit Agricole Italia S.p.A. - Sede Legale Via Università, 1 - 43121 Parma - telefono 0521.912111

Capitale Sociale euro 979.283.340,00 i.v. - Iscritta al Registro Imprese di Parma, Codice Fiscale n. 02113530345, aderente al Gruppo IVA Crédit Agricole Italia, Partita Iva n. 02886650346. Codice ABI 6230.7. Iscritta all'Albo delle Banche al n. 5435. Aderente al Fondo Interbancario di Tutela dei Depositi e al Fondo Nazionale di Garanzia. Capogruppo del Gruppo Bancario Crédit Agricole Italia iscritto all'Albo dei Gruppi Bancari al n. 6230.7 - Società soggetta all'attività di Direzione e Coordinamento di Crédit Agricole S.A.

INDEPENDENT AUDITORS' REPORT

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Crédit Agricole Italia SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Crédit Agricole Italia SpA (Company or Bank), which comprise the balance sheet as of 31 December 2021, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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Key Audit Matters

Recoverability of the book value of goodwill arising from business combinations

Notes to the financial statements
Part A – Accounting policies
Part B – Information on the Balance Sheet, section 9 of assets

The book value of goodwill arising from business combinations as of 31 December 2021 was equal to Euro 1,042.6 million.

The directors assess the recoverable value of goodwill, at least annually (impairment test). Such assessment, aimed at identifying any impairment losses, is based, pursuant to IAS 36 "Impairment of assets", on the comparison between the book value and the higher of fair value less costs of disposal and the value in use of the Cash Generating Unit or CGU.

The estimate of the recoverable value of the CGU of the "Retail and Private" segment, to which this goodwill is allocated, was carried out using the Dividend Discount Model, in the excess capital version.
This method, which is consolidated and recognised in the prevailing practice, requires the use of information, parameters and assumptions, which were also developed with the support of the French parent company Crédit Agricole S.A.. The determination of the recoverable value of the assets subject to impairment test therefore requires the directors to make estimates that, by their nature, contain significant elements of professional judgement with particular reference to expected cash flows.

For the year ended 31 December 2021, the estimation process was complex, also due to the continuing uncertainty of the macroeconomic scenario following the Covid-19 pandemic.

Auditing procedures performed in response to key audit matters

During the performance of our audit, we considered the internal control system relevant to the preparation of the financial statements. In order to design audit procedures that are appropriate in the circumstances we also took into account the particular context of uncertainty resulting from the Covid-19 pandemic.

Specifically, we carried out the following main activities, also with the support of the experts of the PwC network:

- understanding and evaluating the process and methodology adopted by the directors to perform the impairment test;
- verifying the consistency of the evaluation method adopted with the provisions of IAS 36, taking into account the market practice;
- assessing the reasonableness of the forecast data used to determine the prospective cash flows of the identified CGU, also taking into account the uncertainty related to the Covid-19 health emergency;
- comparing the forecast data prepared during the previous year with the actual data for the current year for the CGU, in order to verify the reasonableness of the assumptions adopted by the directors;
- critical examination of the reasonableness of the main assumptions used by the directors, also by checking with external data where available, the main quantitative assumptions (cost of capital, discount and growth rates) used to determine the recoverable amount of the CGU
- checking the accuracy of the mathematical calculations underlying the valuation models used and their correctness;
- evaluating the results of the sensitivity analyses carried out by the directors on the main quantitative parameters, in

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
For the reasons set out above, we considered the recoverability of the book value of goodwill arising from business combinations to be a key audit matter as of 31 December 2021.	light of the uncertainty of the current macroeconomic scenario, also following the conflict between Russia and Ukraine; parameters adopted change, in light of the uncertainty of the current macroeconomic scenario, also following the conflict between Russia and Ukraine; • verifying the completeness and adequacy of the disclosure provided by the directors in the notes to the financial statements in accordance with the provisions of international accounting standards and the applicable regulatory framework, as well as the communications of the Supervisory Authorities.
Recoverability of "non-convertible" deferred tax assets	
Notes to the financial statements *Part A – Accounting policies* *Part B – Information on the Balance Sheet, section 10 of assets* *Part C – Information on the Income Statement, section 19* As of 31 December 2021 the line item 110 b) "Deferred tax assets" includes "non-convertible" deferred tax assets (DTAs) amounting to Euro 390.1 million other than those referred to Law no. 214/2011, the recoverability of which is ensured by the specific provisions of law, and other than those arising from prior tax losses; therefore in accordance with the provision of Article 1, paragraphs 233 et seq. of Law no. 178 of 30 December 2020, in relation to the merger by incorporation of Credito Valtellinese SpA into Crédit Agricole Italia SpA scheduled for April 2022, these assets can be converted into tax credits. The amount related to "non-convertible" DTAs includes: - Euro 63.9 million generated during the year and attributable to the realignment between	During the performance of our audit, we considered the internal control system relevant to the preparation of the financial statements. In order to design audit procedures that are appropriate in the circumstances we also took into account the particular context of uncertainty resulting from the Covid-19 pandemic. In particular, in order to address such key audit matter, we carried out the following main activities, also with the support of the experts of the PwC network: • understanding and evaluating the process and methodology adopted by the directors to perform the probability test; • verifying the consistency of the methodology adopted with the provisions of IAS 12, taking into consideration the professional practice, as well as the communications and recommendations of the Supervisory Authorities; • assessing, also by comparison with external data, where available, the

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
the tax and statutory values of certain tangible and intangible assets as provided for by Legislative Decree 104/2020; - Euro 326.2 million related to tax losses for the year and other temporary differences. The directors carry out the periodic assessment of the recoverability of the DTAs through the development of a specific estimation process (probability test) aimed at verifying, in accordance with IAS 12 "Income Taxes", the availability of sufficient future taxable income, also in consideration of the Bank's participation in the tax consolidation regime of the Crédit Agricole S.A. Group in Italy. The assessment of the recoverability of DTAs requires the use of information, parameters and assumptions that have a high degree of subjectivity and complexity, with particular reference to the estimation of expected future taxable income. Moreover, for the 2021 financial year, this process was even more complex in view of the high level of uncertainty of the macroeconomic scenario caused by the Covid-19 pandemic. For the reasons set out above, we considered the recoverability of the "non-convertible" deferred tax assets to be a key audit matter as of 31 December 2021.	reasonableness of the main qualitative and quantitative assumptions (income flows, alternative scenarios, discount rate and growth rate); • analysing the reasonableness of the assumptions used for the preparation of the probability test, based on the applicable tax regulations; • verifying the consistency of the assumed macroeconomic scenarios and assumed income flows with the approach used in other relevant valuation processes; • verifying the accuracy of the mathematical calculations underlying the probability test and their correctness; • evaluating the results of the sensitivity analyses carried out by the directors on the recoverability of the DTAs when the parameters adopted change, in light of the uncertainty of the current macroeconomic scenario, also following the conflict between Russia and Ukraine; • verifying the completeness and adequacy of the disclosure provided by the directors in the notes to the financial statements in accordance with the provisions of international accounting standards and the applicable regulatory framework, as well as the communications and recommendations issued by the Supervisory Authorities.
Valuation of performing loans to customers measured at amortised cost *Notes to the financial statements* *Part A – Accounting policies* *Part B – Information on the Balance Sheet, section 4 of assets* *Pare C – Information on the Income Statement, section 8* *Part E – Information on risks and relative hedging policies – section 1*	 During the performance of our audit, we considered the internal control system relevant to the preparation of the financial statements. In order to design audit procedures that are appropriate in the circumstances we took into account the modifications and adaptations that became necessary following the continuation of the

Key Audit Matters	***Auditing procedures performed in response to key audit matters***
As of 31 December 2021, performing loans to customers amounted to Euro 42,095 million representing 81 per cent of line item "*40 b) Financial assets measured at amortised cost – loans to customers*", and corresponding to 57 per cent of total assets. Net adjustments to these loans recognised during the year amounted to Euro 10.1 million are the best estimate made by the directors in order to recognise the expected credit losses (ECL) related to the loan portfolio at the balance sheet date, based on applicable accounting standards. The estimation processes are characterised by a high degree of professional judgement and require significant assumptions to verify the Significant Increase in Credit Risk (SICR), allocate portfolios to the various risk stages (Staging) and determine the assumptions and input data for the Expected Credit Loss (ECL) models. These models incorporate the prospective information developed centrally by the parent company Crédit Agricole S.A., according to a multi-scenario approach. For the year 2021, these estimation processes were affected by some methodological changes compared to the previous year. In particular, in addition to the ordinary process of updating the input data and refining the risk parameters (including the adoption of the new definition of default), the Bank, in agreement with the French parent company Crédit Agricole S.A., introduced new thresholds for the Staging, as well as management overlays, in order to consider the evolution of the macroeconomic context induced by the Covid-19 pandemic, as well as to factor in certain valuation elements that were not adequately captured by the models used. In view of the significance of the book value, as well as the complexity of the processes and methodologies adopted, and taking into account the reasons set out above, we considered the valuation of performing loans to customers measured at amortised cost to be a key matter of	uncertain macroeconomic scenario resulting from the Covid-19 pandemic. In order to address such key audit matter, we carried out the following main activities, also with the support of the experts of the PwC network: • analysing the adequacy of the IT environment and verifying the operational effectiveness of the relevant controls governing the IT systems and applications used by the Bank for loan assessment purposes; • understanding and evaluating the design of relevant controls in the areas of loan monitoring, classification and evaluation and verifying the operational effectiveness of such controls; • comparative analysis of the performing portfolio and of the related hedging levels, with reference to the most significant deviations from the previous year's figures and from sector information; • understanding and verifying the appropriateness of the policies, procedures and models used for measuring SICR, staging allocation and determining ECL. Particular attention was paid to the counterparties that participated in and benefited from the measures to support the economy following the Covid-19 pandemic, and in particular the debt moratoria; • understanding and verifying the methods to determine the main estimation parameters used in the models for calculating the ECL and the changes and corrections introduced during the year. In particular, we verified the reasonableness of the estimates made by the directors in defining the expected macroeconomic scenarios and their weighting, the PD (Probability of Default) and LGD (Loss Given Default) risk parameters, which include the adjustments made to the

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
our audit as of 31 December 2021.	models (management overlay) and incorporate the changed risk context related to the Covid-19 pandemic and the new definition of default; • verification of the correct application of the valuation criteria defined for loans classified as performing (stage 1 and 2), the completeness and accuracy of the databases used to calculate the ECL, and the accuracy of the formulae used to calculate the PD, LGD and EAD (Exposure at Default) parameters; • verification, on a sample basis, of the reasonableness of the classification under performing loans (stage 1 and 2) on the basis of information on the debtor status and other available evidence, including external evidence; • evaluation of the results of the sensitivity analysis of the ECL against the macroeconomic scenarios carried out by the directors, also in consideration of subsequent events including those related to the conflict between Russia and Ukraine; • verifying the completeness and adequacy of the disclosure provided by the directors in the notes to the financial statements in accordance with the provisions of international accounting standards and the applicable regulatory framework, as well as the communications issued by the Supervisory Authorities.
Valuation of non-performing loans to customers measured at amortised cost *Notes to the financial statements* *Part A – Accounting policies* *Part B – Information on the Balance Sheet, section 4 of assets* *Part C – Information of the Income Statement, Section 8* *Part E - Information on risks and relative hedging policies – Section 1*	During the performance of our audit, we considered the internal control system relevant to the preparation of the financial statements. In order to design audit procedures that are appropriate in the circumstances we also took into account the particular context of uncertainty resulting from the Covid-19 pandemic.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
As of 31 December 2021, non-performing loans to customers (stage 3) showed a balance of Euro 641.3 million corresponding to 1.2 per cent of line item "*40 b) Financial assets measured at amortised cost – loans to customers*". Net adjustments to these loans recognised during the year amounted to Euro 319.7 million and include the best estimate made by the directors in order to recognise the expected losses relating to the loan portfolio at the reporting date on the basis of the applicable accounting standards, as well as the negative effects deriving from the sale transaction (the so-called "Stelvio project") of a bad loan portfolio for a gross book value of Euro 1,100 million, in respect of which the Bank has derecognised the loan portfolio. The estimation processes are characterised by high complexity and a high degree of professional judgement requiring the estimate of numerous variables; the use of significant assumptions is particularly relevant to the determination of expected future cash flows, their timing and the realisable value of collaterals, if any. For the year 2021, these estimation processes were affected by some methodological changes compared to the previous year. In particular, the valuation policies for non-performing loans were reviewed in order to maintain full alignment with the most recent guidelines proposed by the Supervisory Authorities. In view of the significance of the book value, as well as the complexity of the processes and methodologies adopted and taking into account the reasons set out above, we considered the valuation of non-performing loans to customers measured at amortised cost to be a key audit matter of our audit as of 31 December 2021.	In order to address such key audit matter, we carried out the following main activities, also with the support of the experts of the PwC network: • analysis of the adequacy of the IT environment and verification of the operational effectiveness of the relevant controls governing the IT systems and applications used for loan assessment purposes; • understanding and evaluating the design of relevant controls in the area of loan monitoring, classification and evaluation and verifying the operational effectiveness of such controls; • comparative analysis for each category of non-performing loans of the related hedging levels, with reference to the most significant deviations from the previous year's figures and from sector information; • understanding and evaluating the valuation policies adopted by the Bank, also in light of the review of the valuation policies of the non-performing loans made during the year; • verifying, on a sample basis, the reasonableness of the classification under non-performing loans, based on information regarding the debtor status and other available evidence, including external evidence. Specific analyses were carried out on the assumptions made with reference to the identification and quantification of future cash flows expected from recovery activities, the valuation of the guarantees covering such exposures and the estimate of recovery times; • verifying the completeness and adequacy of the disclosure provided by the directors in the notes to the financial statements in accordance with the provisions of international accounting standards and the applicable regulatory framework, as well as the communications issued by the Supervisory Authorities.

Other Matters

The financial statements of Crédit Agricole Italia SpA for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 1 April 2021.

The Company, as required by law, has included in the notes to the financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the financial statements of Crédit Agricole Italia SpA does not extend to those figures.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15, and in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists.
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 28 April 2021, the shareholders of Crédit Agricole Italia SpA in general meeting engaged us to perform the statutory audit of the Bank's and consolidated financial statements for the years ending 31 December 2021 to 31 December 2029.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Crédit Agricole Italia SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Crédit Agricole Italia SpA as of 31 December 2021, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Crédit Agricole Italia SpA as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Crédit Agricole Italia SpA as of 31 December 2021 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 1 April 2022

PricewaterhouseCoopers SpA

Signed by

Raffaella Preziosi
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

FINANCIAL STATEMENTS

BALANCE SHEET

Assets		31 Dec. 2021	31 Dec. 2020(*)
10.	Cash and cash equivalents	540,292,990	527,827,796
20.	Financial assets measured at fair value through profit or loss	106,074,989	107,803,628
	financial assets held for trading	49,298,731	71,125,590
	other financial assets mandatorily measured at fair value	56,776,258	36,678,038
30.	Financial assets measured at fair value through other comprehensive income	3,108,575,153	2,954,732,162
40.	Financial assets measured at amortized cost	63,943,468,733	61,130,018,334
	a) Loans to banks	11,810,802,433	10,840,977,278
	b) Loans to customers	52,132,666,300	50,289,041,056
50.	Hedging derivatives	570,134,962	943,109,339
60.	Fair value change of financial assets in macro-hedge portfolios (+/-)	-9,363,880	112,621,231
70.	Equity investments	2,105,245,158	1,078,485,794
80.	Property, Plant and Equipment	734,684,573	766,812,916
90.	Intangible assets	1,138,297,061	1,163,103,116
	- of which goodwill	1,042,597,768	1,042,597,768
100.	Tax assets	1,367,420,769	1,278,122,645
	a) current	277,918,150	281,937,502
	b) deferred	1,089,502,619	996,185,143
110.	Non-current assets held for sale and discontinued operations	-	5,207,320
120.	Other assets	631,491,320	246,847,367
Total assets		**74,236,321,828**	**70,314,691,648**

(*) Current accounts and “sight” deposits with Central Banks and Banks have been reclassified from item “Due from Banks” to item “Cash and cash equivalents” in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

BALANCE SHEET

Liabilities and Equity		31 Dec. 2021	31 Dec. 2020
10.	Financial liabilities measured at amortized cost	64,531,161,515	61,053,271,988
	a) Due to banks	14,831,132,057	12,940,954,509
	b) Due to Customers	38,772,715,804	37,527,841,314
	c) Debt securities issued	10,927,313,654	10,584,476,165
20.	Financial liabilities held for trading	53,025,449	81,546,462
40.	Hedging derivatives	823,174,324	705,939,342
50.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	139,352,620	386,252,935
60.	Tax liabilities	281,166,065	187,773,762
	a) current	243,962,223	106,283,019
	b) deferred	37,203,842	81,490,743
80.	Other liabilities	1,084,026,575	1,018,449,681
90.	Employee severance benefits	83,190,913	92,002,367
100.	Provisions for risks and charges	437,227,253	274,203,229
	a) commitments and guarantees given	30,334,274	25,327,625
	b) post-employment and similar obligations	32,691,664	35,815,686
	c) other provisions for risks and charges	374,201,315	213,059,918
110.	Valuation reserves	-48,666,017	-33,784,159
130.	Equity instruments	815,000,000	715,000,000
140.	Reserves	2,011,527,725	1,568,205,841
150.	Share premium reserve	3,118,688,309	3,118,389,293
160.	Capital	979,283,340	979,234,664
180.	Profit (Loss) for the period	-71,836,243	168,206,243
Total liabilities and equity		**74,236,321,828**	**70,314,691,648**

INCOME STATEMENT

Items		31 Dec. 2021	31 Dec. 2020
10.	Interest and similar income	709,588,277	749,090,356
	Of which: interest income calculated with the effective interest method	701,450,407	745,976,837
20.	Interest and similar expense	33,888,674	35,377,908
30.	**Net interest income**	**743,476,951**	**784,468,264**
40.	Fee and commission income	862,142,931	779,935,042
50.	Fee and commission expense	(34,606,806)	(36,387,750)
60.	**Net fee and commission income**	**827,536,125**	**743,547,292**
70.	Dividends and similar income	11,056,545	10,437,607
80.	Net profit (loss) on trading activities	23,458,505	16,722,845
90.	Net profit (loss) on hedging activities	(5,732,708)	(10,401,644)
100.	Profit (losses) on disposal or repurchase of:	(82,283,481)	(11,971,881)
	a) financial assets measured at amortized cost	(109,118,659)	(10,202,717)
	b) financial assets measured at fair value through other comprehensive income	26,802,638	(1,821,396)
	c) financial liabilities	32,540	52,232
110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(4,243,695)	(486,658)
	b) other financial assets mandatorily measured at fair value	(4,243,695)	(486,658)
120.	**Net interest and other banking income**	**1,513,268,242**	**1,532,315,825**
130.	Net adjustments /recoveries for credit risk to/on:	(334,376,368)	(337,364,739)
	a) financial assets measured at amortized cost	(332,233,403)	(336,384,226)
	b) financial assets measured at fair value through other comprehensive income	(2,142,965)	(980,513)
140.	Profits/Losses on contract modifications without derecognition	(1,066,724)	(1,310,100)
150.	**Net financial income (loss)**	**1,177,825,150**	**1,193,640,986**
160.	Administrative expenses:	(1,440,274,577)	(1,211,400,226)
	a) personnel expenses	(689,730,668)	(554,771,000)
	b) other administrative expenses	(750,543,909)	(656,629,226)
170.	Net provisions for risks and charges	(45,128,457)	(5,899,363)
	a) commitments and guarantees given	(5,277,747)	1,602,199
	b) other net provisions	(39,850,710)	(7,501,562)
180.	Net adjustments to /recoveries on property, plant and equipment	(59,671,083)	(58,260,207)
190.	Net adjustments to/recoveries on intangible assets	(24,806,055)	(24,827,489)
200.	Other operating expenses/income	260,621,040	250,266,341
210.	**Operating costs**	**(1,309,259,132)**	**(1,050,120,944)**
220.	Profit (losses) on equity investments	(670,000)	9,640,007
250.	Profit (losses) on disposals of investments	598,873	64,725,614
260.	**Profit (Loss) before tax from continuing operations**	**(131,505,109)**	**217,885,663**
270.	Taxes on income from continuing operations	59,668,866	(49,679,420)
280.	**Profit (Loss) after tax from continuing operations**	**(71,836,243)**	**168,206,243**
300.	**Profit (Loss) for the period**	**(71,836,243)**	**168,206,243**

STATEMENT OF COMPREHENSIVE INCOME

Items		31 Dec. 2021	31 Dec. 2020
10.	**Profit (Loss) for the period**	**(71,836,243)**	**168,206,243**
	Other comprehensive income after tax not recycled to profit or loss		
20.	Equity securities designated at fair value through other comprehensive income	535,943	(6,940,024)
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income	-	-
50.	Property, Plant and Equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	(554,345)	(2,390,561)
80.	Non-current assets held for sale and discontinued operations		-
90.	Share of valuation reserve on equity investments measured with the equity method	-	-
	Other income components reclassified to profit or loss	**-**	
100.	Hedging of investments in foreign operations:	-	-
110.	Foreign exchange differences	-	-
120.	Cash flow hedges	-	-
130.	Hedging instruments (non-designated elements)	-	-
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(14,863,456)	20,336,122
150.	Non-current assets held for sale and discontinued operations	-	-
160.	Share of valuation reserve on equity investments measured with the equity method	-	-
170.	**Total other comprehensive income after taxes**	**(14,881,858)**	**11,005,537**
180.	**Comprehensive income (Item 10+170)**	**(86,718,101)**	**179,211,780**

It is pointed out that the inclusion in comprehensive income of the item reporting “Financial assets measured at fair value through other comprehensive income” entails strong volatility, which must be taken into account when analyzing the table.

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021

	Capital: ordinary shares	Share premium reserve	Reserves		Valuation reserves	Equity instruments	Profit (Loss) for the year	Shareholders' equity
			Retained earnings reserves	other				
EQUITY As at 31 Dec. 2020	979,234,664	3,118,389,293	1,565,178,584	3,027,257	-33,784,159	715,000,000	168,206,243	6,515,251,882
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR								-
Reserves	-	-	76,887,211	-	-	-	-76,887,211	-
Dividends and other allocations	-	-	-	-	-	-	-91,319,032	-91,319,032
CHANGES FOR THE PERIOD								
Changes in reserves	-	-	371,708	416,897,352	-	-	-	417,269,060
Transactions on equity								
Issues of new shares	48,676	299,016	-	-	-	-	-	347,692
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary distribution of dividends	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-50,872,921	-	-	100,000,000	-	49,127,079
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Shares and rights on shares in the Parent Company assigned to employees and directors	-	-	-	38,534	-	-	-	38,534
Comprehensive income	-	-	-	-	-14,881,858	-	-71,836,243	-86,718,101
EQUITY AS AT 31 DEC. 2021	**979,283,340**	**3,118,688,309**	**1,591,564,582**	**419,963,143**	**-48,666,017**	**815,000,000**	**-71,836,243**	**6,803,997,114**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020

	Capital: ordinary shares	Share premium reserve	Reserves		Valuation reserves	Equity instruments	Profit (Loss) for the year	Shareholders' equity
			Retained earnings reserves	other				
EQUITY AS AT 31 Dec. 2019	979,233,295	3,118,380,883	1,315,927,512	2,822,143	-44,789,696	715,000,000	302,570,911	6,389,145,048
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR								-
Reserves	-	-	301,070,911	-	-	-	-301,070,911	-
Dividends and other allocations	-	-	-	-	-	-	-1,500,000	-1,500,000
CHANGES FOR THE PERIOD								
Changes in reserves	-	-	-198,885	-	-	-	-	-198,885
Transactions on equity								
Issues of new shares	1,369	8,410	-	-	-	-	-	9,779
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary distribution	-	-	-	-	-	-	-	-
of dividends	-	-	-51,620,954	-	-	-	-	-51,620,954
Change in equity instruments	-	-	-	-	-	-	-	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Shares and rights on shares in the Parent Company assigned to employees and directors	-	-	-	205,114	-	-	-	205,114
Comprehensive income	-	-	-	-	11,005,537	-	168,206,243	179,211,780
EQUITY AS AT 31 DEC. 2020	**979,234,664**	**3,118,389,293**	**1,565,178,584**	**3,027,257**	**-33,784,159**	**715,000,000**	**168,206,243**	**6,515,251,882**

STATEMENT OF CASH FLOWS

		31 Dec. 2021	31 Dec. 2020(*)
A.	OPERATING ACTIVITIES		
1.	**Cash flows from operations**	**680,361,514**	**804,795,606**
-	profit (loss) for the FY (+/-)	-71,836,243	168,206,243
-	Gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair through profit or loss (-/+)	-8,493,274	1,581,243
-	gains/losses on hedging activities (-/+)	-13,599,730	48,281,119
-	Net impairment/recoveries for credit risk (+/-)	194,555,516	252,508,695
-	Net adjustments/recoveries on property, plant and equipment and intangible assets (+/-)	84,477,138	83,087,696
-	Net provisions for risks and charges and other costs/revenues (+/-)	45,128,457	5,899,363
-	taxes, levies and tax credits not settled (+)	-59,668,866	49,679,420
-	net adjustments /recoveries on discontinued operations net of tax effect (-/+)	-	-
-	other adjustments (+/-)	509,798,516	195,551,827
2.	**Cash flow generated/absorbed by financial assets**	**-3,721,003,161**	**-10,661,023,598**
-	Financial assets held for trading	30,320,133	9,347,775
-	financial assets designated at fair value	-	-
-	Financial assets mandatorily measured at fair value	-20,098,220	-27,078,588
-	Financial assets measured at fair value through other comprehensive income	-169,403,728	-222,096,738
-	Financial assets measured at amortized cost	-2,995,439,802	-10,435,307,646
-	other assets	-566,381,544	14,111,599
3.	**Cash flow generated/absorbed by financial liabilities**	**3,695,765,488**	**9,962,336,991**
-	Financial liabilities measured at amortized cost	3,811,215,736	9,917,320,782
-	Financial liabilities held for trading	-28,521,013	15,904,843
-	Financial liabilities designated at fair value	-	-
-	other liabilities	-86,929,235	29,111,366
	Net cash flow generated/absorbed by operating activities	**655,123,841**	**106,108,999**
B.	INVESTING ACTIVITIES		
1.	**Cash flow generated by:**	**18,627,829**	**164,684,121**
-	sales of equity investments	-	9,760,891
-	dividend received on equity investments	11,056,545	10,437,607
-	sales of property, plant and equipment	7,571,284	144,485,623
-	sales of intangible assets	-	-
-	sales of business units	-	-
2.	**Cash flow absorbed by:**	**-2,053,052,305**	**-16,132,729**
-	purchases of equity investments	-1,027,429,364	-4,168,803
-	purchases of property, plant and equipment	-8,410,703	-11,963,926
-	purchases of intangible assets	-	-
-	purchases of business units	-	-
	Net cash flows generated/absorbed by investing activities	**-1,017,212,238**	**148,551,392**
C.	FUNDING ACTIVITIES		
-	issues/purchases of treasury shares	416,745,544	9,779
-	issues/purchases of equity instruments	49,127,079	-51,620,954
-	distribution of dividends and other	-91,319,032	-1,500,000
	Net cash flows generated/absorbed by funding activities	**374,553,591**	**-53,111,175**
	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**12,465,194**	**201,549,216**

RECONCILIATION

	31 Dec. 2021	31 Dec. 2020(*)
Opening cash and cash equivalents	527,827,796	326,278,580
Total net increase/decrease in cash and cash equivalents for the year	12,465,194	201,549,216
Cash and cash equivalents: foreign exchange effect	-	-
Closing cash and cash equivalents	**540,292,990**	**527,827,796**

Key: (+) generated/ from (–) absorbed/used in

(*) Current accounts and "sight" deposits with Central Banks and Banks have been reclassified from item "Due from Banks" to item "Cash and cash equivalents" in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

In accordance with the amendment to IAS 7, introduced by Regulation no. 1990 of 6 November 2017, to be adopted for the first time in reporting periods starting on or after 1 January 2017, the information required under paragraph 44 B to measure changes in liabilities resulting from financing activities, irrespective of whether the changes result from cash flows or changes other than in cash equivalents, is given below.

	31 Dec. 2020	Changes from cash flows generated by	Changes from obtaining or losing control of subsidiaries or other businesses	Fair value changes	Other changes	31 Dec. 2021
Liabilities from financing activities (item 10, 20, 30 and 40 of liabilities)	61,134,818,450	2,948,763,508	-	500,605,006	-	64,584,186,964

NOTES TO THE FINANCIAL STATEMENTS

PART A – ACCOUNTING POLICIES

A.1 GENERAL PART

Section 1 – Statement of compliance with IAS/IFRS

The Annual Report and Financial Statements of Crédit Agricole Italia have been prepared pursuant to Italian Legislative Decree no. 38 of 28 February 2005, in accordance with the International Accounting Standards issued by the International Accounting Standards Board (IASB) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission, as provided for by Regulation (EC) No. 1606 of 19 July 2002.
Therefore, the IAS/IFRS in force as at 31 December 2021 (including the interpretations documents called SIC and IFRIC) have been applied, as endorsed by the European Commission and listed in detail in the specific table in an annex to these Financial Statements.

The financial statements and the contents of the note to the financial statements have been prepared in compliance with the provisions laid down in Circular No. 262 "Banks' financial statements: layouts and preparation" issued by the Bank of Italy on 22 December 2005, within the exercise of its powers under Article 9 of Italian Legislative Decree No. 38/2005 and in compliance with the subsequent updates issued, the latest one of which is the 5th update published on 02 November 2021 Furthermore, these financial statements have been prepared in accordance with the instructions given by the Bank of Italy on 21 December 2021 as regards the update of the supplements to its Circular 262 concerning the impacts of Covid-19 and the measures to support the economy.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND ENTERED INTO FORCE IN 2021

In compliance with IAS 8, the table below reports the new international accounting standards or the amendments to standards already in force, along with the Regulations endorsing them, that shall mandatorily be applied for reporting periods starting on or after 1 January 2021.

Standards, amendments or	Publication date	Date of first application
Amendment to IFRS 4 Insurance Contracts Temporary Exemption from Applying IFRS 9	16 December 2020 (UE 2020/2097)	1 January 2021
Amendments to IAS 39, IFRS 7 and IFRS 9 – Interest rate benchmark reform – Phase 2	14 January2021 (UE 2021/25)	1 January 2021(*)
Amendment to IFRS 16 Leases - COVID-19-Related Rent Concessions (2nd amendment)	31 August 2021 (UE 2021/1421)	1 April 2021

(*) As reported in next paragraph "Interest Rate Benchmark Reform", Crédit Agricole Italia decided to opt for early adoption of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform – Phase 2 to its reporting periods starting on or after 1 January 2020.

Information outlined above on the new standards and on the amendments thereto applying to reporting periods starting on or after 1 January 2021 is broken down below.

Amendment to IFRS 4 - Insurance contracts

On 18 May 2017, the International Accounting Standard Board (IASB) published the new IFRS 17 "Insurance contracts", which shall replace IFRS4 IASB postponed the entry into force of the new standard, which was initially applicable to reporting periods starting on or after 1 January 2021 and is now applicable to reporting periods starting on or after 1 January 2023 (standard endorsed by the EU with Regulation (EU) 2021/2036). On 16 December 2020, Regulation (EU) 2020/2097 laying down amendments to IFRS 4 was published on the Official Journal of the European Union. In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17 and, thus, to address the temporary accounting consequences of the different effective dates of the two standards. The aforementioned amendments to the accounting standards are not relevant for Crédit Agricole Italia.

INTEREST RATE BENCHMARK REFORM

In early 2029, the Crédit Agricole Group implemented a programme aimed at preparing for and overseeing the benchmark transition for all its activities, divided into specific projects to be carried out at each entity concerned, including Crédit Agricole Italia. This programme is in line with the time schedule and standards set by the specific work groups – in some of which Crédit Agricole S.A. proactively participated – and with the relevant EU regulatory framework (BMR).

In accordance with the recommendations given by the national work groups and by the competent authorities, the Group fostered as much as possible the transition to alternative benchmark rates in view of the cessation of the benchmarks while pursuing constant compliance with the deadlines set by the market or imposed by the competent authorities.

Considerable investments and strong effort of the corporate and operational teams were deployed in order to upgrade the tools and absorb the workload generated by the transitions, also for contract modifications. It is to be noted that the IT developments depended to a large extent on the time required to determine the target benchmark rates alternative to LIBOR and on emerging market standards.

Orderly and controlled performance of these transitions was ensured by all the actions undertaken starting from 2019. In H2 2021, the entities have focused their efforts especially on the finalization of all the IT developments and on intensifying information and interaction with Customers in order to more exhaustively explain the transition terms and to continua with the efforts for preventing conduct risks.

Furthermore, thanks to the work done, the entities of the Group could offer new RFR products ensuring good customer experience and satisfaction.

Summary of transitions as at 31 December 2021

First, it is pointed out that Crédit Agricole Italia exposures to LIBOR and EONIA had always been very modest, both in terms of number of contracts and of amounts. Specifically, those exposures concerned international loans and trading or hedging derivatives.

The prevailing approach adopted by Crédit Agricole Italia was renegotiating the contracts in force before the cessation of the benchmarks. Having specific regard to the derivative contracts market, ISDA finalized the implementation of a protocol, which Crédit Agricole Italia joined, whereby the new fallback clauses can be automatically included in contracts. That protocol is intended to simplify the transition of derivative contracts between parties that have joined the protocol.

For loan contracts, specific transition methods were adopted consisting in the use of last LIBOR fixing in 2021 and of the replacement rate in 2022.

Risk management

Besides preparing for and implementing the replacement of the benchmarks ceasing or no longer representative on 31 December 2021 and besides complying with the BMR, the project work focused also on management and control of the risks inherent in the benchmark transitions, with special regard to financial, operational, legal and compliance aspects, especially on customer protection (prevention of "conduct risk"). For example, as to financial aspects, the risk of market fragmentation caused by the use of different types of conventions for interest calculations (calculation of the forward-looking rate or calculation of the backward-looking rate), which may entail financial risk for the industry players. Nonetheless, it is expected that those risks, clearly identified in the Group, will tend to decrease as the market standards emerge and as the private sector – with support given by banks – will be more and more able to manage said fragmentation.

In order for the hedging relationships concerned with the benchmark rate reform to continue in force despite the uncertainties about the timetable and the methods for transition from the present benchmarks to the new ones, in September 2019 IASB issued some amendments to IAS 39, IFRS 9 and IFRS 7, which were endorsed by the EU on 15 January 2020. The Group will apply said amendments until the uncertainties about the evolution in the benchmark rates generate consequences on the amounts and on the maturity of cash flows.

As at 31 December 2021, the hedging instruments affected by the reform and on which uncertainties remained, all linked to EURIBOR, had a nominal value of Euro 32.2 billion.

Other amendments published by the IASB in August 2020 supplement those published in 2019 and focus on the accounting consequences of the replacement of the old benchmark rates with other benchmark rates following the reforms.

Those amendments, known as "Phase 2", mainly concern changes in contractual cash flows. They allow Entities not to derecognize or adjust the book value of financial instruments in order to reflect the changes required by the reform, but rather to update the effective interest rate in order to reflect the change in the alternative benchmark.

In terms of hedge accounting, Entities will not be required to discontinue their hedging relationships when making the changes required by the reform and subject to economic equivalence.

As at 31 December 2021, the breakdown by material benchmark rate of the instruments based on old benchmark rates and to be transitioned to the new benchmarks before their maturity was as follows (amounts in k€):

Amendments to IFRS 16 "Leases": Covid-19-Related Rent Concessions

In 2020, the IFRS Foundation approved an amendment to IFRS 16 in order to clarify how Covid-19-related concessions should be recognized by lessees that prepare their financial statements in accordance with IAS/IFRS.

In accordance with that amendment, which was endorsed by the EU on 12 October 2020 with the publication of Regulation (EU) 2020/1434, lessees are exempt from the obligation to assess whether the Covid-19-related concessions are lease contractual modifications, allowing them to be qualified as "variable rent" directly through profit or loss, in order to report the changes in the payments due. The Group applied this amendment to its 2020 report and financial statements.

On 31 March 2021, the IASB issued document "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" whereby the eligibility period for the application of the amendments to 'IFRS 16 (paragraphs 46A and 46B) concerning Covid-19-related rent concessions was extended by one year (from June 2021 to June 2022). This amendment was endorsed by the European Union with Regulation (EU) 2021/1421 of 30 August 2021. The Crédit Agricole Italia Banking Group reported no effects on its income statement in FY 2021 generated by the amendment to IFRS 16, as, for 2021, it recognized no Covid-19-related rent concessions.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION BUT NOT YET ENTERED INTO FORCE

For its financial statements as at 31 December 2021, Crédit Agricole Italia did not adopt standards and interpretations that, on 31 December 2021, had already been published by the IASB and endorsed by the European Union, but that are applicable to reporting periods starting on or after 1 January 2022.

Standards, amendments or interpretations	Publication date	Date of first application
Annual Improvements 2018-2020 IFRS1 First time adoption IFRS- Translation differences IFRS 9 Financial instruments–Test for recognition of a substantial modification of a financial liability IAS41 Agriculture – Fair value of a biological asset	02 July 2021 (EU 2021/1080)	1° gennaio 2022
Amendments to IFRS 3 – Reference to the Conceptual Framework 2018 on the definition of assets and liabilities	02 July 2021 (EU 2021/1080)	1° gennaio 2022
Amendments to IAS 16 Property, Plant and Equipment – Proceeds before intended use of the asset	02 July 2021 (EU 2021/1080)	1° gennaio 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Costs considered in assessing whether a contract is onerous	02 July 2021 (EU 2021/1080)	1° gennaio 2022
IFRS 17 Insurance Contracts (including Amendments to IFRS 17) (not applicable by the GBCAI)	23 November 2021 (EU 2021/2036)	1° gennaio 2023

Crédit Agricole Italia did not exercise the option for early adoption of the Regulation in force as of 1 January 2022, as where applicable, the amendments are not expected to generate any material impacts on the financial situation and profit or loss of Crédit Agricole Italia.

IFRS 17 Insurance Contracts published in May 2017 will replace IFRS 4. It will be applicable to reporting periods starting on or after 1 January 2023. IFRS 17 lays down new principles in terms of measurement and recognition of insurance contract liabilities and measurement of their profitability, as well as in terms of presentation. This standard does not apply to Crédit Agricole Italia.

INTERNATIONAL ACCOUNTING STANDARDS NOT YET ENDORSED BY THE EUROPEAN UNION

The standards and interpretations that have been published by the IASB but have not yet been endorsed by the European Union are not applicable by Crédit Agricole Italia.

Document title	Issued by IASB in	Date of entry into force of the IASB document	Expected date of endorsement by the EU
Amendments			
Amendments to IAS 1 - Presentation of Financial Statements Classification of Liabilities as Current or Non-current	January 2020	1 January 2023	TBD
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	January 2020	1 January 2023	TBD
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	January 2020	1 January 2023	TBD
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 2020	1 January 2023	TBD
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 2020	1 January 2023	TBD

Section 2 - General preparation principles

The Annual Report and Consolidated Financial Statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Note to the Financial Statements, as well as of the Management Report on the performance of operations, on the profits (losses) made and on the Group’s financial and cash flow position.

In accordance with Article 5 of Italian Legislative Decree No. 38/2005, the Euro has been used as the reporting currency. The amounts in the financial statements are in Euro units, whereas the figures in the Note to the financial statements and in the Management Report are in thousands of Euro.

The Annual Report and Financial Statements have been prepared in compliance with the general presentation principles set down by IAS 1 and with the specific accounting standards endorsed by the European Commission and reported in Part A.2 of this Note.

No exceptions were made in applying the IASs/IFRSs.

Furthermore, the 2020 Annual Report and Financial Statements were prepared taking into account, where applicable, the communications and the interpretation documents of the various Regulatory and Supervisory Authorities (ESMA, EBA, ECB, Bank of Italy) giving recommendations on the disclosures and transparency required of financial institutions and information supporting the application of the accounting standards as regards the consequences of the Covid.

In performing their role as competent Supervisory Authorities for prudential purposes, the European Central Bank and the Bank of Italy published press releases and letters intended to clarify the reference regulatory framework and their guidance and expectations on this matter. EBA guidelines complete the reference framework for banks about expected credit losses, staging allocation and measures to support the economy.

The main communications and interpretations provided by the Supervisory Authorities and taken into account for the preparations of the 2021 annual report and financial statements, which, in several cases, had already been applied to the 2020,annual report and financial statements, are reported in the table below.

Document type	Issued on	Title
EBA- European Banking Authority		
Statement	25 March 2020	Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid-19 measures
Guideline	02 April 2020- 25 June 2020 - 02 December 2020	Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis
ESMA – European Securities and Market Authority		
Recommendation	11 March 2020	ESMA recommend action by financial market participant for Covid-19 impact
Statement	25 March 2020	Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9
Comunicazione	20 May 2020	Implications of the Covid-19 outbreak on the half-yearly financial reports
Statement	29 October 2021	European common enforcement priorities for 2021 annual financial reports
IFRS Foundation		
Statement	27 March 2020	IFRS 9 and Covid-19 – Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic
ECB -European Central Bank		
Communication	20 March 2020	ECB Banking Supervisor provides further flexibility to banks in reaction to coronavirus
Letter	01 April 2020	IFRS 9 in the context of the coronavirus (Covid-19) pandemic
Letter	04 December 2020	Identification and measurement of credit risk in the context of the coronavirus (Covid-19) pandemic
Bank of Italy		
Communication	21 December 2021	Update of the provisions supplementing Circular no. 262 "Banks' financial statements: layouts and preparation" concerning the impacts of the Covid-19 pandemic and of the measures to support the economy
Consob		
Warning notice no. 1/21	16 February 2021	Covid-19 – Measures to support the economy – Warning notice on the information to be provided by supervised issuers, supervisory bodies and audit firms in relation to the 2020 financial statements prepared in accordance with international accounting standards
Warning notice	18 March 2022	Consob draws the attention of supervised issuers on the impact of the war in Ukraine on insider information and financial reporting

GOING-CONCERN BASIS

The Annual Report and Financial Statements as at 31 December 2021 have been prepared on a going-concern basis, as Crédit Agricole Italia is believed to continue in operation in the foreseeable future.

Despite the ongoing complexity of the economic and health scenario, which is to be considered still critical and constantly evolving due to the spread of the Covid-19 pandemic, including variants, and to the measures deployed by Italy and by the EU to address it, the analyses carried out based on the available information have given grounds to conclude that Crédit Agricole Italia will be able to meet the risks and uncertainties associated with the present emergency.

As regards the reporting required pursuant to IFRS 7 on the risks which Crédit Agricole Italia is exposed to, appropriate information is provided in the Management Report and in the Note to the Financial Statements, specifically in Section 4 below and in Part E - Information on risks and relative hedging policies.

The Note to the Financial Statements also reports the verifications that were carried out in order to assess any impairment of financial assets and intangible assets (including goodwill).

USE OF ESTIMATES AND ASSUMPTIONS IN PREPARING THE ANNUAL REPORT AND FINANCIAL STATEMENTS

To prepare the Annual Report and Financial Statements, estimates and assumptions must be made, which can generate significant effects on the values recognized in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities reported.

Making such estimates entails the use of the information that is available at the relevant time and of subjective assessments.

By their very nature, the estimates and assumptions used may vary from one period to another. Therefore, it cannot be ruled out that the recognized values for this reporting period may vary, even to a significant extent, in future periods, subsequent to any changes in the subjective assessments used. The economic effects generated by the Covid-19 epidemic and the uncertainties in the future macroeconomic scenario in which Crédit Agricole Italia will operate have required a thorough analysis and weighting of the new economic situation in the models for measuring the recoverable amount of the Bank's assets. Said estimates and assessments are therefore difficult and entail unavoidable elements of uncertainty. The increasing geopolitical tensions in Europe and the war in Ukraine are yet another uncertainty factor for the Bank. More exhaustive information is given in Section 4- Other aspects, paragraph "Risks, uncertainties and impacts generated by the Covid-19 epidemic".

The main instances that require the use of subjective assessments to be made by the Senior Management are the following:

Quantifying losses resulting from the impairment of loans and of other financial assets in general;
- Using measurement models for the recognition of the fair value of financial instruments that are not listed on active markets;
- Using measurement models for equity investments;
- Assessing the consistency of the value of goodwill and of the other intangible assets and property, plant and equipment;
- Quantifying the provisions for staff and for risks and charges;
- Estimating the recoverability of deferred tax assets;
- Calculating the fair value of financial instruments to be used for financial reporting purposes.

The description of the accounting policies applied to the main aggregates reported in the financial statements provides detailed information on the major assumptions made and subjective assessments used in preparing the financial statements.

CONTENTS OF THE FINANCIAL STATEMENTS

Bank of Italy – Circular no. 262 of 22 December 2005 “Banks’ financial statements: layouts and preparation” 7th update of 2 November 2021

On 2 November 2021 the Bank of Italy published the 7th update of Circular no. 262 “Banks’ financial statements: layouts and preparation” of 22 December 2005 in order to align banks’ financial statements to the EU-wide Framework for Consolidated Financial Reporting (FINREP). The update, which consists in a full revision of the Circular, applies to financial statements for reporting periods closed or underway on 31 December 2021.

The main novelties concern the presentation of financial information, namely:

- Of some categories of financial assets, which shall be presented as already provided for in the EU harmonised supervisory reporting framework (FINREP) and in the Bank of Italy Circulars on supervisory reporting as recently updated.
- Specifically, all demand accounts in the technical forms of current accounts and demand deposits due from banks and claims on Central Banks shall be recognized under item “Cash and cash equivalents”. Therefore, due from banks and claims on Central Banks other than demand accounts are reported in item “Financial assets measured at amortized cost”.
- Consistently with the FINREP rules, for the “Assets measured at fair value through other comprehensive income” and “Financial assets measured at amortized cost” portfolios, the information on “Purchased or originated credit impaired” assets (POCI) is not included in the classification into risk stages and it is separately reported (the same approach used in reporting “Net impairment/recoveries for credit risk” through profit or loss); the breakdown by credit risk stage is also required for the information to be disclosed at the bottom of table ”Non-current assets held for sale and discontinued operations” and for tables reporting nominal values and total provisions for commitment to disburse funds and guarantees given subject to the IFRS 9 rules.
- Of intangible assets, for which specific evidence is required of software that is not an integral part of the related hardware pursuant to IAS 38.
- Of the information breakdown on fee and commission income and expenses.
- Of the contributions and commitments to pay contributions to the resolution fund and deposit guarantee schemes, of which separate disclosure is required in the relevant items.

The changes made also implement the novelties introduced by the amendments to IFRS 7 on disclosure of financial instruments which were endorsed with Regulation EU) 2021/25 entered into force on 1 January 2021 and introduced specific disclosure requirements about the benchmark reform for determining interest rates on financial instruments (please, see the related paragraph in section 1 of this note to the financial statements).

Bank of Italy – communication of 21 December 2021 – Update of the provisions supplementing Circular no. 262 “Banks’ financial statements: layouts and preparation” concerning the impacts of the Covid-19 pandemic and of the measures to support the economy.

With its communication of 21 December 2021, the bank of Italy published the supplemented provisions governing banks’ financial statements (Circular no. 262 of 2005) in order to provide the market with information on the effects that the COVID-19 pandemic and the measures to support the economy generated on the strategies, objectives and risk management policies, as well as on the profitability and financial situation of intermediaries. The update of the supplemented provisions published in December 2020, taken into account the developments in the EU legislation on the treatment of moratoria, the recent updates of supervisory reporting and financial reporting circulars and the Covid-related amendments to IFRS 16 “Leases”:. Due to the temporary nature of the COVID-19 emergency and of the support measures, the supplemented provisions on financial reporting related thereto shall be in force until the Bank of Italy communicates otherwise.

The Bank of Italy confirmed its expectations that specific qualitative and quantitative disclosure be given in the tables in the Note to the financial statements, specifically in Part B (Information on the Balance Sheet), Part C (Information on the Income Statement) and Part E (Information on risks and relative hedging policies), regarding loans under “moratoria” or other concession measures in force as at the reporting date, or loans providing new liquidity and backed by public guarantees.

Gross exposure and total adjustments of loans under Covid-19-related support measures shall be reported broken down by credit risk stage and "purchased or originated credit impaired". Furthermore, the disclosure shall extend to the loans under moratoria, assessed as compliant with EBA/GL/2020/02 as at the concession date and no longer compliant as at the reporting date, which have not been classified by the bank as "forborne exposures" (as defined in the supervisory reporting provisions in force) subsequent to the event that generated their non-compliance with EBA/GL/2020/02.

Balance Sheet and Income Statement

The Balance Sheet and Income Statement contain items, sub-items and further information (the "of which" for items and sub-items) and comply with the templates supplied by the Bank of Italy with Circular No. 262 of 22 December 2005, as updated.

In order to facilitate understanding of the figures, the statements are given in full including also the items with no amounts for the reporting year, and with no amounts for the previous year. In the Income Statement, revenues are set forth without a sign, while expense figures are set forth in parenthesis.

The 2020 balances of the items or groupings concerned with the novelties introduced by the 7th update of Circular 262 have been restated in order to take into account the new provisions and facilitate the comparison to the 2021 figures.

Statement of Comprehensive Income

The statement of comprehensive income consist of items showing the changes in the value of the assets recognized in the period offsetting the valuation reserves, net of the related tax effect.

As for the Balance Sheet and the Income Statement, in the statements, in accordance with the Bank of Italy's definition, the items with no amounts for the reporting year, and with no amounts for the previous one, have also been stated.

Negative amounts are set forth in parenthesis.

Statement of Changes in Equity

In order to facilitate understanding of the figures, the rows and columns of the Statement of Changes in Equity were inverted with respect to the same statement layout provided for by the above Bank of Italy Circular No. 262/2005. The statement shows the composition and movements of the shareholders' equity items during the reporting year and in the previous one, broken down into share capital (ordinary shares and savings shares), capital reserves, retained earnings reserves, comprehensive income and net profit or loss.

No equity instruments other than ordinary shares have been issued.

Statement of Cash Flows

The statements of cash flows for the reporting period and for the previous one were prepared using the indirect method, based on which cash flows from operating activities are represented by the profit or loss for the year, adjusted for the effects of non-monetary transactions.

Cash flows are broken down into flows generated by operating activities, investment activities and funding activities.

In the Statement, cash flows generated in the period are reported without sign, while those absorbed are reported with a negative sign.

CONTENTS OF THE NOTE TO THE FINANCIAL STATEMENTS

The Note to the Financial Statements contains the information required by Bank of Italy Circular no. 262/2005, with its updates and specifications already applicable, as well as further information required by IAS/IFRS.

As for the Balance Sheet and the Income Statement, in the statements, in accordance with the Bank of Italy's definition, the items with no amounts for the reporting year, and with no amounts for the previous one, have also been stated.

In the tables relating to the Income statement items, revenues are set forth without a sign, whereas expense figures are set forth in parenthesis.

Section 3 – Events occurred after the reporting date

From the reporting date to the approval of the 2021 Annual Report and Financial Statements, no such events occurred as to entail any material change in the assessments made by the Directors and represented in the balance sheet, income statement and statement of cash flows of Crédit Agricole Italia.

SHARE CAPITAL INCREASE

On 25 January 2022 the extraordinary General Meeting of Crédit Agricole Italia Shareholders resolved to increase its share capital by Euro 500 million through the issue of 121,951,220 shares having a nominal value of Euro 1 each to be offered in option to the shareholders at a unit price of Euro 4.10, of which Euro 1 as capital and Euro 3.10 as share premium.

The share capital increase completed the capital strengthening phase aimed at supporting Creval acquisition, which had started in 2021 with contributions for a future capital increase given by the controlling company Crédit Agricole S.A. Totalling Euro 417 million.

ISSUE OF COVERED BONDS

In January 2022, Crédit Agricole Italia successfully finalized the first issue of Covered Bonds in the Italian market in 2022. It was a dual–tranche issue: one tranche maturing in 10 years and amounting to Euro 1 billion, the other maturing in 20 years and amounting to Euro 500 million.

Section 4 – Other aspects

Risks, uncertainties and impacts generated by the Covid-19 epidemic

Nearly two years after the outbreak of the Covid-19 pandemic, its impacts and effects on public health, economic activity and trade continue to affect the present and forward-looking scenario in which Crédit Agricole Italia operates and will operate. In 2021 the macroeconomic scenario gave some positive signs, with strong growth as several restrictive measures were lifted and vaccination spread; trade went back to its pre-pandemic levels, but later on in the year the spread of new variants (Delta and Omicron), tensions in the procurement of commodities and intermediate inputs, partly associated with the very fast growth, which caused "bottlenecks" throughout the value chains worldwide on the supply side along with the considerable increase in the prices of several commodities slowed down investments and production and contributed to boosting inflation globally.

Albeit in this very complex scenario still featuring deep uncertainty on the time to and features of recovery in productive activities, on the extent and duration of the measures deployed by Governments to provide support to households and businesses and the EU monetary policy adjustments, the analyses performed by the governance bodies using the available information gave evidence that Crédit Agricole Italia will be able to meet the risks and uncertainties caused by this scenario.

The assessment giving evidence of the Bank's ability to continue as a going concern is based on the capitalization it has reached, its present liquidity and the healthy and prudent management that has always been a distinctive feature of Crédit Agricole Italia, ensuring steady development through sustainable growth strategies.

Applying some accounting standards necessarily entails the use of estimates and assumptions, which can generate significant effects on the values recognized in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities. economic effects generated by the Covid-19 epidemic and the uncertainties in the future macroeconomic scenario in which Crédit Agricole Italia will operate have required a thorough analysis and weighting of the new economic situation in the models for measuring the recoverable amount of Crédit Agricole Italia's assets.

The macroeconomic forecasts and the measurement models used were prepared before the worsening in the geopolitical tension that led to the military invasion of Ukraine by Russia. That event is an uncertainty factor for the developments in the macroeconomic scenario in which the Group will have to operate. Any assessment of the consequences on the economy materially depends on how the situation will evolve; therefore, all the scenarios designed and described for 2022 will have to be reviewed and will be subject to changes that, for the time being, cannot be quantified and that may impact on the estimates and assumptions used to prepare the 2021 annual report and financial statements.

In this situation, the Regulators gave several indications aimed at supporting the banking system and allowing sufficient flexibility to manage this difficult period.

Many were the accounting-related communications and measures issued by the various Supervisory Authorities, which gave recommendations on disclosures and transparency expected of financial institutions on the consequences of the Covid-19 pandemic; the list presented in section 2 of this Note to the financial statements contains the main communications and interpretations, which had already been exhaustively analyzed in the 2020 annual report and financial statements.

In its public statement "European common enforcement priorities for 2021 annual financial reports", published on 29 October 2021, ESMA emphasized once again the importance of the oversight that management and supervisory bodies of issuers must ensure in the quality of financial reporting, with special focus on:

- Impacts generated by the Covid-19 pandemic.
- Given the pandemic persistence and the volatile recovery in many sectors of the economy, ESMA calls for a careful assessment of the longer term impacts of the COVID-19 pandemic on issuers' activities, financial performance, financial position and cash flows. In this regard, ESMA reiterates many aspects of the message it gave in its 2020 statement about the importance of the information given in the financial reports on the going concern assumptions, (time horizon of at least 12 months), significant judgements expressed by the management, the uncertainty of estimated impairment of assets and recognition of DTA for tax losses.
- Calculation of the Expected Credit Loss for financial institutions and exposure staging.
- Higher disclosure than provided in the 2020 financial reports is expected in the representation of the ECL calculation models regarding management overlays, as per IFRS 7: adjustments of internal inputs to the model or post-model adjustments must be appropriately represented in terms of both their application logics and quantitative effects on exposure coverage and staging. ESMA confirms its expectation that extensive disclosure be given of any material changes in measurement approaches and assumptions vs. the previous period, explaining the reasons for said changes, in order to ensure that developments in loss allowance be understood.
- In compliance with FRS 7, ESMA reminds issuers to disclose the basis for inputs (qualitative and quantitative factors) and assumptions and the estimation techniques used to determine whether a significant increase in credit risk (SICR) has occurred; for exposures under support measures, issuers are expected to clearly explain how these measures have impacted the assessment of SICR.
- Lastly, as done for 2020 financial reports, ESMA encourages issuers to provide specific information on the judgements and estimates at the basis of the forward-looking scenarios, giving evidence of the main macroeconomic variables and related sensitivity.
- In the Statement, ESMA also emphasizes the importance of consistency between financial reports in accordance with the IFRS and non-financial statements (NFS), the climate-related risks issuers and their non-financial assets may be exposed to in the long term.

Covid-19 effects

To address the emergency experienced in 2020, the banking system has strengthened its policies for the monitoring, management and control of risks, especially of credit risk. The extraordinary measures deployed by Crédit Agricole Italia in favour of businesses and households ensured strong support to customers, while constant attention was paid to the credit quality of the originated loans and to the assessment of their recoverability. Given the impact of the crisis caused by the Covid-19 pandemic, as early as in H2 2020 specific criteria were defined for the identification of the portfolio to be subjected to enhanced monitoring on a priority basis, also with new review processes supplementing ordinary ones. In 2021 the evolution in the situation related to the pandemic was monitored, assessing time by time any impacts on the main estimates of Crédit Agricole Italia.

ECL governance and measurement

Impairment on the performing loans portfolio is calculated with a tool that is centralized on the Information Systems of the French Parent Company Crédit Agricole S.A. using the information and parameters of each entity as inputs. In compliance with IFRS 9, the ECL is estimated weighting forward-looking scenarios; therefore, the various scenarios were weighted by their probability of occurrence, as given above. The main macroeconomic indicators used to define the scenarios were prepared by the ECO structure of the French Parent Company Crédit Agricole S.A. specializing in macroeconomic studies.

These scenarios were updated considering the developments linked to the health emergency and economic recovery and can be summarized as follows:

- Central scenario: growth continues to be heavily dependent on the 2021 health-related assumptions, which do not envisage any material restrictions to free movement of people and goods. The strong rebound in the GDP, growing by 6% in 2021, is confirmed also for 2022–2024.
- Moderately adverse scenario: marked and long-lasting increase in inflation and in the prices of commodities and intermediate goods. The economic situation causes consumption and investments to decrease starting from mid-2022, with direct impacts on economic recovery.
- The stressed budget scenario is the most severe scenario. It is considered a variant of the moderately adverse scenario and envisages long-lasting reduction in consumption caused by the spike in the prices of commodities (including energy) and intermediate goods. This scenario goes along with responsive monetary policies deployed by the ECB and by the FED aimed at containing the rise in prices.
- The favourable scenario is considered a variant of the central scenario with economic recovery somewhat steadier thanks to lesser increase in the prices of commodities and intermediate goods starting from 2022.

The weights to be given to the four scenarios – which may change each time the parameters are re-estimated – have been set for the Crédit Agricole Group as a whole (Crédit Agricole SA Economic Research Department - ECO) and validated by the Crédit Agricole Group IFRS9 Guidance Committee, on which the Risk Management and Permanent Controls Department of the Crédit Agricole Italia Banking Group also sits.

The evidence about the assessment model, the main macroeconomic indicators taken into account in redesigning the scenarios, the corrective factors (post model adjustments) introduced to manage the uncertainty of the effectiveness of the economic stimulus measures and the sensitivity analysis made on the ECL is fully reported in Part E – Credit Risk of this Note to the financial statements.

Significant increase in credit risk

For each financial instrument, Crédit Agricole Italia assesses any increase in credit risk from initial recognition at each reporting date. Based on this assessment of changes in credit risk, exposures are classified into the different risk stages.

In Q4 2021, the Crédit Agricole Group started a process for the review of the thresholds of significant increase in credit risk (SICR) in order for the approach of PD change in relative terms even more robust.

Based on that input, Crédit Agricole Italia defined new thresholds to assess increase in credit risk, which provide for classification in Stage 2 of all positions for which the PD calculated as at the reporting date is strictly higher than its PD at origination multiplied by a threshold that is different for each portfolio.

In Part E – Credit risk of this Note to the financial statements breakdown disclosure is given.

Covid-19-related contractual modifications

In March 2020, the Crédit Agricole Italia Banking Group started to give its Customers the possibility to suspend repayment of mortgage loans and other loans, concomitantly extending their maturity by the suspension period. The offered suspension measures were progressively aligned with the applicable legislation ("Cure Italy" Decree Law and afterwards the "Support-bis Decree Law) and with the agreements between the Italian Banking Association and the trade associations, which the Group immediately signed in order to ensure the utmost possible protection to its Customers. Therefore, throughout 2021, the Crédit Agricole Italia Banking Group continued with the measures for payment suspension, both those provided for by the Italia Law and those under the agreements between the Italian Banking Association and Trade Associations. Customers in the Individuals segment could:

- Obtain, throughout the year, the suspension of payment of the full instalment for up to 18 months for home loans for primary residence (so-called Gasparrini Fund);
- Apply, until 31 March 2021, for suspension of payment of the full instalment or of the principal repayment portion only for 9 months (Italian Banking Association-Trade Associations Second Agreement).

On the other hand, Corporate Banking Customers could:

- Obtain the suspension of payment of the full instalment or of the principal repayment portion only up to 30 June 2021 ("Cure Italy" Decree Law) applying for the suspension by 31 January 2021.
- Apply, until 31 March 2021, for suspension of payment of the full instalment or of the principal repayment portion only (Italian Banking Association-Enterprises in Recovery 2,0).

Furthermore, the first extension was finalized concerning the moratoria under the "Cure Italy" Decree Law which were in force as at 31 January 2021 and as at 31 March 2021 (for the tourism sector), automatically postponing their expiry to 30 June 2021, unless the moratoria were specifically renounced by customers.

The second and last extension of the moratoria under the "Cure Italy" Decree applied to all the measures in force as at 30 June 2021 for which customers had explicitly applied for postponement of expiry to 21 December 2021.

The moratoria the Group offered to its Customers consisted in postponing the payment schedule (in case payment of the full instalment is suspended, the date of interest collection was also postponed), which caused no material impacts on the present value of the exposures under moratoria; therefore, applying modification accounting, no profits or losses resulting from said concessions have been recognized. Furthermore, the moratoria falling within the EBA Guidelines scope did not, as a rule, entail the classification of the exposure as forborne or its automatic classification in stage 2 with consequent calculation of the related lifetime expected loss. Consistently with the approach indicated by the ECB, the classification as Unlikely to Pay of Customers that benefited from moratoria was not based solely on their application for said concession, but also on forward-looking assessments of said positions, strengthening the monitoring processes on priority portfolios.

Because of the selective extension of the suspension of bank loan repayment, in 2021 moratoria were reclassified as either compliant or non-compliant with the EBA guidelines, based on whether the overall duration of repayment suspension exceeded nine months. The tables in Part B and Part E of this Note to the financial statements, as required under the 2021 update of Bank of Italy Circular no. 262, show the stocks as at the reporting date.

As at 31 December 2021, the loans under moratoria amounted to Euro 235 million.

The accounting treatment of said concessions in favour of Customers was in accordance with the reference regulatory framework defined by the documents issued by the Regulator, and specifically by the EBA, in 2020 and therefore already applied in preparing the annual report and financial statements as at 31 December 2020.

Given the crisis, the monitoring processes on priority portfolios have been strengthened. Having specific regard to the counterparties benefiting from moratoria, the analyses aim at assessing whether there are periodic flows that are adequate to ensure the loan repayment once the suspension measure ends.

In order to foretell any latent risk situations linked to moratoria, consistently with the end of the last year, the Crédit Agricole Italia Banking Group made adjustments, in terms of both staging and coverage on a significant cluster of positions for which it cannot be ruled out that the concession of payment suspension may have generated an impact on the risk parameters used for staging and for the ECL calculation.

The quantitative analysis of the perimeter of forborne exposure and of the post-model adjustment impacts is reported in Part E of this Note to the financial statements.

Loans guaranteed by the State

Reasserting the Group's commitment to providing tangible response and its will to stand by those Customers that have been worst hit by the health emergency, the program comprises solutions to ensure liquidity to all the Group's Customers, also through the measures laid down by Italian Liquidity Decree Law of 8 April 2020 and the law enacting it.

In accordance with the relevant accounting principles, these loans are recognized at amortized cost.

As at 31 December 2021, Crédit Agricole Italia had participated in the origination of loans backed by state guarantees for an amount of Euro 2.6 billion.

IFRS 16 – Covid-19-related concessions

Crédit Agricole Italia had no impact on profit or loss in 2021 generated by the application of the amendment to IFRS 16 "COVID-19-related Rent Concessions" after 30 June 2021" (Regulation EU 2021/1421), as no Covid-19-related rent concessions were recognized in 2021.

Impairment testing of goodwill

In accordance with IAS/IFRS, Crédit Agricole Italia tested the goodwill recognized as at 31 December 2021 for impairment. Specifically, the recoverable amount of goodwill was first determined for the entire perimeter of Crédit Agricole Italia and then broken down by the Corporate, Retail and Private Banking Cash Generating Units ("CGU"), weighted based on the profit expected from each channel in full operation.

The used method was the Dividend Discount Model ("DDM") in its Excess Capital version. The DDM estimates the company value as the sum of the present value of the theoretical future cash flows distributed to shareholders in the explicit period and the Terminal Value. Specifically, in its "Excess Capital" variant, this method provides for the economic value of a financial company to be calculated by discounting a dividend flow determined based on full compliance with the capital requirements set by the Supervisory Authority.

Information on the method for calculating future cash flows and the discount rate is provided in the Annual Report and Consolidated Financial Statements of the Crédit Agricole Italia Banking Group.

For the only CGU in which goodwill was recognized, the calculation gave evidence of a value in use higher than the related carrying amount.

More exhaustive information is given in Part B-Section 9 – Intangible assets.

Deferred Tax Assets (DTA): probability test

As regards the recognition of DTAs, which were recognized for an amount of about Euro 1,090 million, the probability test was carried out and confirmed their full recoverability.

Said verification was performed having regard to Article 1, paragraphs 233 et seq., of Italian Law no. 178 of 30 December 2020, for the merger by absorption of Creval into Crédit Agricole Italia, scheduled for April 2022, under which deferred tax assets- (DTA) relating to tax losses carried forward or to Corporate Equity Allowance (ACE) excess not used until the 2020 tax period, whether on-balance-sheet or off-balance-sheet, can be converted into tax credits.

The probability test, especially as regards the recognition of DTA on unused tax losses, once having applied the aforementioned conversion, was calculated based on the estimated future profits and losses used in the impairment test. The test showed that the recognized DTA for tax losses cane be reasonably expected to be recovered over a modest time horizon, which, in the most likely scenario, is five years.

Considering also the amount of convertible DTAs under Italian Law 214/2011, the DTAs tested for impairment amounted to Euro 390.1 million, of which Euro 63.9 million from tax realignment.

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

Stelvio Project

Within the derisking actions deployed on the NPE portfolio, in 2021 the Crédit Agricole Italia Banking Group successfully completed disposals of non-performing loans for a gross book value of approximately Euro 1.6 billion, combining the securitization transaction called "Stelvio Project" and the disposal of single positions during the ordinary collection activities.

Specifically, the Stelvio transaction perimeter is a portfolio of about 13,500 loans classified as bad, for a gross exposure of Euro 1.55 billion, 71% of which was originated by Crédit Agricole Italia (Euro 1.10 billion), 17% by Credito Valtellinese and 12% by Crédit Agricole FriulAdria.

The transfer of the loans by the 3 originator banks of the Group to the special-purpose entity Ortles 21 S.r.l., incorporated under Italian Law 130/99, was finalized on 3 December 2021.

In order to finance the purchase of the loans, on 17 December 2021, the special-purpose entity issued three tranches of ABS as listed below:

- Senior (Class A) notes, amounting to Euro 340 million and equal to 18.5% of the gross collectible value of the sold loans, to which a BBB investment grade rating was assigned by Scope Rating, DBRS and Arc Rating and were subscribed by Crédit Agricole Italia;
- Mezzanine (Class B) notes, amounting to Euro 40 million and equal to 2.2% of the gross collectible value of the sold loans, without rating and subscribed by Crédit Agricole Italia;
- Junior (Class J) notes, amounting to Euro 14.3 million and equal to 0.8% of the gross collectible value of the sold loans, without rating and subscribed by Crédit Agricole Italia.

As regards the Senior notes, which are 100% held by Crédit Agricole Italia, the application for admission to the Italian State guarantee scheme on securitization of NPLs (GACS) was submitted to the Italian Ministry of the Economy and Finance.

The Senior notes were recognized in the "Hold to collect" (HTC) portfolio, while the Mezzanine and Junior notes were recognized in the portfolio of instruments mandatorily measured at fair value through profit and loss.

On 21 December 2021, Crédit Agricole Italia sold 95% of the Mezzanine notes and 95% of the Junior notes to a specialist investor enabling the Group to fully derecognize the loans disposed of while complying with the requirement to retain a material net economic 5%[29].

The derecognition of the assets within the Stelvio perimeter entailed the recognition in the 2021 income statement of a negative impact totalling Euro 138 million.

29 Of which (i) in Article 405(1)(a) of Regulation (EU) 575/2013 ("CRR"), (ii) in Article 51(1)(a) of Delegated Regulation (EU) 231/2013 ("AIMFD Regulation") and (iii) in Article 254(2)(A) of Delegated Regulation (EU) 35/2015 ("Solvency II Regulation).

Next Generation Plan

Within the Creval integration project, Crédit Agricole Italia started a generational turnover programme having strategic extent and value, which will in a short time lead to having state-of-the-art competences and skills.

As regards the voluntary redundancy with incentives system, the following arrangements went live:

- Voluntary redundancy incentives applying to all those that meet the pension requirements to qualify for the Italian General Compulsory Insurance (AGO) benefits;
- Qualifying for the extraordinary benefits given by the solidarity fund for banking sector employees; this solution may apply to those that will qualify for pension in the period between H2 2022 and 2027.

On 1 October 2021 the Voluntary Redundancy Agreement was signed with the Trade unions. As the Agreement was signed and considering the number of people who joined the scheme, Crédit Agricole Italia recognized non-recurring costs totalling Euro 124 million under "Personnel expenses" with that amount allocated to the Provision for personnel charges.

Geographical rationalization of the physical network

The actions that the Group has planned for 2022 are part of the wider project for the integration into Crédit Agricole Italia of the Creval and Crédit Agricole FriulAdria networks and have been designed based on the guidelines given below:

- Resolution of cases of overlapping branches generated by the integration of Creval Network, maintaining the same coverage of the communities Creval has long been operating in;
- Evolution in the geographical coverage model towards a Network consisting of fewer but larger-sized and more specialized branches, focusing on higher added value activities rather than on mere transaction execution, especially in big cities.

Most of the planned actions (about 88 branches to be closed) are going to be implemented within the Crédit Agricole Italia – Creval integration in April 2022, others concern Creval - Crédit Agricole FriulAdria overlapping cases and will be implemented in November 2022.

As regards the perimeter of leased branches, based on the dates on which the use of the premises will end and on the conditions for early withdrawal from the single contracts, the financial statements as at 31 December 2021 already report the appropriate adjustments of the carrying amount of both IFRS 16 lease liabilities (cash flow new maturity) and right of use; as regards owned branches, the plan for closures required an analysis of the book value and fair value as at 31 December 2021 of the assets concerned.

Realignment of carrying amounts and tax bases

Realignment of the carrying amounts and tax bases of some property, plant and equipment and intangible assets: the CA Italia Group exercised the option under Article 110 of Italian Decree Law 104/2020 (as amended by Italian Law 178/2020 and Italian Law 234/2021) whereby the tax bases of some property, plant and equipment and intangible assets could be realigned to their higher carrying amounts with payment of a substitute tax of 3% (the first instalment of which paid on 30 June 2021). The option for realignment is exercised with the specific indication in the income tax return and entails that a constrain be established on a reserve, as defined by the General Meeting of Shareholders within the approval of the 2021 Annual Report and Financial Statements. In case the reserves are distributed, they contribute to the income of the Company and of its shareholders. As the conditions were met, the realignment was applied retrospectively to properties,, goodwill and to a property plant and equipment asset with finite useful life. With the realignment, besides provisioning for the related substitute tax, the values of DTAs/DTLs showing pre-existing mismatches and new values were updated.

This generated a positive effect on the "taxes" item of the income statement for the period of approximately Euro 73.6 million.

The table below summarizes the realignment and the related effects (figures in million of Euros):

Realigned amount	substitute tax	effect on the income statement	constraint on the reserve
246	7	74	239

On 1 March 2022 with Circular no. 6/E, Agenzia delle Entrate (the Italian Revenue Agency) admitted, under certain conditions, the possibility of another approach to calculate goodwill realignment, which before was not recognized. Consequently, pending the appropriate in-depth analyses and verifications, the constraint on the reserve is expected to amount to Euro 878 million, also in accordance with any higher maximum amount that may be realigned.

Business Combinations Conversion of DTAs for losses with payment of a commission

Based on Article 1, paragraph 233 et seq. of Italian Law no. 178 of 30 December 2020, for the merger by absorption of Creval into Crédit Agricole Italia, scheduled for April 2022, Deferred Tax Assets- (DTA) relating to tax losses carried forward or to Corporate Equity Allowance (ACE) excess not used until the 2020 tax period, whether on-balance-sheet or off-balance-sheet, can be converted into tax credits with specific methods.

The conversion is subject to the condition that a substitute tax of 25% of the total concerted DTA be paid, specifically 40% within 30 days of the date of the merger legal effect and remaining 60% within the first 30 days of the following financial year. The commission is deductible from the Italian Corporate income tax (IRES) and the Italian Regional Tax on Productive Activities (IRAP) in the financial year in which payment is made. The conversion generates the right to offset the tax credit thus obtained, as to 25% on the date of the merger legal effect and, as to 75%, on the first day of the next financial year.

The maximum value of DTAs that can be converted is 2% of the value of the assets of the entities that are parties to the business combination, net of the assets of the largest-sized party. Due to the conversion, the right to recover the tax loss/ACE the DTA refer to ceases to apply.

As the DTA conversion is expected, the estimated commission was allocated to provision in an amount, net of the related tax benefit, of Euro 72,6 million and recognized in item "Income Taxes for the period".

Covered bonds

In March 2021, giving yet further evidence of its commitment to the environment, Crédit Agricole Italia made the first Italian issue of Green Covered Bonds intended to finance or refinance a pool of residential mortgage loans that were selected based on sustainability criteria and originated for the purchase of highly energy efficient properties. The issued bonds totalled Euro 500 million and 12-year maturity (maturing in 2033).

For more exhaustive information on the issues of covered bonds, please see Part E - Section 2 - Credit risk - paragraph D - Disposals in the Note to the financial statements.

IT infrastructure outsourcing

In 2021 the project for the outsourcing of the Group's IT infrastructure started; its purpose is to support the Crédit Agricole Italia Banking Group in its technological innovation process demanded by the market scenario, while improving operational performances and contributing to the achievement of medium and long term cost advantages. Overall, the outsourcing arrangement covers facility management services of the department IT environment, the supply, management and maintenance of workstations and connectivity, as well as the maintenance of ATMs and Totems at branches.

The contract, which has a medium/long-term perspective, will enable to speed up the capacity to develop innovative digital services and to respond, in a fast and flexible manner, to the new market scenarios. The cross-industry architecture of the outsourcing arrangement between players operating in telecommunication and financial services represents a one-of-a-kind and innovative approach to achieve digital transformation and effective management of the Firm's technological centers.

The programme, which became operational in H2 2021, will lead to the migration of the present server farms located in Parma and Settimo Milanese to datacenters that are certified as Tier 4, i.e. top security, in accordance with the relevant international standards and have been designed with the green approach that is one of the Crédit Agricole Group's distinctive features.

The outsourcing contract provides for both an IT infrastructure lease component, recognized in accordance with IFRS 16, and a service, assistance and maintenance component recognized in the income statements under administrative expenses in accordance with IFRS15.

OTHER INFORMATION

TLTRO III

A third series of targeted long-term refinancing operations was resolved by the ECB in March 2019 and was amended in September 2019 due to the worsening in the economic scenario and again in March and April 2020 due to the Covid-19 situation.

In accordance with the terms as amended in April 2020, the borrowing rates in these operations can be as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2021 (then extended to June 2022), and as low as the average interest rate on the deposit facility during the rest of the life of the respective TLTRO III. The borrowing rate is linked to the achievement of a target growth rate in lending to businesses and households. The reduced interest rate is subject to the achievement of pre-set thresholds in lending performances. Interest shall be settled at the maturity of each TLTRO III or upon early repayment.

Crédit Agricole Italia has implemented periodic monitoring of the level of eligible loans in order to assess the achievement of the pre-set thresholds in lending performance and to give grounds for the reasonableness of the used interest rate. The Management considered (based on the periodic monitoring of lending performances - mentioned below) the outstanding loans from the ECB could be recognized at a-1% rate.

New definition of default

Since September 2020, the Crédit Agricole Italia Banking Group has been applying, on an early adoption basis and in line with the Parent Company Crédit Agricole S.A., the New Definition of Default, resulting from the implementation of the "RTS on the materiality threshold for credit obligations past due under Article 178 of the CRR (Delegated Regulation EU 2018/171)" and of the related "EBA Guidelines on the application of the definition of default under Article 178 of the CRR".

The new Definition of Default requires more rigorous classification into the default status of pastdue exposures, both for enterprises (of all types and sizes) and for individuals, sole traders and households.

Specifically, the new rules, which all banks are required to apply as of 1 January 2021, concern the classification as NPLs in terms of timeliness (fine tuning the methods to classify UTP and implementing additional automatisms), objectivity (setting non-discretionary materiality thresholds, both absolute and relative different for retail and corporate banking positions) and prudence (introducing specific rules for positions to be classified back as performing – the so-called probation period).

In accordance with the new rules, banks shall also put on record the business and legal relations of their customers in order to identify the cases in which the default of a party may have repercussions on a debtor connected to said party (the so-called contagion effect).

Purchase of Tax Credits - Ecobonus

Within the measures deployed by the Italian Government to support the economy, Decree Law no. 34/2020 (so-called "Relaunch" Decree) gives the possibility to deduct certain types of expenses as tax credits. Under the "ecobonus" and "earthquake bonus" schemes, as well as under other incentive schemes for building works, an incentive is a rebate in the price due to the vendor with a tax credit given to the vendor.

Crédit Agricole Italia rolled out the service for the purchase of tax credits from Customers and concomitantly, in accordance with the instructions given by the Bank of Italy (Bank of Italy/Consob/Ivass Document no. 9 of 5 January 2021) implemented a specific accounting policy. In accordance with the applicable legislation, said policy provides for the recognition of purchased tax credits as assets in the Balance Sheet, under item 120 "Other assets", with initial recognition at fair value, equal to the purchase price paid to the Customers. For these tax credits, the Group also chose the "Hold to collect" Business Model (i.e. an investment to be held to maturity) and consequently recognized them with the amortized cost method.

The income component of the rebate (delta between the credit nominal value and cash outflow) has been recognized in the Income Statement under item 10 “Interest and similar income”. Said interest income over the credit life has been allocated with the amortized cost method.

As at 31 December 2021 the reported balance of purchased tax credits, recognized under item “Other assets”, came to Euro 351 million, generating interest income of Euro 4.8 million taken to the income statement.

Option for the Italian national tax consolidation

In March 2016, the national tax consolidation scheme was adopted, with effects since the 2015 tax period, by the Crédit Agricole Group in Italy; such scheme was introduced with Article 6 of Italian Legislative Decree No. 147 of 14 September 2015, according to which also the Italian “sister” companies, whose controlling Company is resident in a EU Member State, may exercise the option for consolidated taxation.

Initially, 18 Companies of the Group opted to join the tax consolidation scheme and, having been designated by Crédit Agricole S.A., Crédit Agricole Italia has undertaken the role of Consolidating Entity. Taking into account the new entities that joined the scheme and those that were terminated, as at 31 December 2021, the tax consolidation scheme consisted of 22 entities.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss), as regards the Italian corporate income tax (IRES), to the consolidating Entity Crédit Agricole Italia, which calculates a single taxable income or a single tax loss for the Group, as the algebraic sum of the income and/or losses of the single Companies, and recognizes a single tax account payable to or receivable from the Italian Inland revenue Service.

As balancing item of taxes/lower taxes for tax losses and Allowance for Corporate Equity (ACE) benefits to be transferred to the consolidation scheme or withholdings, detractions and the like, the companies in the consolidation scheme recognize due and payables/receivables from the consolidating entity.

In its separate Financial Statements, the Consolidating Entity recognizes matching items of due and payables to/receivables from the entities in the consolidation scheme. Specifically, the intra-group balances resulting from the tax consolidation scheme are recognized in the items:

- “Financial assets measured at amortized cost – due from banks”, or “Financial assets measured at amortized cost – loans to customers”, in accordance with the kind of counterparty, for estimating the corporate income tax (IRES) transferred by the member entities to the tax consolidation scheme;
- “Financial liabilities measured at amortized cost – due to banks”, or “Financial liabilities measured at amortized cost – due to customers”, in accordance with the kind of counterparty, for the transfer of tax losses or ACE benefits by the member entities to the tax consolidation scheme.

Lastly, the tax consolidation scheme’s tax account payable to or receivable from the Italian Inland Revenue Agency is recognized under current tax liabilities or assets based on whether the IRES payable amount is higher or lower than the payments on account made.

Option for the VAT Group

In November 2018, the option for a VAT Group scheme pursuant to Article 1 paragraph 24 of Italian Law no. 232 of 11 December 2016 was exercised, with effects as of 1 January 2019; the VAT Group includes the subsidiaries of Crédit Agricole Italia having, at the same time, financial, economic and organisational links in force between them, as provided for by Italian Ministerial Decree of 6 April 2018 and by Circular no. 19/2018.

Crédit Agricole Italia is the Group’s Representative Member. Subsequent to some mergers by absorption and to the entry of anew entities, the perimeter of the VAT Group, initially of 15 entities, consisted of 11 entities of the Group as at 31 December 2021. Thanks to this scheme, the member entities operate, for VAT purposes, as a single taxable person in their transactions with external companies, with a single VAT registration number. The main advantage generated by the exercise of this option is that, in general, the transactions between the Group member entities are not subject to VAT.

Patent box

In 2021, Patent Box agreements were finally closed with Agenzia delle Entrate (the Italian Revenue Agency), the applications for which had been filed in 2015. The benefit is proportional to assumed income generated by trademarks in force in 2015 and used for the 2015/2019 period and trademarks created afterwards were not eligible for said benefit.

Consequently, the final benefit from the agreement closed, with effects on the relevant items of the income statement, came to about Euro 1.48 million, of which Euro 0.66 million already recognized in 2020 and Euro 0.83 million recognized in 2021.

Publication of the Annual Report and Financial Statements in ESEF

Directive 2013/50/EU – amending Directive 2004/109/EC (so-called “Transparency Directive”) laid down that, as of 1 January 2020, the Annual Reports and Consolidated Financial Statements of issuers whose securities are admitted to trading on a regulated market shall be prepared in a single communication electronic format.

Considering the difficulties that firms faced due to the Covid-19 pandemic, the Transparency Directive was amended giving Member States the power to postpone the aforementioned obligation and Italy, with the so-called “Milleproroghe” Decree, exercised it establishing that the ESEF Regulation shall apply, for Italian companies, to “annual reports and financial statements for reporting period starting on or after 1 January 2021”.

Nonetheless, Crédit Agricole Italia qualifies for the exemption under Article 83 of CONSOB Issuer Regulation, which reads “Obligations for the preparation and publication of financial reports as envisaged in article 154-ter of the Consolidated Law shall not apply to: (...) b) issuers whose home Member State is Italy, which exclusively issue debt securities listed on a regulated market whose unit par value comes to at least 100.000 Euros, or an equivalent value in the event of currencies other than the Euro. (...)”.

For this reason, the Annual Report and Financial Statements of Crédit Agricole Italia as at 31 December 2021 will not be published in ESEF format.

Audit of the accounts

The statutory audit of the accounts is assigned to an independent audit firm that carries out the activities provided for by Article 14, paragraph 1 of Italian Legislative Decree No. 39 of 27 January 2010.

The statutory audit of the accounts was performed by EY S.p.A. until the approval of the 2020 Annual Report and Financial Statements.

On 28 April 2021, the General Meeting of Crédit Agricole Italia Shareholders resolved to assign the statutory audit of the accounts and related services for the 2021-2029 period to PricewaterhouseCoopers S.p.A.

The 2021 annual report and financial statements were audited by the aforementioned audit firm.

Publication of the Annual Report and Financial Statements

The Board of Directors approved the draft Annual Report and Financial Statements as at 31 December 2021 of Crédit Agricole Italia and authorized their publication on 24 March 2022, pursuant also to IAS 10.

A.2 PART REPORTING ON THE MAIN FINANCIAL STATEMENT ITEMS

The IAS/IFRS that were adopted for the preparation of the annual report and financial statements as at 31 December 2021 are given below broken down by financial statement item, having regard to classification, recognition, measurement and derecognition of asset and liability items, as well as the methods to recognize revenues and costs. Said standards are the same ones used for the preparation of the annual report and financial statements as at 31 December 2020.

FINANCIAL INSTRUMENTS (IFRS 9, IAS 39 AND IAS 32)

DEFINITIONS

IAS 32 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity, or any contract establishing contractual rights and obligations to receive or deliver cash or other assets.

Derivative instruments are financial assets or liabilities the value of which evolves in accordance with that on an underlying instrument; they require low or no initial investment and are settled at a later date.

Financial assets and liabilities have been recognized in the financial statements in accordance with IFRS 9, as endorsed by the Europe Union.

IFRS 9 lays down the bases for:

1. Classification and measurement of financial instruments;
2. Impairment of exposures for increase in credit risk;
3. Hedge accounting, excluding macro hedging.

However, it is pointed out that the Crédit Agricole Italia Banking Group, in accordance with the instructions of its French Parent Company Crédit Agricole S.A., has exercised the option, which is given to IFRS 9 first-time adopters, to continue to fully apply IAS 39 as regards hedge accounting. Therefore, all hedges have remained within the IAS 39 scope, pending the future application of the new “dynamic risk management accounting model”.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Initial measurement

At their initial recognition, financial assets and liabilities are measured at fair value, as defined in IFRS 13.

The IFRS 13 definition of fair value is “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

Subsequent measurement

After their initial recognition, financial assets and liabilities shall be measured, in accordance with their classification, at amortized cost using the effective interest rate (EIR) method for debt instruments or at fair value. Derivative instruments shall always be measured at fair value.

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition, including the transaction costs that are directly attributable to its acquisition or issue, minus principal repayments, plus or minus the cumulative amortization calculated using the effective interest (EIR) method of any difference (discount or premium) between that initial amount and the maturity amount. In case of a financial asset measured at amortized cost or at fair value through other comprehensive income, its amount may be adjusted, where necessary, as impairment.

The effective interest rate (EIR) is the rate that discounts the estimated future cash flows (paid or collected) from the financial instrument through its expected life or, as the case may be, over a shorter period, to the net book value of the financial asset or liability.

1. FINANCIAL ASSETS

Financial assets other than derivatives (debt instruments or equity instruments) shall be classified in one of the three categories given below:

- Financial assets recognized at fair value through profit or loss (FVTPL);
- Financial assets at amortized cost; (for debt instruments only);
- Financial assets at fair value through equity (with recycling for debt instruments, without recycling for equity instruments).

The classification and measurement of financial assets depend on the financial asset nature, whether it qualifies as:

- Debt instrument (i.e. loans and securities with fixed or determinable payments);
- Equity instruments (i.e. shares).

Debt instruments

The classification and measurement of a debt instrument is determined at its initial recognition and is based on two joint criteria: the business model and the analysis of its contractual characteristics in order to assess that the financial asset contractual terms provide for, at set dates, cash flows that are are 'solely payments of principal and interest on the principal amount outstanding' (the "SPPI test"), unless the fair value option is exercised.

Business Model

The business model expresses how a cluster of financial assets is collectively managed in order to order to pursue a set corporate objective, thus representing the strategy of the Crédit Agricole Italia Banking Group in managing its financial assets. The business model is determined for an asset portfolio, rather than specifically for a single financial asset.

There are three business models:

- Hold to Collect (HTC), the objective of which is to hold the financial asset to collect its contractual cash flows throughout its useful life; this model does not require that all the assets be held until their contractual maturity; however, any sale of the assets is subject to restrictions in terms of frequency and significance. In the financial year, sales are permitted as long as they do not breach a non-significance threshold that, in accordance with the Group policy, varies based on the portfolio average duration;
- Hold to Collect and Sell (HTC&S), the objective of which is to hold the financial assets both to collect their contractual cash flows and to sell them; in this model, both the sale of financial assets and the collection of their cash flows are permitted;
- Other, this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not qualify for the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applied to a portfolio of financial assets whose management and performance are measured based on fair value.

In accordance with the standard and with the choices made by the Group, the sale of financial assets classified in the HTC business model HTC are allowed in different terms, as described below, based on whether the sale concerns a security portfolio or a loan portfolio.

Sales of **securities** are allowed for the following reasons:

a) Increase in credit risk;
b) Debt instruments close to maturity;
c) Frequent but not significant sales;
d) Infrequent sales.

Specifically:

a) *Sales allowed due to an increase in credit risk*

The Crédit Agricole Italia Banking Group has identified the following criteria to allow the sale of debt securities classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met.

- Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
- Risk indicator: downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;
- Market indicators:
  - Material increase in the issuer's credit spread between the date of purchase and the date of sale of the instrument;
  - Material evolution in the issuer's premium CDS between the date of purchase and the date of sale of the instrument;

b) *Sales permitted as the debt instruments are close to maturity*

Financial assets in the Hold to Collect portfolio may be sold if they are close to maturity and the proceeds from their sales approximate the collection of the remaining contractual cash flows (IFRS 9.B4.1.3B).

In order to judge such sales consistent with the Hold to Collect Business Model, the following parameters were defined:

- Time to maturity considered admissible of 6 months;
- A maximum difference between the proceeds from the sale and the remaining contractual cash flows (amortized cost) of 3% (without taking fair value hedge effects into account).

c) *Frequent but not significant sales*

In the financial year, sales are permitted up to a 15% limit; this non-significance threshold varies in accordance with the portfolio average duration.

d) *Infrequent sales*

- Changes in the tax legislation entailing higher tax expenses generating a not negligible impact for the Group;
- Non-recurring transactions by the issuer/the issuer's Group (i.e. mergers, sales of business units and, in general, any other non-recurring transaction impacting on the entity's equity);
- Changes in the applicable legislation or regulations;
- Need to strengthen capital requirements.

Sales of **loans** are allowed for the following reasons:

- Increase in credit risk;
- Loans close to maturity and with a sale price that approximates the remaining contractual cash flows;
- Frequent but not significant sales;
- Infrequent sales that are potentially significant.

Specifically:

a) *Sales allowed due to an increase in credit risk*

- The Crédit Agricole Italia Banking Group has identified the following criteria to allow the sale of loans classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met:
- Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
- Risk indicators (applying to large-corporate customers only): downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase.

b) *Sales permitted as the loans are close to maturity*
The sales of loans in the Hold-to-Collect portfolio shall be allowed if all the following criteria set by the Group are met:
- The financial assets to be sold have residual life of less than 6 months;
- The value of the assets to be sold is close to the amortized cost of the financial asset (also in case of frequent sales);
- The difference between the sale price and the amortized cost of the loan shall not be higher than 3% without taking into account fair value hedge effects.

b) *Frequent but not significant sales*
Sales are permitted in the financial year.

c) *Infrequent sales*
- Changes in the tax legislation entailing higher tax expenses generating a not negligible impact for the Group;
- Non-recurring transactions by the issuer/the issuer's Group (i.e. mergers, sales of business units and, in general, any other non-recurring transaction impacting on the entity's equity);
- Changes in the applicable legislation or regulations;
- Need to strengthen capital requirements.

The contractual characteristics ('Solely Payments of Principal & Interest' or SPPI test):

The SPPI test provides for a set of criteria to be examined as a whole, whereby it can be determined whether the contractual cash flows are consistent with the characteristics of a basic lending arrangement (repayments of face principal and payment of interests on the face principal still outstanding).

The test is passed if the loan entitles exclusively to principal repayment and if the payment of collected interests represents the time value of money, the credit risk associated with the instrument, other costs and risks of a classic lending arrangement, as well as a reasonable profit margin, in case of both fixed and floating interest rates.

Under a basic lending arrangement, interest represents the cost of the passage of time, the price for credit and liquidity risks over the period, and other components linked to the asses maintenance cost (e.g.: administrative costs).

If no conclusion can be made with this qualitative analysis, a quantitative analysis (or benchmark test) shall be made. This additional analysis consists in comparing the contractual cash flows of the asset under analysis to the cash flows of a benchmark asset (an asset with characteristics that are similar to those of the asset under analysis but "simple").

If the difference between the cash flows of the financial asset and those of the benchmark instrument is not deemed significant, the asset shall be considered a basic lending arrangement.

Furthermore, a specific analysis shall always be carried out if the financial asset provides for payments with different priorities linked to flows from other benchmark financial assets (e.g. In case of Credit Linked Instruments (CLI) or instruments issued by Special Purpose Entities (SPE) incorporated within Project Finance schemes), as regards which the credit risk concentration for each single tranche shall be analyzed. In this case, the SPPI tests requires the analysis of the characteristics of the contractual cash flows of the asset in question and of the underlying assets, in accordance with a «look-through» approach, and of the credit risk borne by the subscribed tranches compared to the credit risk of the underlying assets.

The recognition of debt instruments resulting from the definition of the business model along with the SPPI test can be presented with the chart below:

Debt instruments		Management models		
		HTC	HTCS	HTS
Test SPPI	Passed	Amortized cost	*Fair value through Equity (OCI) with recycling*	*Fair value* through profit or loss
	Not passed	*Fair value* through profit or loss	*Fair value* through profit or loss	*Fair value* through profit or loss

Debt instruments at amortized cost

Debt instruments shall be measured at amortized cost if they are eligible for the HTC model and if they pass the SPPI test.

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs.

The amortization of any premiums/discounts and transaction costs of loans, receivables and fixed-income securities are recognized in the Income Statement with the effective interest rate method.

This category of financial assets is subject to impairment in accordance with the criteria set forth in the specific paragraph “Impairment for credit risk”.

Debt instruments at fair value through equity with recycling

Debt instruments shall be measured at fair value through equity with recycling if they are eligible for the HTC&S model and if they pass the SPPI test.

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs. The amortization of any premiums/discounts and of security transaction expenses is recognized in the Income Statement with the Effective Interest Rate (EIR) method.

These financial assets are then measured at fair value and fair value changes are recognized through equity (with recycling) as the financial asset balancing item (excluding interest accrued taken to the Income Statement with the EIR method).

In case of sale, any fair value changes recognized through Equity are transferred to the Income Statement.

This category of financial instruments is subject to value adjustments for expected losses in accordance with the criteria set forth in the specific paragraph “Impairment for credit risk” (without any resulting impacts on the fair value on the balance sheet).

Debt instruments at fair value through profit or loss (FVTPL)

Debt instruments are measured at fair value through profit or loss in the following cases:

- The instruments are classified in the portfolio held within the Other Business Model (or financial assets held for trading or held with the main objective of selling them): financial assets held for trading are assets acquired or generated by the company mainly in order to sell them in the short term or part of a portfolio of instruments managed collectively in order to generate a profit from short-term fluctuations in price, or from a dealer’s margin. Although contractual cash flows are collected in the period in which the Crédit Agricole Italia Banking Group holds the assets, the collection of such contractual cash flows is not essential but rather incidental.
- Debt instruments mandatorily measured at FVTPL as they do not comply with the SPPI test requirements. For instance, this is the case of Collective Investment Undertakings (open-end funds and closed-end funds).
- The financial instruments classified in portfolios for which the entity opts for fair value measurement. In that case, it is a specific designation of instruments to be measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement) and including accrued interest.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the balance sheet item reporting the financial assets.

This category of financial assets is not subject to impairment.

Debt instruments measured at fair value through profit or loss are recognized at the settlement date.

If the SPPI test is failed, debt instruments mandatorily measured at fair value through profit or loss are recognized at the settlement date.

Equity instruments

Equity instruments are recognized at fair value through profit or loss (FVTPL) unless an irrevocable option for their measurement at fair value through equity (in this case "without recycling") is exercised, granted that such instruments are not held for trading.

Equity instruments at fair value through profit or loss

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement). These assets are recognized at their settlement date.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the value of the financial assets on the balance sheet.

This category of financial assets is not subject to impairment.

Equity instruments at fair value through equity without recycling (irrevocable option)

The irrevocable option to recognize equity instruments at fair value through equity without recycling may be exercised for each single transaction and shall apply as of the date of initial recognition. These financial instruments are recognized at their settlement date. The initial fair value includes transaction costs.

At subsequent measurements, fair value changes are recognized in equity. In case of sale, these changes are not recycled to profit or loss; therefore, the profit or loss from the sale continues to be recognized in equity.

Only collected dividends are recognized in profit or loss if:
- The entity's right to collect their payment is set;
- It is likely that the economic benefits associated with the dividends will go to the entity;
- The dividend amount can be reliably measured.

Reclassification of financial assets

In the very few cases of a significant change in the business model used for managing financial assets (which, in accordance with the standard, may occur new activity, acquisition of entities, disposal or discontinuation of a business line), a reclassification of these financial assets is necessary.

In such cases, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

Where any "Financial assets measured at fair value through profit or loss" is reclassified under "Financial assets measured at amortized cost", the fair value as at the reclassification date shall become the new gross book value; the date of reclassification shall be the date of initial recognition for credit risk staging in order to estimate impairment. Where the financial asset is reclassified under "Financial assets measured at fair value through other comprehensive income", the financial asset shall continue to be measured at fair value. The effective interest rate shall be determined based on the asset fair value as at the reclassification date.

If the financial asset is reclassified from measured at amortized cost to measured at fair value through profit or loss, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through profit or loss.

If the financial asset is reclassified from measured at fair value through other comprehensive income to measured at amortized cost, the financial asset shall be reclassified at fair value on the reclassification date. However, accumulated profit (loss) previously recognized through other comprehensive income shall be derecognized in equity and adjusted to the fair value of the financial asset as at the reclassification date. Consequently, the financial asset shall be measured as at its reclassification date as if it had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification.

If the financial asset is reclassified from measured at amortized cost to measured at fair value through other comprehensive income, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through other comprehensive income. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification.

If the entity reclassifies a financial asset from measured at fair value through other comprehensive income to measured at fair value through profit or loss, the financial asset continues to be measured at fair value. Accumulated profit (loss) previously recognized through other comprehensive income shall be reclassified from “through equity” to “through profit or loss” with a reclassification adjustment (as per IAS 1) as at the reclassification date.

Reclassification is not allowed for equity securities.

Temporary investments in/disposals of securities

Temporary disposals of securities (loans of securities, securities disposed of under repurchase agreements) do not generally fulfil the conditions for derecognition.

Securities lent or sold under repurchase agreements remain on the balance sheet. In the case of securities under repurchase agreements, the amounts received, representing the liability to the transferee, are recognised on the liabilities side of the balance sheet by the transferor.

Securities borrowed or received under repurchase agreements are not recognised on the balance sheet of the transferee.

In the case of securities disposed of under repurchase agreements, an account receivable from the transferor is reported on the balance sheet of the transferee and offset against the amount paid. If the security is subsequently resold, the transferee recognizes a liability measured at fair value representing its obligation to return the security received under repurchase agreements.

Revenue and expenses relating to such transactions are recognized to profit and loss on an accrual basis, except in the case of classification of assets and liabilities at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or group of financial assets) is fully or partially derecognized if:

- The contractual rights to the cash flows from the financial asset expire;
- The contractual rights to the cash flows from the financial asset are transferred or are deemed as such because they belong de facto to one or more beneficiaries and when substantially all the risks and rewards of the financial asset are transferred.

In this case, any rights or obligations in force at the time of transfer are recognised separately as assets and liabilities.

If the contractual rights to the cash flows are transferred but some of the risks and rewards of ownership as well as control are retained, the financial assets continue to be recognised to the extent of the entity’s continuing involvement in the asset.

Furthermore, impaired financial assets may be derecognized when the entity can no longer reasonably expect to recover the financial asset (write-off). A financial asset may be written off before the conclusion of the legal actions for its recovery and this does not necessarily entail waiver by the Bank of its legal right to collect the credit claim. In this case, the gross nominal value of the loan remains unchanged, but its gross book value is written down by the write-off amount . The write-off may concern the entire amount of a financial asset or part thereof and is equal to:

- The reversal of total value adjustments as the balancing item of the financial asset gross value;
- For any portion exceeding the amount of total value adjustments, the financial asset impairment recognised directly through profit or loss.

Any amounts collected after the write-off are recognized in the income statement as recoveries.

2. FINANCIAL LIABILITIES

Financial liabilities are classified on the balance sheet in the two accounting categories given below:

- Financial liabilities at fair value through profit or loss, either by their nature or by designation;
- Financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss by their nature

Financial instruments issued primarily to be bought back in the short term, instruments belonging to an identified portfolio of financial instruments which are managed collectively and for which there is evidence of a strategy pursuing short-term profit-taking, and derivatives (with the exception of certain hedging derivatives) are measured at fair value by their nature.

Any changes in the fair value of this portfolio are recognized through profit or loss.

Financial liabilities designated at fair value through profit or loss

Financial liabilities fulfilling one of the three conditions defined by the standard (and described above) may be designated for measurement at fair value through profit or loss: for hybrid issues comprising one or more separable embedded derivatives, in order to reduce or eliminate the distortion of accounting treatment, or in the case of groups of managed financial liabilities for which performance is measured at fair value.

This designation option is irrevocable and applies mandatorily from the date of initial recognition of the instrument.

Upon subsequent measurement, these financial liabilities are measured at fair value through profit or loss for changes in fair value not related to own credit risk and with balancing item through equity with no recycling for value changes related to own credit risk.

Financial liabilities measured at amortized cost

All other liabilities fulfilling the definition of a financial liability (excluding derivatives) are measured at amortised cost.

These liabilities are initially measured at fair value (including transaction income and costs) and subsequently at amortised cost using the effective interest rate method.

Reclassification of financial liabilities

The initial classification of financial liabilities is irrevocable. No subsequent reclassification is authorised.

Distinction between debt - equity instruments

Securities are classed as debt instruments or equity instruments based on the economic substance of the contractual arrangements.

A financial liability is a debt instrument if it includes a contractual obligation to:

- provide another entity with cash, another financial asset or a variable number of equity instruments;
- Exchange financial assets and liabilities with another entity at potentially unfavourable conditions.

An equity instrument is a non-redeemable financial instrument which offers discretionary return representing a residual interest in a company after deduction of all its financial liabilities (net assets) and which is not qualified as a debt instrument.

Treasury share buyback

Treasury shares or equivalent derivative instruments such as options on shares bought with a fixed strike ratio, including shares held to cover stock option plans, do not meet the definition of a financial asset and are recognized as reduction in equity. They do not generate any impact on the income statement.

Derecognition of and change to financial liabilities

A financial liability is derecognised in full or in part:

- When it is extinguished;
- When quantitative or qualitative analyses show it has undergone a substantial change following restructuring.

A substantial change in an existing financial liability shall be recognized as the extinction of an initial financial liability and the recognition of a new financial liability (novation). Any difference between the book value of the extinguished liability and the new liability shall be recognised immediately in the income statement.

If the financial liability is not derecognised, the original effective interest rate (EIR) shall be maintained and the book value shall be change through profit or loss on the date of change, discounting the new future cash flows (as resulting from the change) to the date of change using the original EIR. This impact is then spread over the residual lifetime of the instrument based on the original effective interest rate.

3. DERIVATIVE FINANCIAL INSTRUMENTS

Classification and measurement

Derivative instruments are financial assets or liabilities classified by default as derivative instruments held-for-trading unless they can be considered to be hedging derivatives.

They are initially recognized at fair value on the settlement date and then measured at fair value.

At each reporting date, the fair value changes on derivative contracts shall be recognized:

- Through profit or loss for derivative instruments held for trading or for fair value hedging;
- Through equity for derivative instruments held as cash flow hedges or hedges of net investments in foreign operations, for the effective portion of the hedge.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that meets the definition of a derivative product. This definition applies only to financial liabilities and non-financial contracts. Embedded derivatives must be accounted for separately from the host contract if the following three conditions are met:

- The hybrid contract is not measured at fair value through profit or loss;
- The embedded component taken separately from the host contract has the characteristics of a derivative;
- The characteristics of the derivative are not closely linked to those of the host contract.

Conversely, financial assets with an embedded derivative are classified as a whole as separation is not allowed: in these cases, the instrument as a whole shall be classified under ”financial assets measured at fair value through profit or loss”.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

In accordance with IAS 32, the Crédit Agricole Italia Banking Group offsets a financial asset against a financial liability and recognizes a net amount when and only when it has a legally enforceable right to offset the recognized amounts and intends either to settle the net amount or to realize the asset and settle the liability simultaneously.

The derivative instruments and the repurchase agreements handled with clearing houses that meet the two criteria required by IAS 32 have been offset on the balance sheet.

NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS

Net gains (losses) on financial instruments at fair value through profit or loss

For financial instruments recognised at fair value through profit or loss, this item notably reports the following income statement elements:

- Dividends and other revenues from equities and other variable-income securities which are classified under financial assets;
- at fair value through profit or loss;
- Fair value changes in financial assets or liabilities at fair value through profit or loss;
- Gains and losses on disposal of financial assets at fair value through profit or loss;
- Fair value changes and gains and losses on disposal or termination of derivative instruments not included in a fair value hedging relationship or cash flow hedge.

This item also reports the ineffective portion of hedges.

Net gains (losses) on financial instruments at fair value through equity

For financial assets recognised at fair value through equity, this item notably reports the following income statement elements:

- Dividends from equity instruments classified as financial assets at fair value through equity without recycling;
- Gains (losses) on disposals and net income associated with the termination of hedging relationships on debt instruments classified as financial assets at fair value through equity with recycling;
- Profit (loss) from disposal or termination of fair value hedging instrument of financial assets at;
- fair value through equity (other comprehensive income) when the hedged item is disposed of.

FINANCING COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

Financing commitments that are not designated as fair value through profit or loss or not treated as derivative instruments within the meaning of IFRS 9 are not recognised on the balance sheet. However, they are covered by provisions in accordance with the IFRS 9.

A financial guarantee contract is a contract under which the issuer must make specific payments to reimburse the guarantee holder for a loss incurred due to a specific debtor's failure to make a payment when due under the initial or amended terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value and subsequently at the higher of:

- The value adjustment amount for losses determined in accordance with IFRS 9;
- The amount originally recognised less, where applicable, the costs recognised in accordance with IFRS 15.

IMPAIRMENT FOR CREDIT RISK

Scope of application

In compliance with IFRS 9, Crédit Agricole Italia recognizes impairment with write-downs representing Expected Credit Losses (ECL) on the categories of financial assets given below:

- Financial assets consisting of debt instruments and recognised at amortised cost or at fair value through equity with recycling (loans and receivables, debt securities);
- Financing commitments which are not measured at fair value through profit or loss;
- Guarantee commitments that fall within IFRS 9 scope of application and that are not measured at fair value through profit or loss;
- Lease receivables falling in the IFRS16 scope;
- Trade receivables generated by transactions under IFRS 15 scope of application.

Equity instruments (at fair value through profit or loss or at fair value without recycling) are not concerned by the rules on impairment.

Derivative instruments and other instruments at fair value through profit or loss are subject to the calculation of counterparty risk which is not covered by the ECL model.

Credit risk and impairment (provisioning) stages

Credit risk is defined as risk of loss related to default by a counterparty leading to its inability to meet its commitments to the Bank.

The model of impairment (provisioning) for credit risk has three stages:

- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee…), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

Definition of default

In June 2018, the European Central Bank invited Banks using models validated for prudential purposes to actually implement the new definition of default, in accordance with EBA guidelines on the application of the new definition of default pursuant to Article 178 of Regulation (EU) no. 575/2013 and the related legislation measures.

As done by its French Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group opted for the early adoption of the new regulation. As early as in 2018, the Parent Company had started a specific project, which entailed intense “gap analysis” activities and crosswise involvement also of the relevant Structures of the Crédit Agricole Italia Banking Group. The scopes compliant with the EBA guidelines were analyzed and identified, as were those needing specific actions (normative instruments, processes, methodologies). Then, a specific project roll-out was implemented, with strong impacts also on IT systems. In December 2018, the gap analysis outcomes, with the consequent plans of the Crédit Agricole Italia Group, were sent to the Supervisory Authority through the French Parent Company Crédit Agricole S.A., with the Application Package, in compliance with the instructions given by the European Central Bank.

Based on the application submitted to and the following audit by the Supervisory Authority, on 24 March 2020, the European Central Bank formalized its authorization decision, allowing the Crédit Agricole S.A. Group and, therefore, also the Crédit Agricole Italia Banking Group, to make the necessary changes to internal normative instruments, processes and IT systems.

The new Definition of Default requires more rigorous classification into the default status of pastdue exposures, both for enterprises (of all types and sizes) and for individuals, sole traders and households. Therefore, the Crédit Agricole Italia Banking Group made considerable investments in all training and management activities in order to appropriately inform beforehand its Customers, through current relational channels, advanced IT tools and through its website.

More exhaustive information on the changes made and the related impacts is given in the Note to the financial statements – Part E – Credit Risk.

Definition of Expected Credit Loss ("ECL")

ECL is defined as the weighted expected value of the discounted credit loss (principal and interest).

It is the present value of the difference between contractual cash flows and expected ones (including principal and interest).

The ECL approach has been designed to anticipate as early as possible the recognition of expected credit losses.

Governance e stima dell'ECL

The Risk Management and Permanent Controls Department is responsible for defining the methodological framework and for overseeing the process for ECL-related impairment of exposures and provisioning.

The calculation of impairment of performing assets is represented within the overall cost of credit process, which is coordinated by the Unlikely to Pay (UTP) Management Division.

To define the IFRS 9 parameters required to calculate ECL, the Crédit Agricole Italia Banking Group has primarily relied on its internal rating system and on the other regulatory processes already implemented. The assessment of credit risk is based on an expected loss model and extrapolation based on reasonable future scenarios. All information that is available, pertinent, reasonable and justifiable, including forward-looking information, shall be taken into account.

Therefore, in compliance with the requirements laid down by the standard, in order to estimate parameters, a set of forward-looking scenarios is used, each one of which is weighted by the related probability of occurrence. In agreement with its French Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group uses four different macroeconomic scenarios: Said scenarios can be summarized as follows:

- Central scenario, i.e. the most likely scenario;
- Moderately adverse scenario, i.e. the economic scenario in moderately adverse conditions;
- Budget stress scenario, i.e. the most adverse scenario used within the Stress exercise at the end of the budget preparation;
- Favorable scenario, i.e. the economic scenario in favourable conditions.

The weights to be given to the four scenarios – which may change each time the parameters are re-estimated – have been set for the Crédit Agricole Group as a whole (Crédit Agricole SA Economic Research Department – ECO) and validated by the Crédit Agricole Group IFRS9 Guidance Committee, on which the Risk Management and Permanent Controls Department of the Crédit Agricole Italia Banking Group also sits.

More exhaustive information is given in the Note to the financial statements – Part E – Credit Risk.

The Crédit Agricole Banking Group updates the estimate of the parameters at least every year. The evolution in the macroeconomic scenario caused the need for intra-year assessments updating the reference parameters.

As already pointed out, these parameters have also been defined broadly based on the internal models used as part of the regulatory framework (where any), although they had to be adjusted in order to determine an ECL fully compliant with IFRS 9. Indeed, the standard requires a Point-in-Time analysis as at the reporting date, while taking account of the historical loss data and forward-looking macroeconomic data. Therefore, based on the above, the accounting approach is different from the prudential framework, where analyses are multiyear and Through the Cycle to estimate the Probability of Default (PD); moreover, such analyses shall include the Downturn in the estimate of the Loss Given Default (LGD), whereas this effect is not envisaged in the IFRS 9 LGD.

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments.

Expected credit losses are discounted at the effective interest rate (EIR) used for the initial recognition of the financial instrument.

The models and parameters used are backtested at least annually.

Significant increase in credit risk

For each financial instrument, the Crédit Agricole Italia Banking Group assesses any increase in credit risk from initial recognition at each reporting date. Based on this assessment of changes in credit risk, exposures are classified into the different risk stages.

Monitoring on significant increase in credit risk shall cover every financial instrument, unless specific exceptions apply. Contagion is not required for the downgrading of financial instruments of the same counterparty from stage 1 to stage 2. Monitoring of significant increase in credit risk shall consider the change in credit risk of the principal debtor without taking account of any guarantee, including for transactions with a shareholder guarantee.

To measure any significant increase in credit risk since initial recognition, it is necessary to use the internal rating and Probability of Default (PD) at origination. The Probability of Default at origination is compared to the Probability of Default as at the reporting date and, setting the change between the two PDs against the SICR thresholds estimated with a statistical approach, it can be assessed whether the financial instrument has undergone any significant increase in credit risk vs. origination. In case of significant increase in credit risk, the financial instrument shall be classified in stage 2. Otherwise, the instrument shall remain in stage 1.

The table below shows the PD change thresholds to be used for staging as set by the Crédit Agricole Italia Banking Group within its recent parameter review (November 2021) whereby, in agreement with the French Crédit Agricole, it was decided to adopt the following new threshold changes:

Portfolio		SICR (significant increase of credit risk)
Large Corporate		3.0
Small/Medium Enterprises		2.8
Retail	Individuals with real estate collateral	4.3
	Qualified rotating Retail exposures	4.0
	Other exposures to Individuals	4.3
	Small Enterprises and Sole Traders	3.2

Origination means the settlement date or the date on which the Bank became bound by the contractual terms of the financial instrument. For financing and guarantee commitments, origination means the date on which the irrevocable commitment was made.

For exposures without an internal rating model, the Crédit Agricole Italia Banking Group uses non-payment as at the reporting date or in the previous 12 months. In case of non-payment, as at the reporting date or in the previous months, the exposure is downgraded to stage 2.

For exposures (with the exception of securities) for which internal rating models have been implemented and applied (all the more so if the rating models have been validated), the Crédit Agricole Italia Banking Group considers that all of the information incorporated into the rating systems allows for a more detailed assessment than the non-payment for over 30 days criterion alone as a back-stop threshold.

Other factors for downgrading to stage 2 are:

- A PD absolute threshold is breached. This threshold is set at 12% for the corporate portfolio and at 15% for the retail portfolio;
- No rating as at the assessment date if regarding loans disbursed over six months before;
- The exposure being classified as forborne performing (definition given below).

If the conditions that triggered downgrading to stage 2 no longer apply, impairment may be reduced to 12-month ECL (stage 1).

For security portfolios, the Crédit Agricole Italia Banking Group uses an approach that consists in applying an absolute level of credit risk, in accordance with IFRS 9, at the breaching of which exposures shall be classified in stage 2 and provisioned for based on ECL at maturity.

Therefore, the following rules shall apply for monitoring significant increase in credit risk of securities:

- "Investment Grade" (IG) securities, at the reporting date, shall be classified in stage 1 and provisioned for based on 12-month ECL;
- "Non-Investment Grade" (NIG) securities, at the reporting date, shall be subject to monitoring for significant increase in credit risk , since origination, and be classified in Stage 2 (lifetime ECL) in the event of significant increase in credit risk.

The related increase in credit risk shall be assessed prior to the occurrence of a known default (Stage 3).

Post-model adjustments

Based on the results obtained with the calculation approach defined by the Group and based on the management information of the single counterparties, if the expected loss value associated with a specific counterparty does not accurately reflect its riskiness, the provisioning on the counterparty may be adjusted manually to a level deemed appropriate; such manual actions are allowed only if they increase the coverage ratio on the counterparty. More exhaustive information is given in the Note to the financial statements – Part E – Credit Risk.

Impairment model on stage 3

Within the review of its impairment model for the non-performing portfolio, already essentially based on the discounting of future recovery flows, the further requirement of IFRS 9 to estimate a multi-scenario and forward-looking ECL was complied with combining the already envisaged scenario of internal recovery with an alternative recovery scenario consisting in the sale of the single non-performing exposure on the market.

This choice proved consistent with the objectives set in the NPL strategy of the Crédit Agricole Italia Banking Group, which primarily identifies the reduction of the NPL stock (especially bad loans), through the sale of certain portfolios, as the strategy able, in certain conditions, to maximize their value for the Group, considering also the time for NPE recovery.

Specifically, as laid down in its "Guidance to banks on non-performing loans" published in March 2017, the ECB expects Banks with an NPL level that is considerably higher than the EU average level to design a strategy aimed at progressively reducing their NPLs; those changes in the NPL recovery strategies have been taken into account in applying IFRS9.

Indeed, IFRS 9 para. 5.5.17) reads that "the entity shall measure expected credit losses in a way that reflects:

a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) The time value of money;
c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions".

Specifically, IFRS 9 defines loss as the difference between all the contractual cash flows due and the cash flows that the entity expects to receive; therefore, the source of cash flows is not limited to the relevant contract, but includes all the cash flows that the creditor will receive. Consequently, if the entity intends to sell a non-performing loan to a third party in order both to increase its cash flows as much as possible and to implement a specific strategy for NPL management, the ECL estimate shall reflect also the sale scenario and, thus, the cash flows from the sale. In accordance with IFRS 9, sales scenarios that are merely possible may be taken into account and, as such, shall be smoothed with others that are deemed more likely.

Having said that, in the measurement of loans and receivables, in accordance with the IFRS 9 impairment model, Crédit Agricole Italia considers the various assumed recovery strategies in order to proportionally align them to a probability of sale determined consistently with the Group's NPL Plan.

Consequently, to the "ordinary" scenario, which assumes a recovery strategy based on loan collection typically through legal actions, realization of mortgage collaterals, contracts with loan collection firms, also the scenario of loan sale was added.

Measuring the impairment loss requires the assessment of the future cash flows that are deemed recoverable in the most likely scenario.

The methods to assess the loan recovery forecasts, in compliance with the ECB Guidance, consist in an estimate of future cash flows made based on two general approaches:

- In a scenario where the borrower is assumed as a going-concern, the cash flows from operations continue to be generated and can be used to repay the financial debt; the so-called "Going Concern Approach";
- In a scenario where the borrower is assumed to discontinue operations, no cash flows from operations are generated to be used for debt service; the so-called "Gone Concern Approach".

The Going Concern Approach is mainly applied to cases in which the cash flows from the borrower's operations are material (vs. the debt) and can be reliably estimated, as well as in all cases in which the exposure is not backed with collaterals or is limitedly secured and to the extent collaterals can be realized without prejudicing the borrower's ability to generate future cash flows.

In measuring generated cash flows, also the cash flows from operations of any guarantor may be taken into account.

The Gone Concern Approach shall apply where there are no significant cash flows from operations vs. the debt or where the exposure is largely secured and the related collaterals are essential to generate cash flows.

Contract modifications of financial assets

When the original contractual conditions are modified by the parties, it is to be verified whether the financial asset shall continue to be recognized or the original financial asset is to be eliminated recognizing a new financial instrument.

To this end, it is to be assessed whether the modifications to the contract terms and conditions as renegotiated are substantial or not.

In case of substantial modifications, the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

Renegotiations are deemed substantial if they introduce specific objective elements affecting the characteristics and/or cash flows of the financial instrument or if they concern customers that are not experiencing financial difficulties, in order to align the contract onerousness to the current market conditions. In the latter case, it is to be specified that, if the Bank did not agree to a renegotiation of the contractual conditions, the customer would be able to borrow from another intermediary with the subsequent loss by the bank of the revenue flows under the renegotiated contract; in other words, in case of renegotiation for commercial reasons, no loss in to be recognized by the bank in its income statement subsequent to the alignment to the current market conditions that are more favourable for its customers.

Conversely, in case of renegotiations deemed not substantial, the entity shall redetermine the present value of the new cash flows subsequent to the renegotiation, based on the original rate of the exposure in force before the renegotiation. The difference between said value and the book value before the modification shall be recognized in the specific item of the income statement as profit or loss from contract modifications with no derecognition ("modification accounting").

Restructuring due to financial difficulties (forbearance measures)

Debt instruments that are restructured due to financial difficulties are those for which the entity has modified the initial financial conditions (interest rates, maturity) for business and legal reasons linked to the financial difficulties experienced by the borrower, in ways that would not have been applied in other circumstances.

This concerns all debt instruments, irrespective of the category the security has been classified into based on the increase in credit risk since initial recognition.

Loan restructuring includes all the modifications made to one or more loan contracts, as well as any other loans or credit facilities granted in consideration of the financial difficulties experienced by the customer.

This restructuring concept shall be assessed with regard to the contract rather than with regard to the customer (no contagion). The definition of restructured loans subsequent to financial difficulties experienced by the customers is based on two cumulative criteria:

- Contract modifications or loan refinancing;
- A Customer in a difficult financial position.

"Contract modifications" are, for example, situations in which:

- There is a difference in favour of the borrower between the modified contract and the conditions before contract modification;
- The modifications made to the contract lead to conditions that are more favourable for the concerned borrower than those that other borrowers of Crédit Agricole Italia, having similar risk profiles, could have obtained at that moment in time.

"Refinancing" means a new debt/loan is granted to the customer to repay, fully or in part, another debt as regards which the customer cannot comply with the contract conditions because of its financial situation.

The restructuring of a loan (whether performing or defaulted) is a sign of possible incurred loss risk. Therefore, the restructured/forborne exposure shall be accordingly assessed for any impairment/provisioning (restructuring does not systematically entail adjustment for incurred loss and classification as defaulted).

The classification as "restructured loan" or "Forborne exposure" is temporary.

If the restructuring transaction is carried out in accordance with the instructions of the European Banking Authority (EBA), the exposure retains the "restructured/forborne" status for at least 2 years, if it was performing upon restructuring, or for 3 years if it was defaulted upon restructuring. These periods shall be longer if some events provided for in the Group's principles occur (for instance "reoccurrence").

With no derecognition, the reduction in future flows granted to the counterparty or the deferral of such flows over a longer time horizon than the one before the restructuring shall entail recognition of impairment in the Income Statement.

The impairment for the restructuring shall be calculated as the difference between:

- The loan book value;
- The sum of the restructured future flows discounted at the original Effective Interest Rate (EIR).

In case of waiver of the claim to part of the principal, this amount shall be immediately recognized as an impairment adjustment of the loan.

Upon impairment, the portion regarding the passage of time shall be recognized under net interest income.

Purchase or Originated Credit Impaired assets

Pursuant to IFRS 9, a financial asset is considered impaired upon initial recognition if credit risk is very high and it is purchased with significant rebates vs. the residual contractual debt.

If, based on the classification drivers (SPPI test e Business Model), these financial assets are classified as assets measured at amortized cost or at fair value through other comprehensive income, they shall be classified as "Purchased or Originated Credit Impaired Assets" ("POCI" assets) and shall be subject to specific treatment as regards impairment.

As regards these exposures, IFRS 9 requires:

- Their initial recognition at fair value;
- That the expected credit loss be always estimated based on the expected loss over the lifetime of the financial instrument;
- That recognized interests be determined applying the "credit-adjusted effective interest rate" ("Credit Adjusted TIE") or the interest rate that, upon initial recognition, discounts all estimated future cash flows to the amortized cost of the asset, taking account in the estimate also of expected credit losses.

HEDGE ACCOUNTING

General framework

In compliance with the decision made by the Crédit Agricole Group, the Crédit Agricole Italia Banking Group and Crédit Agricole Italia have not applied the "hedge accounting" section of IFRS 9, exercising the option given by IFRS9 itself. All hedges have continued to be reported in accordance with IAS 39, up to the date of application of the supplement on fair value macro hedging (after its endorsement by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with the IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to the IFRS 9.

In accordance with IFRS 9 and with the IAS 39 hedging principles, eligible fair value and cash flow hedges are debt instruments at amortized cost and at fair value through equity with recycling.

The Crédit Agricole Italia Banking Group hedges interest rate risk in order to immunize the Banking Book from changes in the fair value of funding and lending, caused by adverse movements in the interest rate curve, or of reducing the uncertainty of cash flows linked to a specific asset/liability in an integrated balance sheet perspective. Specifically, fixed-rate debenture loans have been hedged (micro-hedging), as have the mortgage loans with cap to Customers (macro-hedging), government securities in reserves (asset-swap hedging) and fixed-rate gaps detected by the internal model (macro-hedging). The hedges were made exclusively by purchasing Interest Rate Swaps and Interest Rate Options.

Documentation

Hedging relationships shall comply with the following principles:

- Fair value hedges have the purpose of protecting the entity against exposure to changes in the fair value of a recognize asset or liability or of an irrevocable commitment not recognized, attributable to the hedged risk or risks and able to impact on the income statement (for instance, total or partial hedge of fair value changes due to interest rate risk on a fixed-rate debt);
- Cash flow hedges have the purpose of protecting the entity against exposure to changes in future cash flows of a recognized asset or liability or of a transaction deemed very likely, attributable to the hedged risk or risks and able (in case of an expected transaction not occurred) to impact on the income statement (for instance, hedging of all or part of the payment of future interests on a floating-rate debt);
- Hedges of net investments in foreign operations have the purpose of protecting the entity against the risk of any unfavourable change in fair value associated with the foreign exchange risk within an investment in foreign operations in a currency other than the Euro.

When an entity intends to use hedges, the following conditions shall be met in order to benefit from hedge accounting:

- Eligibility of the hedging instrument and of the hedged instrument;
- Formalized documentation since inception, specifically including the individual designation and the characteristics of the hedged item, of the hedging instrument, the type of hedging relationship and the nature of the hedged risk;
- Evidence of the hedge effectiveness, at inception (i.e. prospectively) and retrospectively, through tests made at each reporting date.

For interest rate risk hedging of a portfolio of financial assets or financial liabilities, Crédit Agricole Italia, in line with the Crédit Agricole Italia Banking Group, prefers a fair value hedge documentation, as permitted by the IAS 39 endorsed by the European Union (carve out version).

Specifically:

- Crédit Agricole Italia documents these hedging relationships based on a gross position of derivative instruments and hedges items;
- The effectiveness of these hedging relationships is proved with effectiveness tests.

Measurement

The measurement of the derivative at fair value is recognized as follows:

- Fair value hedges: the derivative remeasurement is recognized in the income statement matching the remeasurement of the hedged item. The income statement reports only the net amount of any ineffective portion of the hedge;

- Cash flow hedges: the derivative remeasurement is recognised as a balancing item of a specific profit or loss account directly recognized through equity with recycling for the effective portion and any ineffective portion of the hedge is recognised through profit or loss. Accumulated profits and losses through equity are then recycled to the income/through profit or loss when the hedged cash flows occur;
- Hedges of net investments in foreign operations: the derivative remeasurement derivative is recognised as a balancing item through equity with recycling and the ineffective portion of the hedge is recognized through profit or loss.

Where the conditions for benefiting from hedge accounting are no longer met, the following accounting treatment shall be applied prospectively:

- Fair value hedges: only the hedging instrument continues to be remeasured through profit or loss. The hedged item is wholly recognized in accordance with its classification. For debt instruments at fair value through equity with recycling, fair value changes after the termination of hedging relationship shall be fully recognized through equity.
- For hedged items measured at amortized cost, which were hedged for interest rate risk, the remaining portion of the remeasurement difference shall be amortized over the remaining life of the hedged items;
- Cash flow hedges: the hedging instrument is measure at fair value through profit or loss. The amounts accumulated through equity and regarding the effective portion of the hedge shall remain in equity until the hedged element affects profit or loss. Interest-rate hedged items shall be recognized through profit or loss as interests are paid. The remaining portion of the remeasurement difference is then amortized over the remaining life of the hedged items.
- Hedges of net investments in foreign operations: the accumulated amounts in equity regarding the hedge effective portion shall remain in equity as long as the net investment is held. When no longer within the scope of consolidation, net investments in foreign operations shall be recognized through profit or loss.

MAIN FINANCIAL STATEMENT ITEMS

1. Financial assets measured at fair value through profit or loss (FVTPL)

CLASSIFICATION

This category comprises the financial assets not classified as "Financial assets measured at fair value through other comprehensive income" or as "Financial assets measured at amortised cost".

The "Financial assets measured at fair value through profit or loss" item consists of three sub-items:

a) "*Financial assets held for trading*": this category consists of financial assets (debt securities, equity securities, loans and units in OICR collective investment undertakings) managed in order to realize cash flows through their sale and, therefore, under the "Other" Business Model; this category also includes derivative instruments (except for those classified as hedging derivatives or financial guarantee contracts);
b) "*Financial assets designated at fair value*": this category consists of financial assets (debt securities and loans) so designated upon initial recognition and where the related requirements are met (fair value option). As regards this category, an entity may irrevocably designate a financial asset at fair value through profit or loss if, and only if, by doing so it removes or materially reduces any measurement inconsistency;
c) "*Financial assets mandatorily measured at fair value*", consisting of the financial assets that are managed with the Business Model is "Hold to Collect" or "Hold to Collect and Sell", but that do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income. These are financial assets that do not pass the SPPI test, as their contractual terms do not solely envisage payments of principal and interest on the principal amount outstanding, or that are managed under the "Other" business model but are not held for trading. This category reports also units in OICR collective investment undertakings and equity securities that are not held for trading, for which, at first recognition, the entity did not exercised the option to classify them at fair value through other comprehensive income.

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS 9 para. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS9, IAS 39 and IAS 32)" paragraph in Part A.2 herein.

RECOGNITION

Debt and equity securities and units in OICR collective investment undertakings are initially recognized at the settlement date, while derivative contracts are recognized on the date they are signed. Loans are recognized on their origination date.

Specifically, upon recognition at the settlement date, the reporting entity recognizes any changes in the fair value of the asset to be received occurred between such date and the previous trading date, in the same way the purchased asset is recognized.

On initial recognition, "Financial assets measured at fair value through profit or loss" are recognized at fair value; unless otherwise specified, it consists of the price paid to execute the transaction and any transaction costs or revenues attributable to the instrument are not taken into account but are taken directly to the Income Statement.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, "Financial assets measured at fair value through profit or loss" are stated at fair value.

IFRS 13 defines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

To measure the fair value of financial instruments that are quoted in an active market, market prices are used. Where there is no active market, fair value is measured using generally accepted estimation methods and measurement models that take account of all the risk factors correlated to the instruments and that are based on information available on the market, such as: the measurement of the price of listed instruments with similar features, discounted cash flows, option pricing models, values reported for recent comparable transactions, etc.

For equity securities and derivative instruments that have equity securities as underlying assets, not quoted in an active market, the cost approach is used as the fair value estimate only to a residual extent and limited to very few cases, that is to say when there is a wide range of possible fair value measurements of which cost is the most significant estimate.

The effects of the application of this measurement approach are recognized in the Income Statement, under item 80 "Net profit (loss) on trading" for "Financial assets held for trading" and under item 110 "Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss" for "Financial assets designated at fair value" and for "Financial assets mandatorily measured at fair value". The same items report the derecognition of these financial assets. For more information on fair value measurement, please refer to paragraph 16 "Other Information - Fair Value Measurement" and to "Part A.4 - Fair value reporting".

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:

- Contractual rights to the cash flows from the assets have expired;
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if legal title has been transferred. Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows;
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements).

2. Financial assets measured at fair value through other comprehensive (FVOCI)

CLASSIFICATION

This category consists of financial assets that meet both the following conditions:

- The financial asset is managed in accordance with the "Hold to Collect and Sell" Business Model whose objective is achieve both by collecting the contractual cash flows and by selling the asset, and
- The contractual terms of the financial asset provide for, at specified date, cash flows that are solely payments of principal and interest on the principal amount outstanding and, therefore the SPPI test.

Therefore, this category includes debt securities and loans that are managed in accordance with the "Hold to Collect and Sell" Business Model and that have passed the SPPI test. This category also includes equity instruments, not held for trading, for which the irrevocable option was exercised upon initial recognition for their designation at fair value through other comprehensive income.

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS 9 para. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS9, IAS 39 and IAS 32)" paragraph in Part A.2 herein.

RECOGNITION

These financial assets are initially recognized at the settlement date for debt and equity securities and, as regards loans, at their origination date. At initial recognition, these assets are recognized at fair value that equal to, unless otherwise stated, the price paid for the transaction execution, including any costs or revenues directly attributable to the instrument.

CRITERI DI VALUTAZIONE E DI RILEVAZIONE DELLE COMPONENTI REDDITUALI

After initial recognition, Assets classified at fair value through other comprehensive income, consisting of debt securities and loans, are measured at fair value, recognizing the impacts generated by the amortized costs application in the Income Statement. For amortized cost measurement, please refer to paragraph 16 "Other information - Amortized Cost Measurement". Profits and losses on fair value measurement are recognized in a specific equity reserve (item "110. Valuation reserves"), which shall be recycled to the income statement (item 100b "Profit/losses from disposal/repurchase of financial assets measured at fair value through other comprehensive income) upon derecognition of the financial asset.

Financial assets measured at fair value through other comprehensive income" – being them debt securities and loans – are tested for significant increase in credit risk (impairment testing) in accordance with the IFRS 9, as are Assets at amortized cost, with subsequent recognition of value adjustments in the Income Statement for expected losses.

These adjustments are recognized in the Income Statement under item "130. Net impairment/recoveries for credit risk", as the balancing item of the specific valuation reserve in equity (item "110. Valuation reserves"); the same applies, in a mirror-like way, to recoveries on part or all write-downs made in previous periods.

Equity instruments for which the option was exercised for their classification in this category are measured at fair value; profits or losses from fair value measurement are recognized as a balancing item of a specific equity reserve (item "110. Valuation reserves"). These reserves shall never be recycled to the income statement, including where allocated by selling the asset; in that case, the accumulated balance of the reserve is not recycled through profit or loss, but it is classified under retained earnings reserves in equity (item "140. Reserves"). Moreover, these assets shall not be written down in the Income Statement as they are not subject to impairment. The only component recognized in the Income Statement is collected dividends.

Fair value is determined using the standards adopted for "Financial assets measured at fair value through profit or loss". For the equity instruments included in this category, which are not quoted in an active market, the cost approach is used as the fair value estimate to a residual extent only and in very few circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there is a wide range of possible measurements of fair value, of which cost is the most significant estimate. For more information on fair value measurement, please refer to paragraph 16 "Other Information - Fair Value Measurement" and to "Part A.4 - Fair value reporting".

DERECOGNITION

Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Lastly, financial assets which have been sold are derecognized if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, without relevant delay to other third parties.

3. Financial assets measured at amortized cost

CLASSIFICATION

This category consists of financial assets, specifically debt securities and loans, that meet both the following conditions:

- The financial asset is managed in accordance with the "Hold to Collect" Business Model whose objective is achieve b,al and interest on the principal amount outstanding and, therefore the SPPI test.
- More specifically, this category includes loans to customers and banks – in any technical form – and debt securities that meet the requirements referred to above. This item also reports finance lease loans under FRS16.

This category also includes operating loans and receivables linked to the provision of financial services, as defined by the Italian Consolidated Law on Banking (T.U.B.) and by the Italian Consolidated Law on Finance (T.U.F.) (e.g. for the distribution of financial products and servicing activities).

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS 9 para. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS9, IAS 39 and IAS 32)" paragraph in Part A.2 herein.

RECOGNITION

These financial assets are initially recognized at the settlement date for debt securities and, as regards loans, at their origination date. This asset item reports separately:

- Due from banks;
- Loans to customers.

Financial assets classified in this category are initially recognized at fair value, including any costs and revenues directly attributable to them.

Specifically, for loans, their origination date is usually the same as the date of contract signing. Should this not be the case, upon contract signing a commitment to disburse funds shall be recognized and derecognized on the loan origination date.

Loans and receivables are initially recognized at their fair value that is equal to the amount disbursed, or subscription price, including costs and revenues directly attributable to the individual loan and determinable from the inception of the transaction, even if settled at a later time.

The initially recognized amount does not include costs to be reimbursed by the borrower or that can be classified as normal administrative overhead costs, despite having the above characteristics.

Repurchase agreements or reverse repurchase agreements are recognized as funding or lending transactions. Specifically, repurchase agreements are recognized as due and payables for the spot amount received, whereas reverse repurchase agreements are recognized as loans and receivables for the spot amount paid.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

- Following initial recognition, these financial assets are measured at amortized cost using the effective interest rate method.
- Measurement at amortized cost entails that the asset is recognized at an amount equal to its initial recognition value less principal repayment, plus or minus accumulated amortization in accordance with

the aforementioned effective interest rate method, of the difference between the initial amount and the amount at maturity (typically attributable to costs/income directly pertaining to the individual asset) and adjusted by any loss coverage provision.

- The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the asset in terms of principal and interest, to the amount disbursed including costs and revenues attributable to the asset. Expected cash flows shall be estimated taking account of all contractual terms of the financial instrument, but irrespective of expected losses on loans and receivables. The calculation includes all fees and commissions, transaction costs and all other premiums or discounts. This measurement method uses a financial approach and allows the economic effect of the costs/income directly attributable to a financial asset to be spread over its expected remaining lifetime. For more exhaustive reporting on this matter, please refer to paragraph 16 “Other information - Amortized Cost Measurement”.
- The amortized cost method is not used for assets that have short lifetime, as their discounting is expected to have negligible effects, for those with indefinite maturity and revocable loans. These assets are measured at historical cost and the costs/revenues attributable to them are recognized in the Income Statement on an accrual basis throughout their contractual term of validity.
- The book value of financial assets at amortized cost is adjusted in order to report any provision for expected loss coverage. Indeed, at every reporting date, these assets are tested for impairment in order to estimate any Expected Credit Losses (ECL).
- This scope includes non-performing loans (so-called “Stage 3” loans) classified as bad, unlikely- to-pay or non-performing past due in accordance with the rules issued by the Supervisory Authorities; this scope also includes performing loans classified as “Stage 1” and “Stage 2”, to which the “Expected credit losses” concept applied on a 12-month or lifetime basis, respectively.
- The used bases of measurement are exhaustively described in the paragraph “Financial instruments (IFRS9, IAS 39 and IAS32) - Impairment for credit risk)” in Part A.2 of this document and, as already said, are strictly linked to the classification of these instruments in one of the three stages (credit risk stages) provided for by IFRS 9.

The model of impairment (provisioning) for credit risk comprises:

- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee…), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

Impairment is recognized in the income statement under item “130. Net impairment/recoveries for credit risk”.

The original value of the financial assets is written back in following financial years if the exposure credit quality improves vs. the one that entailed the previous write-down. Impairment recoveries are recognized in the Income Statement under the same item and the value of the loan after the writeback shall in no event exceed the amortized cost that the asset would have had if the prior adjustment had not been made.

For non-performing exposures, accrued interests recognized in the Income Statement under item “10. Interest and similar income” are calculated based on amortized cost. The same item reports interest income due to the passage of time, calculated within the measurement of non-performing financial assets based on the original effective interest rate.

A specific item in the income statement reports interest income calculated with the effective interest method in accordance with Bank of Italy Circular 262.

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:

- Contractual rights to the cash flows from the assets have expired.
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if legal title has been transferred. In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.
- Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.
- Financial assets are written off where their recovery can no longer be reasonably expected, including in case of waivers of the rights to the asset.
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements).
- The contract undergoes modifications that qualify as “substantial”. In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

4. Hedging

In compliance with the decision made by the Crédit Agricole Italia Banking Group, Crédit Agricole Italia has not applied the "hedge accounting" section of the IFRS 9, exercising the option given by the IFRS9 itself. All hedges have continued to be reported in accordance with IAS 39, up to the date of application of the supplement on fair value macro hedging (after its endorsement by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with the IAS 39 takes.

CLASSIFICATION

The "Hedging Derivatives" asset and liability items report financial derivatives held for hedging, which, as at the reporting date, have positive or negative fair values, respectively.

Hedging transactions are used to neutralize potential losses occurring on a given item or group of items attributable to a given risk, should the risk event take place.

The following types of hedges are used:

- Fair value hedges: these are used to hedge exposures to changes in the fair value (attributable to the different types of risk) of assets and liabilities or portions thereof, groups of assets and liabilities, irrevocable commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39, which was endorsed by the European Commission;
- Cash flow hedges: these are used to hedge exposures to changes in future cash flows caused by certain risks associated with financial statement items. This type of hedge is essentially used to stabilize interest cash flows from variable-rate funding to the extent it concerns fixed-rate loans. In some cases, similar hedges are used for some variable-rate loans;
- Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency.

RECOGNITION

Hedging derivatives, like all derivatives, are initially recognized at subscription date and later measured at fair value.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Hedging derivatives are measured at fair value. Specifically:

- in case of fair value hedging, changes in the fair value of the hedged item are offset against changes in the fair value of the hedging instrument. This offsetting is recognized in the Income Statement under item "90. Net profit (loss) on hedging activities" by reporting value changes regarding both the hedged item and the hedging instrument. Any difference that may arise, since it represents the partial ineffectiveness of the hedge, also represents its net effect through profit or loss.
- Cash flow hedges: these are used to hedge exposures to changes in future cash flows caused by certain risks associated with financial statement items. This type of hedge is essentially used to stabilize interest cash flows from variable-rate funding to the extent it concerns fixed-rate loans. In some cases, similar hedges are used for some variable-rate loans; Changes in the fair value of the derivative are recognizes in equity (item "110. Valuation reserves"), for the effective portion of the hedge, and are recognized through profit or loss only when the cash flow change to be offset occurs regarding the hedged item.
- Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency and it is recognized as cash flow hedges are.
- The derivative instrument is classified as held for hedging where there is formal documentation of the relationship between the hedged item and the hedging instrument and where it is effective at inception and throughout its life.

The effectiveness of the hedge depends on the degree to which changes in fair value of the hedged instrument or the relative expected cash flows are offset by changes in that of the hedging instrument. Accordingly, the actual effectiveness is gauged by comparing the above-mentioned changes, taking into account the intention of the company at the inception of the hedge.

Hedging is deemed effective when changes in the fair value (or the cash flows) of the hedging instrument almost entirely – i.e. within an interval of between 80% and 125% – offset changes in the value of the hedged item for the hedged risk factor.

Effectiveness is assessed at every reporting date, using:

- Prospective tests, which justify the application of hedge accounting, since they demonstrate the expected effectiveness of the hedge;
- Retrospective tests, which show the degree of effectiveness of the hedge achieved during the reference period. In other words, they measure how actual results deviate from the perfect hedge.

Any hedge ineffectiveness caused by economic circumstances that are expected to return to normal as confirmed by prospective tests is not taken into account.

Termination of the hedging relationship

It the hedge effectiveness is not proved by the verifications and tests carried out, from that time on hedge accounting, as described above, shall be terminated, the derivative contract shall be reclassified to "Financial assets measured at fair value through profit or loss" and, specifically, to "Financial assets held for trading".

In case of fair value hedges, the hedged item is measured with the original measurement approach of the category it belongs to; for instruments measured at amortized cost, any accumulated recoveries/losses recognized subsequent to the fair value change of the hedges risk are recognized in the Income Statement under interest income and interest expense throughout the residual life of the hedged item, based on the effective interest rate. If the hedged item is sold or repaid, the fair value portion that has not yet been amortized shall be immediately recognized in the Income Statement.

Furthermore, the hedging relationship terminates when:

- The derivative matures, is terminated or exercised;
- The hedged item is sold, matures or is repaid;
- The hedged future transaction is no longer highly probable.

Hedging of portfolios of assets and liabilities

The hedging of portfolios of assets and liabilities ("macrohedging") and its consistent recognition can be done after:

- Identifying the portfolio to be hedged and breaking it down by maturity;
- Designating the item to be hedged;
- Identifying the interest rate risk to be hedged;
- Designating the hedging instruments;
- Determining effectiveness.

The portfolio hedged against interest rate risk may contain both assets and liabilities. This portfolio is broken down by maturity in terms of collection or repricing of the interest rate, after analyzing the cash flow structure. Fair value changes occurred in the hedged item are recognized in the Income Statement under item "90 Net profit (loss) on hedging activities" and in the Balance Sheet under item "50. Fair value change of financial assets in macro-hedge portfolios" or under item "50. Fair value change of financial liabilities in macro-hedge portfolios. Fair value changes occurred in the hedged item are recognized in the Income Statement under item "90. Net profit (loss) on hedging activities" and in the Balance Sheet under asset item "50. Hedging Derivatives" or under liability item "40. Hedging derivatives".

In case of early termination of fair value macrohedging, the accumulated recoveries/losses are recognized in the Income Statement under interest income or interest expense throughout the residual duration of the original hedging relationships, granted that it is verified that the related requirements are met.

5. Equity investments

CLASSIFICATION

This item reports equity investments held in associates and joint arrangements, as well as minority interests in subsidiaries and associates of the Group.

Joint ventures are companies in which the voting rights and the control of its business activities are shared equally, directly or indirectly, between the Parent Company and another party. Joint arrangements also include equity investments in which, despite the lack of equal voting rights, control over the business activities and the strategic policies of the investee company is shared with other parties under contractual agreements.

Associates are companies in which the Company exercises a significant influence, holding, directly or indirectly, at least 20% of the voting rights (including "potential" voting rights that may be exercised) or having the power to participate in determining its financial and management policies, despite holding less than 20% of the voting rights, owing to specific legal ties, such as being party to a shareholders' agreement.

RECOGNITION

These financial assets are initially recognized at the settlement date. At initial recognition, these financial assets are recognized at cost, including any goodwill paid upon acquisition which, therefore, is not separately recognized.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Equity investments are measured at cost, where the case written down for impairment.

Where there is evidence that the value of an equity investment may be impaired, its recoverable value is determined, taking into account the present value of future cash flows that the equity investment could generate, including its value upon divestment.

If the recoverable value is lower than the book value, the difference is recognized in the Income Statement.

If the reasons for the impairment are removed subsequent to an event occurred after the impairment loss recognition, a writeback is taken to the Income Statement.

DERECOGNITION

Equity investments are derecognized in case of any sale that transfers essentially all rights and rewards associated with their ownership.

In case significant influence or joint control can no longer be exercised, any residual investment shall be reclassified to the portfolios of financial assets in accordance with IFRS 9.

6. Property, Plant and Equipment

CLASSIFICATION

"Property, plant and equipment" includes land, operating property, investment property, technical plants, furniture, furnishings and equipment of any type, works of art and property, plant and equipment inventories governed by IAS 2.

These assets are held to be used in production or supply of goods and services (property, plant and equipment used in operations in accordance with IAS 16), to be rented out to third parties or for investment purposes (investment property governed by IAS 40) and are intended to be used for longer than one period.

This item also reports the rights-of-use of property, plant and equipment assets acquired with lease contracts in which the Bank is the lessee, irrespective of their specific legal form.

RECOGNITION

“Property, plant and equipment” items are initially recognized at cost, which includes, in addition to the purchase cost, all costs directly attributable to purchasing and placing the asset in service. Extraordinary maintenance expenses that increase the future economic benefits generated by such assets are recognized as an increase in the value of the assets, while ordinary maintenance costs are recognized in the Income Statement.

The initial measurement of the right-of-use asset includes the present value of future lease payments, the lease payments made on or before the lease contract effective date, initial direct costs and any estimated costs for dismantling, removal or restoration of the lease underlying asset, less any lease incentives received by the lessee.

As pointed out in the paragraphs below, the lessee may apply also IAS 40 to measure the Right-of-Use asset.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Property, plant and equipment assets, including investment property and right-of-use assets, are measured at cost less depreciation and impairment.

These assets are systematically depreciated over their useful life on a straight-line basis, as reported in the table below:

Descrizione	Durata
Land	No depreciation
Operating property	33 tears(1)
Other investment property	
– Other	33 tears(1)
– High-end property and property inventories (ias2)	No deprecation
Furniture, fittings, alarm systems and motor-vehicle	From 4 to 10 years IIT
Equipment and electronic machines	From 3 to 10 years
Works of art	No depreciation

(1) It is specified that, in few specific cases and for specific property units, their useful life, appropriately calculated, may have different duration.

Lease right-of-use assets are depreciated on a straight-line basis overt the lease term as determined in accordance with the IFRS 16 policy of the Crédit Agricole Italia Banking Group.

Properties are depreciated at a rate based on a useful life deemed fit to appropriately represent the deterioration of the assets over time due to use, taking into account any extraordinary maintenance costs, which increase the value of the asset, and ordinary maintenance costs, which maintain the value of the assets for longer periods of time. However, the assets’ remaining useful life is verified on a regular basis.

The depreciation cost for property, plant and equipment is recognized in the Income Statement in the item “180 Net adjustments of/recoveries on property, plant and equipment”.

The following assets are not depreciated:

- Land, whether acquired separately or incorporated in the value of the building, since it has an indefinite useful life. Where its value is incorporated in the value of the building, under the components approach, the land is considered separable from the building. The division between the value of the land and the value of the building is based on appraisals by independent experts, for buildings entirely owned by, and, therefore, fully available to the Company, including the land;
- High-end property;
- Property, plant and equipment inventories governed by IAS 2 and measured at the lower between cost and fair value;
- Works of art, since their useful life cannot be estimated and their value normally increases over time.

If there is evidence of impairment of the asset, the asset’s book value is compared to its recoverable value. For more exhaustive information, please see paragraph “16 Other information – Impairment of assets – Other non-financial assets”.

Any adjustments are recognized in the Income statement under item "180 Net adjustments of/recoveries on property, plant and equipment".

If the reasons for impairment cease to exist, a writeback is recognized. The book value following the writeback shall not exceed the value the asset would have had, net of depreciation, in the absence of the prior writedown.

DERECOGNITION

Property, plant and equipment items are derecognized when disposed of or when the asset is permanently withdrawn from use and no future benefits are expected from its disposal.

7. Intangible Assets

CLASSIFICATION

Intangible assets are non-monetary assets that are identifiable and not physical, stem from legal or contractual rights, are held to be used for several years and are expected to generate future economic benefits. The main types of intangible assets are:

- Software acquired from external sources or under licence for use;
- In-house developed software;
- Residual goodwill recognized as the difference between purchase cost and the fair value of the assets and liabilities acquired and contingent assets and liabilities recognized upon acquisition in accordance with the IFRS 3 determination criteria;
- The intangibles representing business with Customers are recognized subsequent to the application of IFRS 3.

RECOGNITION

Separately acquired and internally generated intangible assets are initially recognized at cost adjusted by any ancillary expenses, only if the economic benefits from the asset are likely to be generated and if its cost can be reliably determined. Otherwise, the intangible asset cost is recognized in the Income Statement for the period in which it is borne. Intangible assets acquired through business combinations are recognized at fair value as at the acquisition date.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, intangible assets are recognized net of the accumulated amortization and of any accumulated impairment losses. Intangible assets' useful life is assessed as finite or indefinite.

Intangible assets with finite useful life are amortized over their useful life and are tested for impairment every time signals of possible impairment are detected. The amortization period and approach for intangible assets with finite useful life are reassessed at least at the end of every year. Changes in the expected useful life or in the modalities with which the future economic benefits linked to the assets occur, are recognized through the change of the period or amortization approach, as the case may be, and are considered as accounting estimate changes. The amortization cost for intangible assets with finite useful life is recognized in the Income Statement in the item "190 Net adjustments of/recoveries on intangible assets".

Generally, software useful life is estimated as being five years. In compliance with IAS 38 paragraph 104, some large projects have been specifically identified and their useful life has been measured as being ten years.

Intangible assets with indefinite useful life, including goodwill are not amortized, but are tested for impairment annually, both at individual level and at a cash-generating unit level.

The amount of any impairment is calculated based on the difference between the recoverable value of the cash-generating unit and its book value.

This recoverable value is the higher of the fair value of the cash-generating unit, net of any selling costs, and its value in use. Any subsequent adjustments are recognized in the Income Statement.

DERECOGNITION

Intangible assets are derecognized from the Balance Sheet when disposed of or when no future economic benefits are expected to be generated by the asset.

Profits or losses resulting from the derecognition of intangible assets are calculated as the difference between the net disposal revenue and the book value of the intangible asset and are recognized in the income statement for the year in which the derecognition is made.

8. Non-current assets/liabilities held for sale and discontinued operations

RECOGNITION, CLASSIFICATION AND MEASUREMENT

"Non-current assets held for sale and discontinued operations" and "Liabilities in respect of assets held for sale" report non-current assets or groups of assets/liabilities which are in the process of being divested and for which a sale is considered highly probable. In case of transactions subject to authorization to be issued by Supervisory Authorities, the Group's accounting policy, since it attaches an essential value to such authorization, provides for "Non-current Assets/Liabilities and discontinued operations" to be recognized as from the date of receipt of the such authorization (whether express or tacit).

These assets/liabilities are measured at the lower between their book value and their fair value net of disposal costs, except for some types of assets -comprising for instance all financial instruments in IFRS 9 scope of application - to which, in accordance with IFRS 6, the measurement bases as per the reference standard shall continue to be applied.

9. Current and Deferred Taxes

RECOGNITION, CLASSIFICATION AND MEASUREMENT

These items report current and deferred tax assets and current and deferred tax liabilities, respectively, as regards income taxes.

Income taxes, calculated in accordance with the Italian tax legislation, are recognized on an accrual basis, consistently with the recognition of the costs and revenues generating them. Therefore, they represent the expense, equal to the balance of current and deferred tax assets and current and deferred tax liabilities, for taxes on income for the period. Income taxes are recognized in the Income Statement, except for those related to items debited or credited directly in equity, for which the related taxes are recognized, for consistency purposes, in equity.

The effects of current taxes and deferred tax assets and liabilities are recognized at the applicable tax rates.

Provisions for income taxes are calculated on the basis of prudential forecasts of the current tax liability and deferred tax assets and liabilities. Specifically, deferred tax assets and liabilities are calculated on the basis of temporary differences – without time restrictions – between the value attributed to an asset or a liability pursuant to the Italian Civil Code and the corresponding values used for tax purposes.

In March 2016, the national tax consolidation scheme was adopted, with effects since the 2015 tax period, by the Crédit Agricole Group in Italy; such scheme was introduced with Article 6 of Italian Legislative Decree No. 147 of 14 September 2015, according to which also the Italian "sister" companies, whose controlling Company is resident in a EU Member State, may exercise the option for consolidated taxation.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss) to the Consolidating Entity Crédit Agricole Italia, which calculates a single taxable income or a single tax loss of the Group for the Italian corporate income tax (IRES), as the algebraic sum of the income and/or losses of the single Companies, and recognizes a single tax account payable to or receivable from the Italian Inland revenue Service.

In the consolidating entity's financial statements, the intra-group balances resulting from the tax consolidation scheme are reported under the "Financial assets measured at amortized cost – due from banks" item for the provisions for Corporate Income Tax (IRES) allocated by the scheme member entities net of withholdings due and down-payments made (in the "Financial liabilities measured at amortized cost – due to banks" item if the down-payments made are higher than the provisions). In the same financial statement items, the scheme member entities recognize the receivable or payable balances resulting from their respective taxable income contributions to the consolidating entity.

Deferred tax liabilities are calculated using the so-called balance-sheet liability method.

Deferred tax assets, relating to deductible temporary differences or future tax benefits that can be gained by carrying forward tax losses, are recognized to the extent their recovery is deemed likely and after the probability test, which is to be run on a yearly basis, in accordance with IAS 12.

Deferred tax liabilities are recognized for all taxable temporary differences, except for the reserves subject to tax deferral arrangements, since the amount of available reserves already subject to taxation makes it likely that no taxable operations will be carried out.

Deferred tax assets and liabilities are recognized in the Balance Sheet with open balances without any offsetting, the former under the "Tax Assets" item, the latter under the "Tax Liabilities" one.

Deferred tax assets and liabilities are systematically measured to reflect any changes in tax regulations or rates, as well as in any other situation specifically applying to the Company. The effects are recognized in the Income Statement, except when these regard changes in the temporary differences in items for which accounting policies require recognition directly in equity, in which case the change in the deferred tax liability or asset is taken directly to equity.

10. Provisions for risks and charges

Allocations to provisions for risks and charges are made when:

- A present obligation (legal or implicit) exists resulting from a past event;
- It is likely that resources will have to be used in order to generate the economic benefits necessary to fulfil the obligation;
- The obligation amount can be reliably estimated.

Where the time factor is significant, provisions are discounted. The allocation to provision is recognized in the Income Statement, which also reports interest expense accrued on provisions that have been discounted.

POST-EMPLOYMENT BENEFITS

The company pension plans, created pursuant to corporate agreements, qualify as "defined-benefit plans".

The liabilities referring to these plans and the relating social security costs for employees currently on staff are determined based on actuarial assumptions by applying the Projected Unit Credit (PUC) method. Under this method, future outlays are projected based on analyses of time series and the demographic curve and the discounting of these cash flows using market interest rates, as set forth in the relevant tables in the Note to the Financial Statements.

Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

Actuarial profits and losses, defined as the difference between the liability book value and the present value of the commitments as at the reporting date, are fully recognized directly in equity, under the item "Valuation reserves".

PROVISIONS FOR RISKS AND CHARGES REGARDING COMMITMENTS AND GUARANTEES GIVEN

This sub-item of the "provisions for risks and charges" item reports credit risk allowances recognized for commitment to disburse funds and for guarantees given within the scope of application of the impairment rules pursuant to IFRS 9. In principle, for these cases, the same methods apply for the allocation to the three credit risk stages and for the calculation of the expected loss as reported with regard to financial assets measured at amortized cost or at fair value through other comprehensive income.

OTHER PROVISIONS

Other provisions for risks and charges include provisioning for legal or other obligations associated with employment relationships or disputes, including tax disputes, resulting from a past event for which a cash outflow to settle the obligation is likely, granted that its amount can be reliably estimated.

Where the time factor is significant, provisions are discounted using current market rates. The amount allocated to provision is recognized in the Income Statement under item "170. Net provisions for risks and charges" and reports the increases in the provisions due to the passage of time.

This item also reports long-term employee benefits, the liabilities for which are determined using the same actuarial assumptions described for post-employment benefits. Actuarial gains and losses are immediately recognized in full in the Income Statement.

11. Financial liabilities measured at amortized cost

CLASSIFICATION

The "Due to banks", "Due to customers" and "Debt securities issued" items report all forms of interbank and customer funding, repurchase agreements and funding through certificates of deposit, bonds and other funding instruments issued, less any amounts repurchased.

This item also reports lease liabilities recognized by the entity as the lessee.

RECOGNITION

These financial liabilities are initially recognized upon the signing of the relevant contract, which is usually the date of receipt of the funds raised or of the issue of debt securities.

These financial liabilities are initially recognized at fair value, which usually is equal to the amount collected or the issue price plus any additional expenses/income that can be directly attributed to the single financing or issue transaction. Internal administrative expenses are excluded.

Repurchase agreements or reverse repurchase agreements are recognized as funding or lending transactions. Specifically, repurchase agreements are recognized as due and payables for the spot amount received, whereas reverse repurchase agreements are recognized as loans and receivables for the spot amount paid.

Lease liabilities are recognized based on the present value of future lease payments still to be made as at the lease contract effective date in accordance with IFRS16.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Following initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method. The result of this method is recognized in the Income Statement under item "20 Interest and similar expenses".

This does not apply to short-term liabilities which are recognized in the amount collected since the time factor is negligible.

After the lease contract effective date, the lessee shall redetermine its lease liabilities in order to take account of the changes to lease payments; the amount of the redetermined lease liabilities shall be recognized as an adjustment of the right-of-use assets.

DERECOGNITION

Financial liabilities are derecognised when they mature or are settled. Financial liabilities are also derecognized when previously issued securities are repurchased.

The difference between the liability book value and the amount paid to purchase such liability is recognized in the Income Statement under item 100 "Net profit (loss) on sale or repurchase of financial liabilities".

The subsequent placement of repurchased securities on the market is treated as a new issue and is recognized at the new placement price, with no effect through profit or loss.

12. Financial liabilities held for trading

RECOGNITION

These financial instruments are recognized, at the date of subscription or at the date of issue, at cost that is equal to the instrument fair value, without taking into account any directly attributable transaction costs or income.

CLASSIFICATION

This item also reports the negative value of derivative contracts held for trading, as well as the negative value of derivatives that are embedded in complex contracts but that are not strictly connected to such contracts.

It also includes liabilities originating from technical overdrafts generated by securities trading.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

All liabilities held for trading are measured at fair value through profit or loss.

For more information on fair value measurement, please refer to paragraph 16 "Other Information - Fair Value Measurement" and to "Part A.4 - Fair value reporting".

Profits and losses on trading and any capital gains and losses on measurement of the trading book are recognized in the Income Statement under item "80. Net profit (loss) on trading activities".

DERECOGNITION

Financial liabilities held for trading are derecognized when the contractual rights to the relevant cash flows expire or when the financial liability is sold with substantial transfer of all risks and rewards of ownership.

13. Financial liabilities designated at fair value

Crédit Agricole Italia has decided not to exercise the fair value option for financial liabilities.

CLASSIFICATION

Financial liabilities are designated at fair value if one of the following conditions is met:

- This classification allows to eliminate or significantly reduce any "accounting mismatching";
- They belong to groups of liabilities that are managed and their performance is measured based on fair value, in accordance with an appropriately documented risk management strategy.

RECOGNITION

They are initially recognized at fair value, without taking into account any transaction income or costs.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

These liabilities are recognized at fair value with the related effects recognized in accordance with the following rules laid down by IFRS 9:

- Any fair value changes attributable to changes in the entity's credit rating shall be recognized in a specific valuation reserve (item "110. Valuation reserve") net of the related tax effect in the Statement of Comprehensive Income (Equity);
- Any other fair value changes shall be recognized in the Income Statement under item "110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss.

For more information on fair value measurement, please refer to paragraph 16 "Other Information - Fair Value Measurement" and to "Part A.4 - Fair value reporting".

The amounts recognized in the Statement of Comprehensive Income shall not be later recycled through profit or loss, including when the liability has expired or has been settled; in this case, the accumulated Profit (Loss) shall be reclassified to the specific valuation reserve under another Equity item (item "140. Reserves"). This recognition approach shall not be applied if the recognition of the effects of the entity's credit rating in Equity determines or increases any accounting mismatch in the Income Statement. In this case, profits or losses associated with the liability, including those resulting from any changes in the entity's credit rating, shall be recognized through profit or loss.

After initial recognition, these financial liabilities are measured at fair value.

To measure the fair value of financial instruments that are quoted in an active market, market prices are used.

Where there is no active market, fair value is measured using generally accepted estimation methods and measurement models that are based on information available on the market, such as: methods based on the price of listed instruments with similar features, discounted cash flows, option pricing models and values reported for recent comparable transactions.

DERECOGNITION

Financial liabilities are derecognised when they mature or are settled. Liabilities are also derecognized when previously issued securities are repurchased. The difference between the liability book value and the amount paid to purchase such liability is recognized in the Income Statement under item 110 "Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss".

14. Foreign currency transactions

RECOGNITION

Transactions in a foreign currency are initially recognized in the reporting currency by translating the foreign currency amount at the exchange rate in force on the date of the transaction.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

At each annual and interim financial reporting date, foreign currency items are measured as follows:

- Monetary items are translated at the exchange rate in force as at the reporting date;
- Non-monetary items measured at historical cost are translated at the exchange rate in force as at the transaction date;
- Non-monetary items measured at fair value are translated at the exchange rate in force as at the reporting date.

Exchange rate differences resulting from the settlement of monetary items or from the translation of monetary items at exchange rates other than the initial translation rate, or the translation of previous Financial Statements, are recognized in the Income Statement for the period in which they emerge.

When gains or losses relating to a non-monetary item are recognized in equity, the exchange rate difference for the item is also recognized in equity.

Conversely, when a profit or a loss is recognized in the Income Statement, the related exchange rate difference is also recognized in the Income Statement.

15. Other Information

ADJUSTMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES IN MACRO-HEDGE PORTFOLIOS

These items report changes in the fair value of financial assets and liabilities macro-hedged against interest rate risk, based on their respective balances, either positive or negative. The recognition of hedges is reported in point 4 “Hedging” of this section.

LEASES

IFRS 16 “Leases” requires entities to determine whether a contract is (or contains) a lease, based on the right to control the use of an identified asset for a given period of time; therefore, rental, hire, lease or loan for use contracts are in the scope of application of the new standard.

Leases in which the Bank is the lessee

IFRS 16 provides for a single lessee accounting model, requiring lessees to apply it to both operating and finance leases, with a “Rights-of-use” approach (hereinafter “right of use” or “RoU”).

Therefore, for all leases in which it is the lessee, the reporting entity shall recognize the items listed below in its balance sheet:

- Future lease payments, which shall be recognized under financial liabilities as Lease Liability, which reports the obligation to make future payments and is discounted at the incremental borrowing rate (the liability decreases in accordance with payments made and increases by the amount of accrued interest due);
- The right of use, as expressed in the contracts, which shall be recognized as a lease asset reporting its value in a separate row in the Balance Sheet, under Property, plant and equipment (RoU Asset) to be calculated as the sum of the lease liability, the initial direct costs, any payments made on or before the contract effective date (net of any lease incentives received) and of dismantling and restoration costs.

The recognized costs are:

- The expenses for depreciation of right of use asset over the lease term of validity on a straight-line basis (impact on income from operations);
- Interest expenses accrued on the financial liability (impact on financial expenses and on financial income).

The minimum disclosure requirements for the lessee include:

- The subdivision of underlying assets into “classes”;
- Breakdown by maturity of lease liabilities;
- Information potentially useful to better understand the lessee’s business with reference to the lease contracts (e.g. early repayment or extension options).

Furthermore, it is specified that, based on the IFRS 16 requirements and the clarifications given by IFRIC (document “Cloud Computing Arrangements” of September 2018), software shall not fall in the IFRS 16 scope; therefore, all software shall be recognized in accordance with IAS 38 and the related requirements.

Leases in which the Bank is the lessor

IFRS16 keeps the distinction between operating leases and finance leases provided for by IAS 17.

17. Leases are considered finance leases if they transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

For finance lease contracts entered into by Crédit Agricole Italia as the lessor, the leased assets are recognized as receivables in the Balance Sheet with a value equal to the lease net investment, while interest income (financial components of lease fees) is recognized in the Income Statement, and the fee part representing principal repayment reduces the receivable value.

For operating leases, the lease payments accrued are recognized under the "Other income" item.

Sale and leaseback transactions

In a sale and leaseback transaction, an entity (seller-lessee) sells an asset to another entity (buyer lessor) which then leases it back to the seller-lessee; therefore, under the lease contract, the seller-lessee keeps its right to use of the sold asset.

In order to determine the appropriate accounting treatment under IFRS 16, it must first be assessed whether the transaction qualifies as a sale complying with the IFRS 15 requirements.

If the transaction qualifies as a sale, the seller-lessee shall derecognize the sold asset and recognize the acquired right of use in accordance with the methods laid down by IFRS1 6 para. 100 et seq.

Specifically, the lessee shall measure the right-of-use asset for an amount equal to the percentage of the previous book value representing the right of use it has kept; consequently, the gain or loss that the seller-lessee shall recognize refers only to the transferred rights and, therefore, it is not quantified simply as the difference between the asset fair value and its book value, but it shall be determined as equal to the consideration portion attributable to the portion of the asset the control on which has been transferred to the buyer-lessor minus the portion of the asset book value attributable to the period after the end of the lease, when control is transferred to the buyer-lessor. If the sale consideration is not consistent with the asset fair value or the lease payments are not consistent with market ones, the differences shall be recognized as other liabilities or advance payment.

If the transaction does not qualify as a sale under IFRS 15, the seller-lessee shall continue to recognize the transferred asset and a financial liability under IFRS 9 equal to the transfer proceeds; the buyer-lessor shall not recognize the transferred asset but shall recognize a financial asset under IFRS 9 resulting from the transfer.

TREASURY SHARES

Any treasury shares held are recognized under a specific item and deducted from equity. Similarly, the original costs of these shares and any gains or losses resulting from their subsequent sale are recognized as changes in Equity.

OTHER ASSETS

This item reports assets that cannot be classified under other asset items in the Balance Sheet. By way of example, this item may report:

- Gold, silver and precious metals;
- Accrued income other than capitalized on the related financial assets;
- Receivables associated with the supply of non-financial goods and services;
- Tax due and payables other than those recognized under item "100. Tax assets".

It also reports leasehold improvement expenses other than those recognized under item "80. Property, plant and equipment", as they cannot be separated by the assets they refer to and, therefore, cannot be used separately. It can also report any remaining assets ("debt balance") of transit and suspended items not recognized in the relevant accounts as long as their total amount is negligible.

ACCRUALS AND DEFERRALS

Accrued income and prepaid expenses and accrued expenses and deferred income for the period on assets and liabilities are recognized as adjustments to the assets and liabilities they refer to.

LEASEHOLD IMPROVEMENT

The costs of renovating leased property are capitalized in consideration of the fact that, for the duration of the lease, the lessee Company has control over and enjoys the future economic benefits of the assets. These costs, classified among "Other Assets" as required by the Bank of Italy in the aforementioned Circular No. 262/2005, are amortized over a period that does not exceed the residual duration of the lease.

The balancing item in the Income Statement of the above provisions is recognized under "Other operating expenses".

EMPLOYEE SEVERANCE BENEFITS

Until 31 December 2006, the employee severance benefits of Italian companies were considered defined-benefit plans. The regulation of these benefits was amended by Italian Law No. 296 of 27 December 2006 (Italy's "2007 Finance Act") and subsequent Decrees and Regulations issued in the first months of 2007. In the light of such amendments, this item is now to be considered a defined-benefit plan exclusively for the portions accrued before 1 January 2007 (and not yet settled as at the reporting date), whereas, after such date, it is treated as a defined-contribution plan.

Therefore, with reference to the defined-benefit plan component the benefit cost is calculated separately for each plan using the actuarial unitary credit projection method. Under this method, future outlays are projected based on an analysis of time series and the demographic curve, and the discounting of these cash flows using a market interest rate. Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

The expenses for the plan are recognized under personnel expenses, include interests accrued, while employees' severance benefits accrued in the year, following the supplementary pension scheme reform introduced with the 2007 Financial Act, are entirely allocated to the "defined-contribution plan".

Actuarial gains and losses, including revaluation of the portions accrued in the previous years, based on the reference ISTAT (Italian National Institute of Statistics) index, are taken to a specific equity reserve, starting from 2010.

Based on the employees' choice, the amounts are allocated to supplementary pension schemes or to the Treasury fund managed by INPS (Italian Social Security Institute). The portions allocated to the defined-contribution plan are calculated based on the contributions due for each year without applying actuarial calculation methods.

SHARE-BASED PAYMENTS

Share-based remuneration plans for employees are recognized in the Income Statement, with a corresponding increase in Equity, based on the fair value of the financial instruments allocated at the awarding date, divided over the time period covered by the plan.

The fair value of any options is calculated using a model that takes into account information such as the exercise price and term of the option, the current price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the plan specific features The measurement model separately measures the options and the probability that the conditions for granting the options will be achieved.

Any reduction in the number of financial instruments awarded is reported as derecognition of a portion of such instruments.

REVENUE RECOGNITION

Revenues are recognised when realized or when it is probable that future benefits will be received and these future benefits can be reliably determined. Specifically:

- interest revenues are recognized on an accrual basis, using the contractual interest rate or the effective interest rate where the amortized cost method is applied;
- Default interest, if any is contractually provided for, is recognized in the Income Statement only upon collection;
- Dividends are recognized in the income statement when their distribution is authorized;
- Fee and commission income for revenues from services is recognized, where the relevant agreements exist, in compliance with IFRS 15 (fee and commission income considered in the amortized cost for determining the effective interest rate are recognized under interest income);
- Revenues from intermediation of financial instruments held for trading, calculated as the difference between the transaction price and the instrument fair value, are recognized in the Income Statement when the transaction is recognized, if the fair value can be determined with reference to parameters or transactions recently observed in the same market in which the instrument is traded.

If these values cannot be easily detected or the instrument is not highly liquid, the financial instrument is recognized at a value equal to the transaction price, less the business profit; the difference with the fair value is recognized in the Income Statement over the transaction duration with progressive reduction, in the measurement model, of the correction factor relating to the instrument's low liquidity.

REVENUES FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

Fee and commission revenues and expenses are recognised in the Income Statement based on the nature of services they refer to.

Fees and commissions that are an integral part of the effective yield on a financial instrument are recognised as an adjustment to the yield on the instrument and included in its effective interest rate.

The recognition of other types of fees and commissions in the income statement shall reflect the time of transfer to the customer of control of the goods or services sold.

The net income from a transaction associated with the provision of services is recognised under Fee and commission income at the time of transfer of control of the service to the customer, if this can be reliably estimated. This transfer may occur as the service is provided (ongoing service) or on a specific date (one-off service).

Fee and commission income from ongoing services (fees and commissions on payment instruments, for example) shall be recognised through profit or loss according to the degree of progress of the service provided.

Fees and commissions collected or paid as consideration for one-off services shall be fully recognized through profit or loss when the service is provided.

Fees and commissions to be paid or collected, or not yet earned, shall be progressively recognized as the performance obligation is satisfied over time. These estimates shall be updated at every reporting date. In practice, this condition can result in the deferred recognition of certain items of performance-related fee and commission income until such income has been definitively acquired.

CONTRIBUTIONS TO THE SINGLE RESOLUTION FUND

The Bank Recovery and Resolution Directive (BRRD – 2014/59/EU) lays down the resolution rules applying since 1 January 2015 to all the banks within the European Union.

The relevant measures shall be financed by the National Resolution Fund, which, on 1 January 2016, was merged into the Single Resolution Fund – SRF, managed by the Single Resolution Board – SRB.

The Single Resolution Fund shall reach a target level of financial resources by 31 December 2023 through the payment of a yearly ex-ante contribution, which, normally, pursuant to the Delegated Regulation of the European Commission No. 2015/81, may be paid also with irrevocable payment commitments (IPC). For 2021, credit institutions were allowed to use such commitments for 15% of total contributions, as in the two previous years. To secure full payment of the total contributions, intermediaries are required to give eligible assets as collateral, which, for the five years in question, may consist only of cash.

In 2021, the Bank of Italy, in its capacity as the Resolution Authority, provided the Italian Banks that are subject to the above regulation with a communication setting forth the ordinary contribution due for the 2020 financial year, calculated pursuant to Delegated Regulations of the European Commission No. 2015/63 and Council Implementing Regulation no. 2015/81. This contribution was determined by the Single Resolution Board in cooperation with the Bank of Italy.

It is reported that Crédit Agricole Italia exercised the option to settle 15% of its total contribution through irrevocable payment commitments.

The ex-ante ordinary contribution to the Single Resolution Fund, net of IPCs, to be paid by Crédit Agricole Italia for 2021 amounts to Euro 18.6 million.

Moreover, in June 2021, the Bank of Italy requested additional contributions to the Italian National Resolution Fund in order to handle further financial needs. This contribution paid by Crédit Agricole Italia amounted to Euro 7.1 million.

These contributions are recognized in the Income Statement under "Other administrative expenses".

CONTRIBUTIONS TO THE DEPOSIT GUARANTEE SCHEME

The Deposit Guarantee Scheme Directive - 2014/49/EU (DGSD) laid down an harmonized regulatory framework applying throughout the European Union on deposit guarantee schemes.

The Deposit Guarantee Scheme provides a coverage of Euro 100,000 per depositor. In Italy, it is managed by the Interbank Deposit Protection Fund.

The Scheme requires member banks to give an ex-ante contribution, which is intended to achieve the financial target level, i.e. 0.8% of the amount of the covered deposits of all authorized credit institutions in all Member States, by 3 July 2024.

If the Scheme does not have the resources to intervene where needed, an extraordinary contribution (ex-post) may be requested.

The contribution paid by Crédit Agricole Italia for 2021 amounted to Euro 35 million. These contributions are recognized in the Income Statement under "Other administrative expenses".

BUSINESS COMBINATIONS

Business combinations are recognized in accordance with IFRS 3 "Business Combinations".

This standard requires business combinations to be recognized using the "acquisition method" of accounting, based on which assets, liabilities and contingent liabilities of the acquiree are measured at acquisition-date fair value.

Any portion of the price paid exceeding the acquisition-date fair values shall be recognized as goodwill or as other intangible assets; if the price is lower than acquisition-date fair value, the difference shall be taken to the Income Statement (negative goodwill).

The "acquisition method" shall be applied from the acquisition date, i.e. the date on which control over the acquiree is actually obtained. Therefore, profit or losses of a subsidiary acquired in the period are reported in the Consolidated Financial Statements starting from the date of its acquisition. Conversely, profit or losses of a subsidiary sold in the period are reported in the Financial Statements up to the date on which control is transferred.

Business combinations between entities under common control are not within IFRS 3 scope of application, nor are they governed by other IFRSs; therefore, these business combinations are defined in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Indeed, IASs/IFRSs provide specific guidelines to be followed for any transactions that are not within the IFRS scope of applications, which are described in paragraphs 10–12 of IAS 8 and require the Management to consider also the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards.

IFRS 3 gives limited accounting guidelines regarding transactions under common control, previously described in the Accounting Principles Board (APB) Opinion. This method ("pooling of interest") requires, for these transactions, assets and liabilities to be recognized at the historical values (book valued) of the combined entities, rather than at their respective fair values without recognizing goodwill.

In Italy, this approach was essentially endorsed and adopted by the Italian Association of Auditors of the Accounts (Assirevi), with Documents OPI No. 1R regarding the accounting treatment of "business combinations of entities under common control" and OPI No. 2R regarding the accounting treatment of mergers.

Therefore, "intra-group" business combinations or business combinations between "entities under common control" within the Crédit Agricole Italia Banking Group are recognized based on the book value of the transferred entities. If the consideration paid to acquire the equity interest is different from the book value of the transferred entity, because of recognized goodwill, the difference shall be recognized as a decrease in equity of the acquirer Company and the transaction shall be classified as extraordinary distribution of reserves.

Exactly in the same way, if an entity is sold, the received consideration shall be recognized directly in an equity reserve, since it is essentially a capital contribution made by the other companies of the Group the reporting entity belongs to.

FAIR VALUE MEASUREMENT

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price) on the main (or more advantageous) market, irrespective of whether this price can be directly observed or is estimated using a valuation technique. Fair value applies to every financial asset or liability on an individual basis. As an exception, it can be estimated at a portfolio level, if the strategy for risk management and monitoring allows it and if appropriate documentation is provided. However, certain fair value parameters are calculated on a net basis, when a group of financial assets and financial liabilities is managed based on its net exposure to market or credit risks. This is the case for calculation of Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA) for derivatives.

More exhaustive reporting on these parameters is given in Part A.4 of the Note to the Financial Statements.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

For financial instruments, fair value is determined using prices from financial markets in the case of financial instruments listed in active markets, or using internal measurement models for other financial instruments.

A market is considered active if quoted prices, representing actual and regular market transactions occurring during an appropriate reference period, are readily and regularly available from sources such as stock exchanges, stockbrokers, intermediaries, industry companies, pricing services or authorized bodies. Collective investment schemes (EFT), spot exchange transactions, futures, options and equity securities listed on a regulated market are considered as traded on a regulated market. Bonds for which at least two executable prices can be detected on a quotation service with a bid-asking spread that is less than an interval deemed consistent are also considered as quoted. Otherwise, all securities, derivatives and hedge funds that do not belong to the above categories are not considered as traded on an active market.

For financial instruments traded on active markets, the price is used which is defined as “official”, as at the closure of the reference period.

In the case of financial instruments for which the bid-ask spread is immaterial, or for financial assets and liabilities capable of offsetting market risk, a “mid-price” is used, i.e. the average market price (on the last day of the reference period) instead of the bid or ask price.

Where there is no active, liquid market, the fair value of financial instruments is defined mainly by using standard measurement techniques designed to establish what the transaction price would have been on the measurement date in an arm’s length trade carried out for normal market reasons. In incorporating all the factors that operators would consider in setting the price, development of the valuation models takes into account the time value of money at the risk-free rate, the volatility of the financial instrument, as well as, where applicable, exchange rates, commodity prices and stock prices.

With finance products for which the fair value determined with measurement techniques cannot guarantee a sufficient degree of reliability, the value is prudentially calculated as the fair value at the reference date communicated by the parties with which the transactions were signed.

The measurement method chosen for a financial instrument is applied consistently over time and may only be altered if significant changes in market conditions or the subjective condition of the issuer of the financial instrument occur.

For bonds and derivative contracts, globally accepted valuation models have been set, which refer to market parameters, to the time value of money and to risk-free rates.

Specifically, fixed-rate bonds relating to financial assets or liabilities are measured using the discounted cash flow method pursuant to the security contractual scheme; floating-rate bonds are measured by discounting back future cash flows estimated on the basis of the forward rates with the application of index-linking parameters.

Derivative contracts are measured using specific calculation algorithms and specific numerical procedures according to the type of the different categories of transactions.

Stocks are measured considering the direct transactions, that is, significant transactions on the security registered in a sufficiently short timeframe with respect to the time of measurement and in constant market conditions, comparable transactions by companies operating in the same sector and supplying the same type of products/services as the associated company being evaluated provides, application of the average of significant stock exchange multiples of companies of a comparable financial size to the financial aggregates of the investee and, finally, financial, income and equity measurement methods.

The funds resulting from the acquisition of Cassa di Risparmio di Cesena, Cassa di Risparmo di Rimini and Cassa di Risparmio di San Miniato, finalized in 2017, were measured applying a buffer to the NAV reported by the Asset Manager, as those funds are not liquid.

The adjustment is -25% of the NAV and any increases in the NAV do not trigger any value increase, but rather cause the buffer to increase; whereas, any decrease in the NAV reported by the Asset Manager (according to reporting time schedule set by the Asset Manager) triggers:

- If the decrease in the NAV reduces the buffer down to a minimum threshold of 10%, the measurement preceding the one of the new NAV is kept;
- If the decrease in the NAV reduces the buffer below the 10% threshold, the 25% buffer is restored aligning the measurement recognized. The resulting impact is recognized in the Income Statement.

The fair value of units in funds resulting from loan management initiatives is determined in accordance with Bank of Italy/Consob/Ivass Joint Document no. 8 – Coordination table between Consob, the Bank of Italy and Ivass regarding the application of the. IAS/IFRS of 14 April 2020; therefore, for fair value determination, the Crédit Agricole Italia Banking Group asks the Asset Manager to periodically provide an estimate of the Fund made by an independent expert and compliant with IFRS13 and with the Joint Document. Said Fair Value is the value the fund units are measures and recognized at.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS

For financial instruments held for sale and for those assets and liabilities recognized at cost or amortized cost, the fair value for reporting purposes or given as disclosure in the Note to the Financial Statements is calculated as follows:

- The fair values of medium/long-term assets and liabilities are primarily measured by discounting future cash flows, taking account of the riskiness of the relevant portfolio;
- A good approximation of the fair value of demand or short-term assets and liabilities is their book value as initially recognized and net of collective/individual writedowns;
- The book value of non-performing loans (bad loans, unlikely-to-pay and past-due positions) is deemed to be a reasonable fair value approximation;
- The book value initially recognized of floating-rate and short-term fixed-rate securities is deemed a reasonable fair value approximation, due to the fact that it reflects both the change in rates and the measurement of the credit risk associated with the issuer.

An analogous approach is applied for the fair value measurement of medium-/long-term fixed-rate securities and structured securities that are hedged against interest rate risk, for which the book value determined for hedge accounting purposes already takes account of interest rate risk measurement. For the latter, in determining the fair value reported in the Note to the Financial Statements, changes in their credit spread were not taken into account, considering the same within the Group.

With regard to real estate, for which the fair value is calculated only for the purposes of disclosure in the Note to the Financial Statements, reference is made to a value primarily based on appraisals by independent experts, considering transactions at current prices in an active market for similar properties in the same geographical area and under the same conditions for leases and other contracts.

AMORTIZED COST MEASUREMENT

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization, calculated using the effective interest method, of any difference between the initial amount and the amount at maturity, and minus any impairment loss.

The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the financial asset or liability up to maturity or the subsequent repricing date to the present value of the financial asset or liability.

To calculate the present value, the effective interest rate is applied to future cash flows or payments over the life of the financial asset or liability or for a shorter period of time under certain conditions (for example, changes in market rates).

Subsequent to initial recognition, the amortized cost method makes it possible to allocate revenues and costs pertaining to the instruments over their expected lifetime. The determination of the amortized cost varies according to whether the financial assets/liabilities being measured are at fixed or variable rate, and - in the latter case - according to whether the rate variability is known or not beforehand. For fixed-rate instruments, or instruments with fixed rate over specified time ranges, future cash flows are measured using the known interest rate (single or variable) over the life of the loan. For floating rate financial assets and liabilities whose variability is not known ahead of time (e.g. because it is linked to an index), cash flows are determined using the last known rate. Each time the rate is changed, the amortization schedule is recalculated, as is the effective rate of return over the entire useful life of the instruments, i.e. to maturity. Any adjustments are recognized as expense or income in the Income Statement.

Measurement at amortized cost applies to financial assets measured at amortized cost and to financial assets measured at fair value through other comprehensive income, as well as to financial liabilities measured at amortized cost.

Financial assets and liabilities traded on an arm's length basis are initially recognized at fair value, which is normally equal to the amount received or paid, including, for instruments measured at amortized cost, directly attributable transaction costs, fees and commissions.

Transaction costs are marginal internal or external costs or revenues that are directly attributable to the issue, acquisition or disposal of a financial instrument and that cannot be charged to the customer. These fees and commissions, which must be directly attributable to individual financial assets or liabilities, affect the original effective rate of return and cause the effective interest rate associated with the transaction to vary from the contractual interest rate. Transaction costs do not include costs and revenues that apply, indiscriminately, to more than one transaction and do not include components relating to events that could occur over the life of the instruments that are not certain at the time the instrument is initially prepared, such as: commissions for retrocession, failure to use a credit line, early repayment.

Furthermore, the amortized cost calculation does not take account of the costs that the Group would bear independently of the transaction (for example, administrative costs, recording and communication expenses), of the costs that, though specifically attributable to the transaction, fall within normal loan management practices (for example, activities associated with disbursement of the loan), as well as fees and commissions for services collected for the completion of Structured Finance operations, which would however have been collected irrespectively of the subsequent financing of the transaction (such as, for example, arrangement fees and commissions).

With specific reference to loans, costs attributable to the financial instrument include commission paid to distribution channels, fees paid for advice/assistance regarding the organization and/or participation in syndicated loans and expenses borne for loans acquired by subrogation; while the revenues considered in the calculation of amortized cost are up-front commissions relating to loans granted at lower-than-market rates, fees and commissions for participation in syndicated transactions and brokerage fees linked to commissions paid by intermediation companies.

With regard to securities not measured at "fair value through profit or loss", transaction costs include fees and commissions on contracts with stockbrokers operating in Italian markets, fees and commissions paid to intermediaries operating in foreign stock and bond markets based on set fee and commission schedules. The amortized cost does not include stamp duties, as these are deemed immaterial.

For securities issued, amortized cost is calculated taking into account fees and commissions for placing debenture loans paid to third parties, legal expenses, fees paid to stock exchanges and fees paid to auditors for work done on each individual issue, while the amortized cost excludes fees and commissions paid to rating agencies, legal and advice/audit expenses for the annual update of prospectuses, expenses for the use of indices and fees and commissions that arise during the life of the debenture loan issued.

Following initial measurement, they are measured at amortized cost, reporting effective interest rates that are higher or lower than the nominal rates.

Hedged financial assets and liabilities, for which changes in fair value with respect to the hedged risk are recognized in the income statement, are not measured at amortized cost. However, the financial instrument is once again measured at amortized cost where the hedge terminates. From that moment, previously recognized changes in fair value are amortized, calculating the new effective interest rate that takes account of the value of the loan adjusted for the fair value of the hedged item, up to the originally scheduled expiry of the hedge, Moreover, as previously stated in the section on measuring loans and receivables, debt and debt securities issued, the amortized cost method does not apply to short-term financial assets and liabilities since the impact of discount is negligible, and does not apply to loans without a specified maturity or revocable loans.

IMPAIRMENT OF ASSETS

FINANCIAL ASSETS

In compliance with IFRS 9, the Crédit Agricole Italia Banking Group recognizes impairment with write-downs representing Expected Credit Losses (ECL) on the categories of financial assets given below:

- Financial assets recognised at amortised cost or at fair value through equity with recycling (loans and receivables, debt securities);
- Financing commitments which are not measured at fair value through profit or loss;
- Guarantee commitments that fall within IFRS 9 scope of application and that are not measured at fair value through profit or loss;
- Lease receivables falling in the IFRS16 scope;
- Trade receivables generated by transactions under IFRS 15 scope of application.

The model of impairment (provisioning) for credit risk has three stages:

- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee…), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

The Expected Credit Loss (ECL) is the weighted expected value of the discounted credit loss (principal and interest).

To define the IFRS 9 parameters required to calculate ECL, Crédit Agricole Italia has primarily relied on its internal rating system and on the other regulatory processes already implemented. The assessment of credit risk is based on an expected loss model and extrapolation based on reasonable future scenarios. All information that is available, pertinent, reasonable and justifiable, including forward-looking information, shall be taken into account.

Therefore, in compliance with the requirements laid down by the standard, in order to estimate parameters, a set of forward-looking scenarios is used, each one of which is weighted by the related probability of occurrence.

The ECL calculation formula combines the probability of default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) parameters.

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments.

Within the review of its impairment model for the non-performing portfolio, already essentially based on the discounting of future recovery flows in accordance with IAS 39, the further requirement of IFRS 9 to estimate a multi-scenario and forward-looking ECL was complied with combining the scenario pursuant to IAS 39 (internal recovery) with an alternative recovery scenario consisting in the sale of the single non-performing exposure on the market.

Expected credit losses are discounted at the effective interest rate (EIR) used for the initial recognition of the financial instrument.

OTHER NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets with a finite useful life are tested for impairment if there is evidence that the book value of the asset can no longer be recovered.

The recoverable value is calculated for each single asset, except in case this asset generates cash flows that are not widely independent of those generated by other assets or groups of assets.

If the book value of an asset is higher than its recoverable value, that asset is impaired and consequently written down to the recoverable value.

The recoverable value is determined with reference to the fair value of the asset, excluding disposal costs, or value in use, if calculable and higher than the fair value.

The fair value of property is mainly determined on the basis of appraisals by independent experts. The appraisal is updated whenever there is a change in the property market trend that could affect the validity of the previous estimates and, in any case, every three years. Impairment losses are recognized only when the fair value, net of sale costs, or the value in use of the asset is lower than its book value for three consecutive years.

For other Property, plant and equipment items and intangible assets (other than goodwill), the Group determines the value in use as the present value of the estimated future cash flows using a discount rate before-taxes reflecting market data (the present value of money and asset-specific risks).

SEGMENT REPORTING METHOD

Crédit Agricole Italia is required to present segment reporting, in accordance with IFRS 8.

The sectors of economic activity covered by segment reporting are determined based on the Group's organizational and management structure.

The Group's business segments are:
- Retail/Private Banking (including the Financial Advisors channel and the Digital Business Unit);
- Corporate Banking (Large-corporate/Mid-corporate);
- Other/sundry.

For segment reporting purposes, management figures, appropriately reconciled with Financial Statement figures, have been used. The methods used for the impairment testing of goodwill are reported in point No. 13.3 - Assets.

A.3 – Reporting on transfers between financial asset portfolios

In 2021, no transfers between portfolios were made.

A.4 – Fair value reporting

QUALITATIVE DISCLOSURES

CLASSIFICATION OF FINANCIAL INSTRUMENTS AND OF NON-FINANCIAL ASSETS/LIABILITIES

Reporting on the fair value hierarchy as required by IFRS 13 applies to financial instruments and to non-financial assets/liabilities that are measured at fair value (irrespectively of whether they are so measured on a recurring or non-recurring basis).

The standard classifies fair value into three different levels based on the observability of the inputs used for its measurement:

- **Level 1**: Fair value equal to quoted prices (with no adjustments) in active markets. Level 1 includes financial instruments that are quoted on active markets.
  Specifically, these financial instruments are stocks and bonds quoted in active markets, investment schemes quoted in active markets (EFT) and derivatives traded in regulated markets.
  Markets are considered active if the quotations are easily and regularly available on the stock exchange, from brokers, intermediaries, price quotation services or regulatory agencies and these prices represent actual transactions that are regularly carried out in the market on an arm's length basis.
- **Level 2**: Fair value determined using measurement models that are universally acknowledged and based on observable or indirectly observable market inputs (for example determining the interest rate curve based on interest rates that are directly observable on the market at a given reference date). Level 2 includes:
  - Stocks and bonds that are quoted on markets considered inactive or that are not quoted on an active market, but whose fair value is determined using a universally acknowledged measurement model based on observable or indirectly observable inputs;
  - Financial instruments whose fair value is determined with measurement models using observable market inputs.
- **Level 3**: Financial instruments whose fair value is determined using, to a significant extent, inputs that do not meet the set observability requirements.

The fair value of some complex instruments that are not traded in active markets is determined with measurement techniques based on inputs that are not observable on the market.

They are mainly complex interest rate instruments, stock derivatives and structured loans, where the measured correlation or volatility inputs are not directly comparable to market inputs.

CREDIT VALUATION ADJUSTMENT (CVA) E DEBIT VALUATION ADJUSTMENT (DVA)

In accordance with the IFRS 13 regulatory framework, derivatives shall be priced based on market factors, as well as on the possible effects of the risk of the counterparty's default, which comprises the risk associated to the counterparty's creditworthiness, by calculating the Credit Valuation Adjustment (CVA) and the Debit Valuation Adjustment (DVA).

CVA is the value adjustment of an OTC derivative contract entered into by the Bank with an external counterparty, which reflects the possible loss resulting from the worsening of the creditworthiness/default of the counterparty.

In a mirror-like way, the DVA expresses the CVA from the external counterparty's standpoint and consists in an adjustment of the derivative fair value based on the change in the creditworthiness of the Bank.

Based on the above, the value of a portfolio of OTC derivatives that are in force with a market counterparty is equal to the value of the same risk-free portfolio less the CVA plus the DVA.

As provided for by IFRS13, in certain conditions, risk mitigation tools may be used, such as ISDA master agreements and Credit Support Annexes (CSA).

By signing ISDA Master Agreements, which are framework agreements that amount to the reference international standard on OTC derivatives, the Bank can calculate the CVA and DVA by netting set or by counterparty, after assessing the netting effect potentially resulting from such Agreements, rather than calculating it by single derivative.

Much in the same way, risks can be mitigated by finalizing Credit Support Annexes (CSA), which are attached to the ISDA Mater Agreement and provide for the deposit with the creditor of an amount equal to the mark-to-market value of the exposure as collateral.

Such collateral allows the present exposure and the subsequent risk to be reduced and provides, on a regular basis, for the exposure to be recalculated in order to verify that the deposited amount is consistent.

In accordance with IFRS 13, the Crédit Agricole Italia Banking Group has adopted a model implemented by the Parent Company Crédit Agricole SA; in addition to the effects of any changes in the counterparty's creditworthiness (Credit Valuation Adjustment – CVA), this model also expresses any changes in the Group's creditworthiness (Debit Value Adjustment – DVA).

In accordance with the model, the calculation of the CVA depends on the exposure, on the probability of default (PD) and on the Loss Given Default (LGD) of the counterparties.

This model provides for the use of a forward-looking PD as a function of the type of counterparty, to which a CDS spread or a CDS proxy is assigned. For this purpose, external counterparties are classified into three categories:

- The first category includes the counterparties for which CDS input parameters are directly observable in the market;
- The second category includes counterparties for which there is no official quoted parameter, but to which a CDS proxy can be assigned, based on the observable market value that is given to counterparties with the same characteristics in terms of economic activity sector, rating and geographical area;
- The third category includes the counterparties to which a proxy cannot be assigned and for which, therefore, historical data are used.

On the other hand, the DVA calculation depends on the Bank's exposure, probability of default (PD) and Loss Given Default (LGD) and this measure expresses the potential earnings from the change in the market prices of the relevant derivative, due to the worsening of the creditworthiness/default of the Bank.

In this case, a forward-looking PD is used which reflects the Group's credit risk.

As at 31 December 2021, the CVA value for Crédit Agricole Italia, calculated in accordance with the method reported above, was Euro 4.62 million.

Similarly, as at 31 December 2021, the DVA value was Euro 0.52 million.
The difference between the CVA and DVA amounts as calculated (equal to Euro 4.10 million), net of the same component already recognized as at 31 December 2020 (equal to Euro 11.12 million), is a positive income component and, as such, has been recognized in the Income Statement.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

Level 2: this level includes all financial instruments for which there is no active market, but whose measurement is based on observable market inputs. Therefore, universally acknowledged measurement models have been set, which refer to observable market inputs.

Specifically, fixed-rate bonds relating to financial assets or liabilities are measured using the discounted cash flow method pursuant to the security contractual scheme; floating-rate bonds are measured by discounting back future cash flows estimated on the basis of the forward rates with the application of index-linking parameters.

Derivative contracts are measured using specific calculation algorithms according to the type of the different categories of transactions.

Level 3: this level includes all financial instruments for which there is no active market and whose measurement is not based on observable market inputs or using the measurement communicated by qualified market players.

A.4.2 Processes and sensitivity of measurement

The Finance Department of Crédit Agricole Italia is responsible for defining the fair value category of the financial instruments recognized. Choosing between the above methods is not an option, since they shall be applied in a hierarchical order: absolute priority is given to official prices that are available on active markets for assets and liabilities to be measured (Level 1) or for assets and liabilities that are measured using techniques based on parameters that are observable on the market (Level 2); lower priority is given to assets and liabilities whose fair value is determined based on measurement techniques referring to parameters that are unobservable on the market and, thus, more discretionary (Level 3).

IFRS 13 also requires that, for recurring fair value measurements classified as Level 3 of the fair value hierarchy, a narrative description be given of the sensitivity of the fair value measurement to changes in unobservable inputs, if a change in those inputs could result in a significantly higher or lower fair value measurement.

Indeed, unobservable inputs that can affect the measurement of financial instruments classified as Level 3 mainly consist in estimates and assumptions underlying the models used to measure investments in equity securities and OTC derivatives. For these investments no quantitative sensitivity analysis of the fair value based on the change in unobservable inputs was carried out, since either the fair value was obtained from third-party sources without any adjustments or resulted from a model whose inputs are specific for the entity being measured (for example the company equity values) and for which alternative values cannot be reasonably assumed.

Reference is made to the breakdown analysis of the composition of these cases, which is reported in the next section on quantitative disclosures.

A.4.3 Fair value hierarchy

For the assets and liabilities recognized, the Finance Department assesses whether transfers between fair value levels have occurred and reviews the fair value categorization at each reporting date.

The Finance Department moves financial instruments from Level 1 to Level 2 only in case of financial instruments that are quoted in a regulated but not active market and that can be measured using the Group's internal standard pricing models. The Finance Department makes transfers to Level 3 only for financial instruments that are no longer listed in a regulated market and that cannot be measured using standard internal pricing models of the Group.

A.4.4 Other information

The cases provided for by IFRS 13 at paragraphs 51, 93 item (i) and 96 did not apply to the Group.

QUANTITATIVE DISCLOSURES

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

Assets/Liabilities measured at fair value	31 Dec. 2021			31 Dec. 2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	93	49,206	56,776	95	70,539	37,170
a) financial assets held for trading	93	49,206	-	95	70,539	492
b) Financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at air value	-	-	56,776	-	-	36,678
2. Financial assets measured at fair value through other comprehensive income	2,887,509	202,000	19,066	2,732,519	202,000	20,213
3. Hedging derivatives	-	570,135	-	-	943,109	-
4. Property, Plant and Equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**2,887,602**	**821,341**	**75,842**	**2,732,614**	**1,215,648**	**57,383**
1. Financial liabilities held for trading	-	53,025	-	-	81,546	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	146,102	677,072	-	136,493	569,446
Total	**-**	**199,127**	**677,072**	**-**	**218,039**	**569,446**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

The impact of applying CVA and DVA on the fair value measurement of derivatives held for trading came to Euro 4.1 million.

A.4.5.2 Changes for the year in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, Plant and Equipment	Intangible assets
	Total	Of which a) financial assets held for trading	b) financial assets designated at fair value	Of which c) other financial assets mandatorily measured at fair value				
1. Opening balance	**37,170**	**492**	**-**	**36,678**	**20,213**	**-**	**-**	**-**
2. Increases	**41,174**	**134**	**-**	**41,040**	**713**	**-**	**-**	**-**
2.1 Purchases	39,314	125	-	39,189	456	-	-	-
2.2 Profits recognized in:	1,860	9	-	1,851	257	-	-	-
2.2.1 Profit or loss	1,860	9	-	1,851	-	-	-	-
- capital gains	1,105	-	-	1,105	-	-	-	-
2.2.2 Equity	-	X	X	-	257	-	-	-
2.3 Transfers from others levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	**21,568**	**626**	**-**	**20,942**	**1,860**	**-**	**-**	**-**
3.1 Sales	14,981	134	-	14,847	421	-	-	-
3.2 Repayments	492	492	-	-	13	-	-	-
3.3 Losses recognized in:	6,095	-	-	6,095	1,426	-	-	-
3.3.1 Profit or loss	6,095	-	-	6,095	-	-	-	-
- o/w capital losses	1,999	-	-	1,999	-	-	-	-
3.3.2 Equity	-	X	X	-	1,426	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**56,776**	**-**	**-**	**56,776**	**19,066**	**-**	**-**	**-**

A.4.5.3 Changes for the year in liabilities measured at fair value on a recurring basis (level 3)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance	**-**	**-**	**569,446**
2. Increases	**-**	**-**	**148,935**
2.1 Issues	-	-	-
2.2 Losses recognized in:	-	-	148,935
2.2.1 Income Statement	-	-	148,935
- of which capital losses	-	-	148,935
2.2.2 Equity	X	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**-**	**-**	**41,309**
3.1 Repayments	-	-	41,309
3.2 Repurchases	-	-	-
3.3 Profits recognized in:	-	-	-
3.3.1 Income Statement	-	-	-
- of which Capital gains	-	-	-
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other increases	-	-	-
4. Closing balance	**-**	**-**	**677,072**

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

Assets/Liabilities not measured at *fair value or measured at fair value a non-recurring basis*	31 Dec. 2021				31 Dec. 2020(*)			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets measured at amortized cost	63,943,468	8,934,080	11,810,802	43,938,140	61,130,018	7,616,570	10,840,977	43,988,220
2. Investment property	94,088	-	-	95,974	98,127	-	-	103,563
3. Non-current assets held for sale and discontinued operations	-	-	-	-	5,207	-	-	-
Total	**64,037,556**	**8,934,080**	**11,810,802**	**44,034,114**	**61,233,352**	**7,616,570**	**10,840,977**	**44,091,783**
1. Financial liabilities measured at amortized cost	64,531,162	-	64,506,902	371,453	61,053,272	-	60,838,243	533,416
2. Liabilities associated with non-current assets held for sale and discontinued operation	-	-	-	-	-	-	-	-
Total	**64,531,162**	**-**	**64,506,902**	**371,453**	**61,053,272**	**-**	**60,838,243**	**533,416**

(*) Current accounts and "sight" deposits with Central Banks and Banks have been reclassified from item "Due from Banks" to item "Cash and cash equivalents" in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

Kay:
VB = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The book value recognized for non-performing loans, classified at Level 3 of the fair value hierarchy is assumed to be a reasonable approximation of the fair value. This assumption is based on the fact that the fair value calculation is mainly affected by the expected recovery from the borrower through internal collection activities based on the account manager's subjective assessment, as well as by the alternative scenario of selling the individual non-performing exposure on the market, which considers the main assessment parameters used by potential buyers; therefore, the recovery value recognized results from the weighting of such scenarios. For more exhaustive reporting, please refer to Part A.2 -Classification and measurement of financial instruments - ECL governance and measurement.

On the other hand, it is pointed out that the fair value of performing loans, classified at Level 3, as reported in the table, has been calculated based on models that use mainly unobservable inputs (e.g: internal risk parameters). Therefore, for these loans (stage 1 and stage 2), also because there is no secondary market, the fair value recognized, for disclosure purposes only, could be significantly different from the prices of any disposals.

A.5 – REPORTING ON DAY ONE PROFIT/LOSS

Paragraph 28 of IFRS 7 governs the specific situation where, in case of purchase of a financial instrument that is designated at fair value but not listed on an active market, the transaction price, which generally is equal to the fair value best estimate upon initial recognition, is different from the fair value determined based on the measurement techniques used by the entity.

In this case, a measurement profit/loss is realized upon acquisition, which shall be adequately reported by financial instrument class.

It is pointed out that this case does not apply to Crédit Agricole Italia Financial Statements.

PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN

	31 Dec. 2021	31 Dec. 2020(*)
a) Cash	331,827	313,267
b) Current accounts and demand deposits with Central Banks	-	-
c) Current accounts and deposits with Banks	208,466	214,561
Total	**540,293**	**527,828**

(*) Current accounts and “sight” deposits with Central Banks and Banks have been reclassified from item “Due from Banks” to item “Cash and cash equivalents” in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

Section 2 – Financial assets measured at fair value through profit or loss – Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY TYPE

Items/Values	31 Dec. 2021			31 Dec. 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance-sheet assets						
1. Debt securities	93	-	-	95	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	93	-	-	95	-	-
2. Equity securities	-	-	-	-	-	-
3. Units of O.I.C.R. collective investment undertakings	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements for lending purposes	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**93**	**-**	**-**	**95**	**-**	**-**
B. Derivatives						
1. Financial derivatives	-	49,206	-	-	70,539	492
1.1 held for trading	-	49,206	-	-	70,539	492
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit Derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total (B)	**-**	**49,206**	**-**	**-**	**70,539**	**492**
Total (A+B)	**93**	**49,206**	**-**	**95**	**70,539**	**492**

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ ISSUER/COUNTERPARTY

Items/Values	31 Dec. 2021	31 Dec. 2020
A. On-balance-sheet assets		
1 Debt securities	**93**	**95**
a) Central Banks	-	-
b) Public administration bodies	91	94
c) Banks	1	1
d) Other financial companies	1	-
of which: insurance undertakings		
e) Non-financial corporations	-	-
2. Equity securities	**-**	**-**
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance undertakings	-	-
c) Non-financial corporations	-	-
c) Other issuers	-	-
3. Units of O.I.C.R. collective investment undertakings	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total (A)	**93**	**95**
B. Derivatives		
a) Central counterparties	-	-
b) Other	49,206	71,031
Total (B)	**49,206**	**71,031**
Total (A+B)	**49,299**	**71,126**

The trading book consists mainly of Over-The-Counter derivatives traded on a matched basis (back-to-back trading). The mismatch vs. the measurement of derivatives held for trading recognized in the “Financial liabilities held for trading” item resulted from the CVA/DVA application to fair value measurement, as reported in Section A.4 of Accounting Policies.

2.5 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY TYPE

Items/Values	31 Dec. 2021			31 Dec. 2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**-**	**650**	**-**	**-**	**-**
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	650	-	-	-
2. Equity securities	**-**	**-**	**9,468**	**-**	**-**	**9,540**
3. Units of O.I.C.R. collective investment undertakings	**-**	**-**	**46,658**	**-**	**-**	**27,138**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**56,776**	**-**	**-**	**36,678**

Kay:
L1 = Level 1
L2 = Level 2
L3 = Level 3

Among "Other financial assets mandatorily measured at fair value", item 2 "Equity securities" reports the shares held in Fraer Leasing (Euro 5,211 thousand), Autovie Venete (Euro 18,011 thousand), and Termomeccanica (Euro 4,115 thousand).

The item also reports units in OICR (Collective Investment Undertakings) amounting to Euro 170,722 thousand; the increase was resulted from the contribution to the Group of Creval OICR units portfolio, which, as at 31 December 2021, amounted to approximately Euro 117 million. As regards those units, any further commitments to sell in case of call-in amount to Euro 9,078 thousand.

2.6 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY DEBTOR/ISSUER

Items/Values	31 Dec. 2021	31 Dec. 2020
1. Equity securities	**9,468**	**9,540**
of which: banks	142	214
of which: other financial companies	5,211	5,211
of which: non-financial corporations	4,115	4,114
2. Debt securities	**650**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	650	-
of which: insurance undertakings	-	-
e) Non-financial corporations	-	-
3. Units of O.I.C.R. collective investment undertakings	**46,658**	**27,138**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total	**56,776**	**36,678**

Section 3 – Financial assets measured at fair value through other comprehensive income – Item 30

3.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY TYPE

Items/Values	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1 Debt securities	**2,871,187**	**-**	**-**	**2,717,777**	**-**	**-**
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	2,871,187	-	-	2,717,777	-	-
2. Equity securities	**16,322**	**202,000**	**19,066**	**14,742**	**202,000**	**20,213**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,887,509**	**202,000**	**19,066**	**2,732,519**	**202,000**	**20,213**

Kay:
L1 = Level 1
L2 = Level 2
L3 = Level 3

As at the reporting date, the exposure in debt securities came to a total of Euro 2,871 million and consisted of Italian government bonds.

Among equity securities at level 2, the Crédit Agricole Italia Banking Group holds 8,080 shares in the Bank of Italy, equal to 2.69% of its entire share capital. These shares were recognized for a book value of Euro 202 million, obtained measuring each share at a unit value of Euro 25,000. These shares resulted from the share capital increase that the Bank of Italy made in 2013 in accordance with Italian Decree Law no. 133 of 30 November 2013, converted with Italian Law no. 5 of 29 January 2014, which determined the issue of new shares for a value of Euro 25,000 each.

Equity securities at level 1 mainly consist of the shares held in Unipol- Sai capital for an amount of Euro 16,170 thousand.

3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY DEBTOR/ISSUER

Items/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Debt securities	**2,871,187**	**2,717,777**
a) Central Banks	-	-
b) Public administration bodies	2,871,187	2,717,777
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) Non-financial corporations	-	-
2. Equity securities	**237,388**	**236,955**
a) Banks	205,196	205,759
c) Other issuers:	32,192	31,196
d) Other financial companies	20,163	18,132
of which: insurance undertakings	16,170	14,149
- non-financial corporations	12,029	13,064
- other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total	**3,108,575**	**2,954,732**

Line 2.a) reports also the value of the shareholding in the Bank of Italy amounting to Euro 202 million.

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value					Total adjustments				Write-off partial(*)
	Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	POCI assets	Stage 1	Stage 2	Stage 3	POCI assets	
Debt securities	2,874,621	2,874,621	-	-	-	3,434	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31 Dec. 2021	**2,874,621**	**2,874,621**	**-**	**-**	**-**	**3,434**	**-**	**-**	**-**	**-**
Total 31 Dec. 2020	**2,720,934**	**2,720,934**	**-**	**-**	**-**	**3,157**	**-**	**-**	**-**	**-**

(*) Value to be stated for disclosure purposes.

Section 4 – Financial assets measured at amortized cost – Item 40

4.1 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF LOANS TO CUSTOMERS

Type of transactions/ Values	31 Dec. 2021						31 Dec. 2020(*)					
	Book value			*Fair value*			Book value			*Fair value*		
	Stage 1 and 2	Stage 3	POCI assets	L1	L2	L3	Stage 1 and 2	Stage 3	POCI assets	L1	L2	L3
A. Claims on Central Banks	**8,999,080**	**-**	**-**	**-**	**8,999,080**	**-**	**8,141,175**	**-**	**-**	**-**	**8,141,175**	**-**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Reserve requirement	8,985,429	-	-	X	X	X	8,130,811	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	13,651	-	-	X	X	X	10,364	-	-	X	X	X
B. Due from Banks	**2,811,722**	**-**	**-**	**-**	**2,811,722**	**-**	**2,699,802**	**-**	**-**	**-**	**2,699,802**	**-**
1. Loans	2,811,722	-	-	-	2,811,722	-	2,699,802	-	-	-	2,699,802	-
1.1 Current accounts	-	-	-	X	X	X	190,720	-	-	X	X	X
1.2 Time deposits	2,241,602	-	-	X	X	X	2,339,372	-	-	X	X	X
1.3 Other loans:	570,120	-	-	X	X	X	169,710	-	-	X	X	X
- Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Loans for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	570,120	-	-	X	X	X	169,710	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured Securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 AOther debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**11,810,802**	**-**	**-**	**-**	**11,810,802**	**-**	**10,840,977**	**-**	**-**	**-**	**10,840,977**	**-**

(*) Current accounts and “sight” deposits with Central Banks and Banks have been reclassified from item “Due from Banks” to item “Cash and cash equivalents” in compliance with the new provisions laid down by Bank of Italy Circular no. 262.

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

As at 31 December 2021 there were no non-performing due from banks.

4.2 FINANCIAL ASSETS MEASURED AT AMORTIZED COSTS: BREAKDOWN BY TYPE OF LOANS TO CUSTOMERS

Type of transactions/Value	31 Dec. 2021						31 Dec. 2020					
	Book value			*Fair value*			Book value			*Fair value*		
	Stage 1 and 2	Stage 3	POCI assets	L1	L2	L3	Stage 1 and 2	Stage 3	POCI assets	L1	L2	L3
Loans	**42,095,153**	**641,338**	**-**	**-**	**-**	**43,437,823**	**41,370,291**	**1,202,406**	**-**	**-**	**-**	**43,822,615**
1. Current accounts	1,417,680	109,307	-	X	X	X	1,485,506	262,529	-	X	X	X
2. Repurchase Agreements for lending purposes	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgage loans	29,107,602	490,604	-	X	X	X	27,856,284	853,657	-	X	X	X
4. Credit cards, personal loans and loans repaid by automatic deductions from salaries/pensions	127,616	1,501	-	X	X	X	141,276	4,197	-	X	X	X
5. Loans for leasesg	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	11,442,255	39,926	-	X	X	X	11,887,225	82,023	-	X	X	X
Debt securities	**9,396,175**	**-**	**-**	**8,934,080**	**-**	**500,317**	**7,716,344**	**-**	**-**	**7,616,570**	**-**	**165,605**
1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	9,396,175	-	-	8,934,080	-	500,317	7,716,344	-	-	7,616,570	-	165,605
Total	51,491,328	641,338	-	8,934,080	-	43,938,140	49,086,635	1,202,406	-	7,616,570	-	43,988,220

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

As regards the values in the first and second stages, the most significant sub-items are reported below:

- Item “3. Mortgage loans” also reports loans pledged as collateral for the issues of covered bonds amounting to Euro 10.7 billion;
- Item “2.2 Other debt securities” reports almost exclusively Italian Government securities.

4.3 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY BORROWER/ISSUER OF LOANS TO CUSTOMERS

Type of transactions/Values	31 Dec. 2021			31 Dec. 2020		
	Stage 1 and 2	Stage 3	POCI assets	Stage 1 and 2	Stage 3	POCI assets
1. Debt securities	**9,396,175**	**-**	**-**	**7,716,344**	**-**	**-**
a) Public administration bodies	8,895,860	-	-	7,550,740	-	-
b) Other financial companies	480,315	-	-	145,628	-	-
of which: insurance undertakings	140,315	-	-	145,628	-	-
c) Non-financial corporations	20,000	-	-	19,976	-	-
2. Loans to:	**42,095,153**	**641,338**	**-**	**41,370,291**	**1,202,406**	**-**
a) Public administration bodies	222,239	26	-	227,275	1	-
b) Other financial companies	6,833,453	3,610	-	7,588,661	7,075	-
of which: insurance undertakings	91,224	1	-	72,020	3	-
c) Non-financial corporations	13,790,981	405,596	-	13,285,267	803,982	-
d) Households	21,248,480	232,106	-	20,269,088	391,348	-
Total	**51,491,328**	**641,338**	**-**	**49,086,635**	**1,202,406**	**-**

4.4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross					Total adjustments				Total/ partial write-offs (*)
	Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	POCI assets	Stage 1	Stage 2	Stage 3	POCI assets	
Debt securities	9,407,325	9,407,326	-	-	-	11,150	-	-	-	-
Loans	51,129,410	-	3,001,040	1,335,454	-	79,979	144,515	694,117	-	37,682
Total 31 Dec. 2021	**60,536,735**	**9,407,326**	**3,001,040**	**1,335,454**	**-**	**91,129**	**144,515**	**694,117**	**-**	**37,682**
Total 31 Dec. 2020	**57,753,552**	**7,725,851**	**2,410,998**	**2,478,931**	**-**	**81,596**	**155,341**	**1,276,526**	**-**	**37,833**

(*) Valore da esporre a fini informativi.

4.4a LOANS MEASURED AT AMORTIZED COST UNDER COVID-19-RELATED SUPPORT MEASURES: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross					Total adjustments				Total/partial write-offs
	Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	POCI assets	Stage 1	Stage 2	Stage 3	POCI assets	
1. Loans under EBA-compliant concession measures	-	-	-	-	-		-	-	-	-
2. Loans under moratoria in force no longer EBA-compliant and not measured as forborne	164,807	-	27,807	42,269	-	536	1,115	10,155	-	-
3. Loans under other concession measures	-	-	-	-	-	-	-	-	-	-
4. New loans	2,431,976	-	167,008	10,205	-	12,668	12,032	4,499	-	-
Total 31 Dec. 2021	**2,596,783**	**-**	**194,815**	**52,474**	**-**	**13,204**	**13,147**	**14,654**	**-**	**-**
Total 31 Dec. 2020	**5,786,456**	**-**	**1,005,972**	**58,416**	**-**	**19,305**	**62,405**	**11,415**	**-**	**-**

Section 5 – Hedging derivatives – Item 50

5.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF HEDGE AND BY LEVEL

	Fair value 31 Dec. 2021			NV 31 Dec. 2021	*Fair value* 31 Dec. 2020			NV 31 Dec. 2020
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**570,135**	**-**	**21,179,953**	**-**	**943,109**	**-**	**20,733,945**
1) *Fair value*	-	570,135	-	21,179,953	-	943,109	-	20,733,945
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) *Fair value*	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**570,135**	**-**	**21,179,953**	**-**	**943,109**	**-**	**20,733,945**

Key:
NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

5.2 HEDGING DERIVATIVES: BREAKDOWN BY HEDGED PORTFOLIO AND BY TYPE OF HEDGE

Transactions/Type of hedge	*Fair value*							Cash flows		Foreign Investments
	Micro						Macro Foreign	Micro operations	Macro	
	Debt securities and interest rates	Equity securities and equity	Currencies And gold	Credit	Com-modities	Other				
1. Financial assets measured al fair value through other comprehensive income	24,370	-	-	-	X	X		X	-	X
2. Financial assets measured at amortized cost	133,178	X	-	-	X	X		X	-	X
3. Portfolio	X	X	X	X	X	X		-	X	-
4. Other transactions	-	-	-	-	-	-		X	-	X
Total assets	**157,548**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**
1. Financial liabilities	412,587	X	-	-	-	-		X	-	X
2. Portfolio	X	X	X	X	X	X		-	X	-
Total liabilities	**412,587**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X		X	-	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		-	X	-

Hedging interest rate risk has the objective of immunizing the Banking Book from changes in the fair value of funding and lending, caused by adverse movements in the yield curve.

The "Hedging Derivatives" item referring to financial liabilities measured at amortized cost came to Euro 133,178 thousand, of which Euro 118,516 thousand for hedging mortgage loans and Euro 14,662 thousand for hedging securities measured at amortized cost. Specifically, the hedged item is limited to the portion referring to interest rate risk.

The "Hedging Derivatives" item referring to financial liabilities consisted of Euro 210,072 thousand for hedging own bonds issued and Euro 202,515 thousand for macrohedging of demand deposits; specifically, the hedged item is limited to the portion referring to interest rate risk. Hedging uses IRS in which the fixed-rate leg equalizes the debenture loan rate and the variable-rate leg is determined as Euribor +/- spread. To hedge sight deposits, a "fictitious" bond-equivalent is simulated, which is designed to identify the hedged item obtained by modeling the financial statements item hedged.

Section 6 – Fair value change of financial assets in macro-hedge portfolios – Item 60

6.1 FAIR VALUE CHANGE OF HEDGED ASSETS BREAKDOWN BY HEDGED PORTFOLIO

Adjustments of hedged assets/Values	31 Dec. 2021	31 Dec. 2020
1. Positive fair value change	**21,681**	**113,833**
1.1 of specific portfolios:	21,681	113,833
a) financial assets measured at amortized cost	21,681	113,833
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2. Negative fair value change	**31,045**	**1,212**
2.1 of specific portfolios:	31,045	1,212
a) financial assets measured at amortized cost	31,045	1,212
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
Total	**-9,364**	**112,621**

The hedged assets are to two types:

1. Variable-rate mortgage loans with CAP option. Hedging uses IRO traded in order to hedge the risk that a variable-rate mortgage loan contract, once having reached its cap, becomes a fixed-rate item, with subsequent increase in the Bank's financial leverage.
2. Fixed-rate mortgage loans. The hedging purpose is to manage interest rate risk within the wider scope of measuring the impacts that changes in interest rates generate on the bank's assets and liabilities (interest rate gap analysis). That purpose is pursued by entering into Interest Rate Swaps, which essentially convert the fixed interest rates collected on mortgage loans to Customers into variable rates.

For both types of assets, macro-hedges are used on open sets of mortgage loans.

Section 7 – Equity investments – Item 70

7.1 EQUITY INVESTMENTS: DISCLOSURE ON EQUITY INVESTMENTS IN OTHER ENTITIES

Name	Registered Office	Operating HQ	% held	% of votes available
A. Subsidiaries	**Pordenone, Italy**	**Pordenone, Italy**		
Crédit Agricole FriulAdria S.p.A.	Parma, Italy	Parma, Italy	99.10	99.56
Crédit Agricole Group Solutions S.C.p.A.	Milan, Italy	Milan, Italy	89.10	
Crédit Agricole Leasing Italia – Calit S.r.l.	Milan, Italy	Milan, Italy	85.00	
Crédit Agricole Italia OBG S.r.l.	Parma, Italy	Parma, Italy	60.00	
Crédit Agricole Real Estate S.r.l.	Sondrio, Italy	Sondrio, Italy	100.00	
Credito Valtellinese S.p.A.	Parma, Italy	Parma, Italy	100.00	
Le Village by Crédit Agricole Parma S.r.l.	Milan, Italy	Milan, Italy	66.67	
MondoMutui Cariparma S.r.l.	Forl, Italy	Forl, Italy	19.00	
Nuova Madonnina S.p.A	Cesena, Italy	Cesena, Italy	100.00	
San Giorgio Immobiliare S.p.A.	Cesena, Italy	Cesena, Italy	100.00	
San Piero Immobiliare S.r.l.	Milan, Italy	Milan, Italy	100.00	
Sliders S.r.l.	Faenza, Italy	Faenza, Italy	100.00	
Società Agricola Le Cicogne S.r.l.	-	-	50.01	
B. Joint arrangements			-	-
A. Companies subject to significant influence	Parma, Italy	Parma, Italy		
Fiere di Parma S.p.A.	Milan, Italy	Milan, Italy	32.42	
Le Village by Crédit Agricole Milano S.r.l.	Milano	Milano	38.91	

7.5 EQUITY INVESTMENTS: CHANGES FOR THE YEAR

	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Opening balance	**1,078,486**	**1,074,438**
B. Increases	**1,027,429**	**6,639**
B.1 Purchases	1,027,429	6,639
B.2 Recoveries	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**670**	**2,591**
C.1 Sales	-	-
C.2 Value adjustments	670	2,591
C.3 Impairment/writedowns	-	-
C.4 Other changes	-	-
D. Closing balance	**2,105,245**	**1,078,486**
E. Total recoveries	**-**	**-**
F. Total adjustments	**-**	**-**

The increase in the amount of equity investments can be broken down as follows: Euro164,276 thousand for the increase in the holding in Crédit Agricole FriulAdria, following the successful completion of the voluntary public tender offer for all the shares in Crédit Agricole FriulAdria not already owned, whereby Crédit Agricole Italia ended up holding 99% of CA FriulAdria share capital; Euro 862,288 thousand for the acquisition of Credito Valtellinese control; as to Euro 195 thousand for the subscription of the increase in the share capital of investee Le Village by Crédit Agricole Milano.

The decreases resulted from the impairment of Sliders and San Piero Immobiliare.

7.8 DISCLOSURE OF SIGNIFICANT RESTRICTIONS

As at 31 December 2021, there were no significant restrictions pursuant to IFRS 12, paragraphs 13 and 22 a).

Section 8 – Property, plant and equipment – Item 80

8.1 OPERATING PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Owned	**484,929**	**501,252**
a) land	131,062	131,138
b) buildings	322,086	333,285
c) furniture	10,364	13,082
d) electronic plants	4,060	4,559
e) other	17,357	19,188
2. Rights of use acquired through leases	**155,668**	**167,434**
a) land	172	172
b) buildings	153,736	166,030
c) furniture	-	-
d) electronic plants	-	-
e) other	1,760	1,232
Total	**640,597**	**668,686**
of which: obtained through the enforcement of guarantees received	-	-

8.2 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Book value	*Fair value*			Book value	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Owned	**89,723**	**-**	**-**	**91,610**	**92,885**	**-**	**-**	**98,321**
a) Land	37,183	-	-	34,574	37,479	-	-	38,425
b) Buildings	52,540	-	-	57,036	55,406	-	-	59,896
2. Rights of use acquired through leases	**4,365**	**-**	**-**	**4,365**	**5,242**	**-**	**-**	**5,242**
a) Land	-	-	-	-	-	-	-	-
b) Buildings	4,365	-	-	4,365	5,242	-	-	5,242
Total	**94,088**	**-**	**-**	**95,975**	**98,127**	**-**	**-**	**103,563**
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	-	-	-

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

8.6 OPERATING PROPERTY, PLANT AND EQUIPMENT: CHANGES FOR THE YEAR

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**131,310**	**786,738**	**96,635**	**66,740**	**72,887**	**1,154,310**
A.1 Total net impairment writedowns	-	287,422	83,552	62,182	52,468	485,624
A.2 Net opening balance	**131,310**	**499,316**	**13,083**	**4,558**	**20,419**	**668,686**
B. Increases	**-**	**31,194**	**900**	**2,175**	**1,987**	**36,256**
B.1 Purchases	-	26,762	900	2,175	1,987	31,824
B.2 Capitalized improvement expenses	-	4,432	-	-	-	4,432
B.3ecoveries/writebacks	-	-	-	-	-	-
B.4 Fair value gains recognized through:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5Positive foreign exchange differences	-	-	-	-	-	-
B.6 From investment property	-	-	X	X	X	-
B.7 Other changes	76	54,688	3,619	2,673	3,289	64,345
C. Decreases	**76**	**525**	**-**	**-**	**-**	**601**
C.1 Sales	-	37,705	3,619	2,673	2,846	46,843
C.2 Depreciation	-	720	-	-	-	720
C.3 Adjustments recognized in:	-	720	-	-	-	720
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognized through:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	X	X	X	-
C.6 Transfers to	-	-	-	-	-	-
a) Investment property	-	15,738	-	-	443	16,181
b) Non-current assets held for sale and discontinued operations	131,234	475,822	10,364	4,060	19,117	640,597
C.7 Other changes	-	325,846	87,171	64,855	55,315	533,187
D. Net closing balance	**131,234**	**801,668**	**97,535**	**68,915**	**74,432**	**1,173,784**
D.1 Total net impairment writedowns	-	-	-	-	-	-
D.2 Net closing balance						
E. Measurement at cost						

All the asset classes in the table have been measured at cost.

8.6BIS CHANGE FOR THE PERIOD IN PROPERTY PLANT AND EQUIPMENT RECOGNIZED APPLYING IFRS 16

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**172**	**217,876**	**-**	**-**	**2,044**	**220,092**
A.1 Total net impairment writedowns	-	51,846	-	-	812	52,658
A.2 Net opening balance	**172**	**166,030**	**-**	**-**	**1,232**	**167,434**
B. Increases	**-**	**26,762**	**-**	**-**	**1,281**	**28,043**
B.1 Purchases	-	26,762	-	-	1,281	28,043
B.2 Capitalized improvement expenses	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-
B.4 Fair value gains recognized through:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 From investment property	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**39,056**	**-**	**-**	**753**	**39,809**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	22,598	-	-	310	22,908
C.3 Adjustments recognized in:	-	720	-	-	-	720
a) equity	-	-	-	-	-	-
b) profit or loss	-	720	-	-	-	720
C.4 Fair value losses recognized through:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-	-
a) Investment property	-	-	X	X	X	-
b) Non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	15,738	-	-	443	16,181
D. Net closing balance	**172**	**153,736**	**-**	**-**	**1,760**	**155,668**
D.1 Total net impairment writedowns	-	75,164	-	-	1,122	76,286
D.2 Net closing balance	**172**	**228,900**	**-**	**-**	**2,882**	**231,954**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

8.7 INVESTMENT PROPERTY: CHANGES FOR THE YEAR

	Total 31 Dec. 2021	
	Land	Buildings
A. Opening balance	**37,479**	**60,648**
B. Increases	**-**	**2,490**
B.1 Purchases	-	2,292
B.2 Capitalized improvement expenses	-	198
B.3 Fair value gains	-	-
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	-	-
B.7 Other changes	-	-
C. Decreases	**296**	**6,233**
C.1 Sales	296	3,238
C.2 Depreciation	-	-6
C.3 Fair Value losses	-	-
C.4 Adjustments	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to:	-	-
a) operating assets	-	-
b) Non-current assets held for sale and discontinued operations	-	-
C.7 Other changes	-	3,001
D. Closing balance	**37,183**	**56,905**
E. Measurement at fair value	**34,574**	**57,036**

All the asset classes in the table have been measured at cost.

8.7BIS CHANGES FOR THE PERIOD IN PROPERTY PLANT AND EQUIPMENT RECOGNIZED APPLYING IFRS 16

	Total 31 Dec. 2021	
	Land	Buildings
A. Opening balance	**-**	**5,242**
B. Increases	**-**	**2,292**
B.1 Purchases	-	2,292
B.2 Capitalized improvement expenses	-	-
B.3 Fair value gains	-	-
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**3,170**
C.1 Sales	-	-
C.2 Depreciation	-	169
C.3 Fair Value losses	-	-
C.4 Adjustments	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to:	-	-
a) operating assets	-	-
b) Non-current assets held for sale and discontinued operations	-	-
C.7 Other changes	-	3,001
D. Closing balance	**-**	**4,364**
E. Measurement at fair value	**-**	**-**

Section 9 – Intangible assets – Item 90

9.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Assets/Values	Total 31 Dec. 2021		Total 31 Dec. 2020	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	1,042,598	X	1,042,598
A.2 Other intangible assets	**95,699**	**-**	**120,505**	**-**
of which software	8	-	-	-
A.2.1 Assets measured at cost:	95,699	-	120,505	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	95,699	-	120,505	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Totale	**95,699**	**1,042,598**	**120,505**	**1,042,598**

The cost of intangible assets with finite life is amortized on a straight-line basis over their useful life.

The useful life of all software in general has been set at 5 years, but, for some types of software, specifically identified, the useful life has been estimated in 10 years.

Intangible assets representing business with customers have been assigned a finite useful life, based on the time series available on the rate of customer turnover in the retail segment, of 15 years as regards the transactions finalized in 2007 and 2011 and of 13 years for the transactions finalized in 2017.

9.2 TANGIBLE ASSETS: CHANGES FOR THE YEAR

	Goodwill	Other intangible assets: internally generated		Other intangible assets other:		Total
		FINITE	INDEFINITE	FINITE	INDEFINITE	
A. Opening balance	**1,042,598**	**-**	**-**	**348,468**	**-**	**1,391,066**
A.1 Total net impairment writedowns	-	-	-	227,963	-	227,963
A.2 Net opening balance	**1,042,598**	**-**	**-**	**120,505**	**-**	**1,163,103**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Purchases	-	-	-	-	-	-
B.2 Increases in internal property, plant and equipment	X	-	-	-	-	-
B.3 Recoveries	X	-	-	-	-	-
B.4 Fair value gains	-	-	-	-	-	-
- through equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**24,806**	**-**	**24,806**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	24,806	-	24,806
- Depreciation and amortization	X	-	-	24,806	-	24,806
- Impairment writedowns:	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ profit and loss	-	-	-	-	-	-
C.3 Fair Value losses:	-	-	-	-	-	-
- through equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
C.4 Transfers to non-current assets Held for sale	-	-	-	-	-	-
C.5 Negative foreign exchange differences:	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**1,042,598**	**-**	**-**	**95,699**	**-**	**1,138,297**
D.1 Total net adjustments	-	-	-	252,769		252,769
E. Gross closing inventories	**1,042,598**	**-**	**-**	**348,468**	**-**	**1,391,066**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Key:
DEF: Finite life l
NDEF: Indefinite life

9.3 INTANGIBLE ASSETS: OTHER INFORMATION

The value of intangible assets recognized in the separate financial statements as at 31 December 2021 is Euro 95,691 thousand and resulted from the business combinations made by the Bank.

Within the purchase transactions made in 2007, 2011 and 2017 by Crédit Agricole Italia, a set of assets with finite useful life was identified, in accordance with the different sources of recurring profitability associated to business with Customers. They have been assigned a life, based on the time series available on the rate of customer turnover in the retail segment, of 15 years as regards the transactions finalized in 2007 and 2011 and of 13 years for the transactions finalized in 2017.

Said assets are broken down below, reporting also their analysis:

Intangible assets resulting from the business combination made in 2007

The value of the intangible assets recognized as at 31 December 2021 is Euro 5,357 thousand. At the end of 2021 the performance of the elements that constitute the intangible assets recognized in the consolidated financial statements as at 31 December 2021 was verified. For said components, the amortization period had been set as lasting 15 years (in 2022 those intangible assets will be completely amortized). Based on the evidence found on the changes in the components of the intangible asset recognized, no impairment indicators were found vs. its book value.

Intangible assets resulting from the business combination made in 2011

The value of the intangible assets recognized as at 31 December 2021 is Euro 32,872 thousand. At the end of 2021 the performance of the elements that constitute the intangible assets recognized in the consolidated financial statements as at 31 December 2021 was verified. The amortization period for said components is 15 years. Based on the evidence found on the changes in the components of the intangible asset recognized, no impairment indicators were found vs. its book value.

Intangible assets resulting from the business combination made in 2017

The value of the intangible assets recognized in the financial statements as at 31 December 2021 is Euro 57,462 thousand. and comprises business with customers resulting from the acquisition of Cassa di Risparmio Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato.

At the end of 2021 the performance of the elements that constitute the intangible assets recognized in the separate financial statements as at 31 December 2021 was verified. The amortization period for said components is 13 years. Based on the evidence found on the changes in the components of the intangible asset recognized, no impairment indicators were found vs. its book value.

Impairment testing of goodwill

As required by IASs/IFRSs, Crédit Agricole Italia tested for impairment the goodwill emerged from the transactions for the acquisition of the 180 branches purchased in 2007, the 81 branches purchased in 2011 and of Crédit Agricole Carispezia (purchased in 2011 and merged by absorption into Crédit Agricole Italia in 2019.

First the Cash Generating Unit (CGU) was identified, i.e. the minimum unit generating cash flows, to which goodwill (equal to Euro 1,042,597 thousand) is to be allocated. First the Cash Generating Unit (CGU) was identified, i.e. the minimum unit generating cash flows, to which goodwill (equal to Euro 1,042,598 thousand) is to be allocated. Based on the customer segments used for reporting to the management, the CGU was identified as being the Retail+Private Banking channel of Crédit Agricole Italia (which includes the 180 branches acquired in 2007, the 81 acquired in 2011 and those coming from the absorption of Crédit Agricole Carispezia).

Then the CGU value in use was calculated in accordance with the method used by the Crédit Agricole Group, namely the Dividend Discount Model ("DDM") in its Excess Capital version. The DDM estimates the company value as the sum of the present value of the theoretical future cash flows distributed to shareholders in the explicit period and the Terminal Value. Specifically, in its "Excess Capital" variant, this method provides for the economic value of a financial company to be calculated by discounting a dividend flow determined based on full compliance with the capital requirements set by the Supervisory Authority Information on the method for calculating future cash flows and the discount rate is provided in the Annual Report and Consolidated Financial Statements of the Crédit Agricole Italia Banking Group.

The analysis showed a value of the CGU higher than the related goodwill value, with a positive difference between.238 and 427 million Euros, (with the 70% and 75% weight on the separate profit, respectively). Furthermore, that positive difference was calculated considering also intangible assets with finite useful life in the book value. If those assets were excluded, the positive difference would increase coming to a figure between 334 and 522 million Euros (with the 70% and 75% weight on the separate profit, respectively).

Sensitivity to variations in the used parameters was also analyzed. Specifically, this sensitivity analysis was developed calculating the threshold levels of each parameter above which impairment would arise.

The analysis results have shown that the book value is equal to the value in use taking the risk premium to

5,49% (vs, 5.04% used for the test); the same result would be obtained taking the risk-free rate to 3,314% (vs, 2.77% used for the test) or the beta parameter to 1,31 (vs, 1,20 used for the test).

Lastly, it was verified at which discounting rate or at which long-term growth rate "g" the value in use becomes equal to the book value. This analysis showed that the book value is equal to the use value only with a marked increase in the discount rate Ke to 9.82% (vs.8.80% used for the test), whereas, with a long-term growth rate equal to zero, the use value would remain higher than the book value.

Section 10 – Tax Assets and Tax Liabilities – Item 100 of Assets and Item 60 of Liabilities

10.1 DEFERRED TAX ASSETS: BREAKDOWN

	(*)	REVERSAL					Total recognized	TAX			
		2022	2023	2024	Other	Undetermined		Italian	ADD.LE	IRAP	TOTAL
Deductible temporary differences											
Adjustments of loans[1]	From 27.50 to 33.08	125,540	125,540	173,762	292,685	-	717,527	172,207	25,113	25,122	222,442
Adjustments of valuation of securities	33.08	-	-	-	80	585	665	160	23	44	227
Provisions for risks and charges											
- legal disputes as defendant and revocatory actions	27.50	39,654	3,566	2,716	-	500	46,436	11,145	1,625	-	12,770
- Off-balance-sheet loans	27.50	-	-	-	-	29,827	29,827	7,159	1,044	-	8,203
- Personnel expensese	From 27.50 to 33.08	32,189	32,442	30,727	94,976	-	190,334	45,680	6,662	9,828	62,170
- Other reasons	From 27.50 to 33.08	8,610	-	-	-	133,953	142,563	34,215	4,990	1,471	40,676
Recognition of goodwill tax base	33.08	101,603	101,603	101,762	551,002	-	855,970	205,433	29,959	47,772	283,164
Other costs or provisions not yet deducted	From 27.50 to 33.08	102,631	130,782	65,185	355,594	161,869	816,061	195,855	28,562	42,082	266,499
Tax losses that can be carried forward for IRES and additional tax	27.50	481,597	-	-	-	-	481,597	115,583	-	-	115,583
Other tax losses that can be carried forward for IRES additional tax	3.50	317	-	-	49,131	-	49,448	-	18,587	-	18,587
Tax losses that can be converted into tax credits		197,550	-	-	-	-	197,550	47,412	6,914	4,856	59,182
Total by recovery year		**1,089,691**	**393,933**	**374,152**	**1,343,468**	**326,734**	**3,527,978**	**834,849**	**123,479**	**131,175**	**1,089,503**

(*) Indicates the percentage applied in calculating deferred tax liabilities and assets.

(1) For adjustments since 2013, also IRAP applies.

As regards the recognition of DTAs, especially those relating to tax losses, the probability test was carried out and confirmed their full recoverability.

Said verification was performed having regard to Article 1, paragraph 233 et seq. of Italian Law no. 178 of 30 December 2020, for the merger by absorption of Creval into Crédit Agricole Italia, scheduled for April 2022, under which Deferred Tax Assets- (DTA) relating to tax losses carried forward or to Corporate Equity Allowance (ACE) excess not used until the 2020 tax period, whether on-balance-sheet or off-balance-sheet, can be converted into tax credits.

For the probability test calculation, profits and losses for tax purposes in the coming FYs were simulated, starting from the assumed profit or losses for those FYs and taking into account, for that purpose, the permanent increases and decreases that can be estimated, as well as the release of temporary differences, both positive and negative, expected for that period.

Besides the recovery of the aforementioned temporary differences, the calculation also showed that the DTA for tax losses can be recovered over a modest time horizon, which, in the most likely scenario, is five years. Other possible scenarios of more severe, albeit reasonable, stress were also assumed, taking into account decreases in profits or higher recovery of temporary difference assets than deemed likely, and recoverability was confirmed. It may be useful to point out that the main portion of the recognized DTAs consists of so-called "convertible" DTAs, i.e. DTAs whose recoverability does not depend on future profit or loss, as they may be converted in true tax credits, receivable form the Inland Revenue Agency in case of statutory or tax losses.

Furthermore, as regards Italian Corporate income tax (IRES) DTAs, it is to be considered that the companies of the Crédit Agricole Italia Banking Group are members of a tax consolidation scheme under Article 117 *et seq.* of Italian Presidential Decree 917/86, which includes also other resident entities that are directly or indirectly controlled by Crédit Agricole S.A. A tax profit is expected on the tax consolidation scheme in the coming FYs, which is further ground supporting the recoverability of the recognized DTA for IRES.

10.2 DEFERRED TAX LIABILITIES: BREAKDOWN

	(*)	Reversal timeframe					Total recognized	Taxes			
		2022	2023	2024	Beyond	Undetermined reversal		IRES	ADD.LE IRES	IRAP	TOTAL
Taxable temporary differences											
Realized capital gains	From 27.50 to 33.08	16,487	16,274	16,274	-	-	49,035	11,769	1,716	-	13,485
Assets not recognized for tax purposes	From 27.50 to 33.08	6,081	8,553	7,781	4,984	46,296	73,695	17,687	2,579	3,453	23,719
Total by reversal year		**22,568**	**24,827**	**24,055**	**4,984**	**46,296**	**122,730**	**29,456**	**4,295**	**3,453**	**37,204**

(*) Indicates the percentage applied in calculating deferred tax liabilities and assets.

10.3 CHANGES IN DEFERRED TAX ASSETS PURSUANT TO ITALIAN LAW 214/2011

	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Opening balance	**979,345**	**1,040,621**
2. Increases	**238,380**	**64,197**
2.1 Deferred tax assets recognized in the year	231,632	43,086
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) Recoveries	-	-
d) other	231,632	43,086
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	6,748	21,111
3. Decreases	**145,479**	**125,473**
3.1 Deferred tax assets derecognized in the year	116,202	85,769
a) reversals	116,202	85,769
b) writedowns for supervening non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	29,277	39,704
a) conversion into tax credits pursuant to L. 214/2011	24,229	-
b) other	5,048	39,704
4. Closing amount	**1,072,246**	**979,345**

The other increases reported in point 2.3 and the other decreases reported in point 3.3.b) are increases or decreases determined by correct recognition of deferred tax assets after filing the income tax return. The related balancing item is not represented by income statement items, but by current tax liabilities. It is also pointed out that, subsequent to the merger of the three Fellini Banks, at the very beginning non-convertible DTA for losses were acquired amounting to Euro 132,450 thousand as at 31 December 2021. Item "2.1.d) Other" also reports the increases in DTA amounting to Euro 63,938 thousand and item "3.1.a) recycling" reports the decreases in DTA amounting to Euro 16,837 thousand, resulting from the update of the DTA amounts showing the pre-existing mismatches and the new amounts determined with the Realignment under Article 110 of Italian Decree Law 104/2020.

10.3 BIS CHANGES IN DEFERRED TAX ASSETS PURSUANT TO ITALIAN LAW 214/2011

	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Opening balance	**591,527**	**609,852**
2. Increases	**63,094**	**22,703**
3. Decreases	**87,683**	**41,028**
3.1 Reversals	63,454	40,993
3.2 Conversion into tax credits	24,229	-
a) from loss for the year	-	-
b) from tax losses	24,229	-
3.3 Other decreases	-	35
4. Closing amount	**566,938**	**591,527**

10.4 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH PROFIT OR LOSS)

	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Opening balance	**67.833**	**62.145**
2. Increases	**4.269**	**18.889**
2.1 Deferred tax liabilities recognized in the year	3.428	17.935
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	3.428	17.935
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	841	954
3. Decreases	**42.842**	**13.201**
3.1 Deferred tax liabilities derecognized in the year	42.837	13.144
a) reversals	42.837	13.144
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	5	57
4. Closing amount	**29.260**	**67.833**

Item "2.1.c) Other" also reports the increases in DTL amounting to Euro 2,676 thousand and item "3.1.a) recycling" reports the decreases in DTL amounting to Euro 36,598 thousand, resulting from the update of the DTL amounts showing the pre-existing mismatches and the new amounts determined with the Realignment under Article 110 of Italian Decree Law 104/2020.

10.5 CHANGES IN DEFERRED TAX ASSETS (THROUGH EQUITY/OCI)

	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Opening balance	**16,840**	**19,380**
2. Increases	**797**	**1,428**
2.1 Deferred tax assets recognized in the year	227	1,101
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	227	1,101
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	570	327
3. Decreases	**380**	**3,968**
3.1 Deferred tax assets derecognized in the year	22	1,088
a) reversals	22	1,088
b) writedowns for supervening non-recoverability	-	-
b) due to change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	358	2,880
4. Closing amount	**17,257**	**16,840**

10.6 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH EQUITY/OCI)

	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Opening balance	**13,658**	**7,203**
2. Increases	**4,405**	**24,942**
2.1 Deferred tax liabilities recognized in the year	4,405	24,942
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	4,405	24,942
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**10,119**	**18,487**
3.1 Deferred tax liabilities derecognized in the year	10,119	17,852
a) reversals	10,119	17,852
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	635
4. Closing amount	**7,944**	**13,658**

Section 12 – Other assets – Item 120

12.1 OTHER ASSETS: BREAKDOWN

	31 Dec. 2021	31 Dec. 2020
Sundry debits in process	33,640	37,483
Revenue stamps and other instruments	31	32
Items being processed	65,235	48,396
Accrued income not allocated to other items	2,275	5,991
Prepaid expenses not allocated to other items	23,063	3,473
Protested bills and cheques	4,040	4,738
Leasehold improvements	9,949	10,594
Tax advances paid on behalf of third parties	71,441	50,246
Sundry	70,863	83,262
Purchased tax credits	350,955	2,633
Total	**631,492**	**246,848**

LIABILITIES

Section 1 – Financial liabilities measured at amortized cost – Item 10

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO BANKS

Type of transactions/Values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	BV	*Fair value*			BV	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**11,337,778**	**X**	**X**	**X**	**9,449,764**	**X**	**X**	**X**
2. Due to banks	**3,493,354**	**X**	**X**	**X**	**3,491,191**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	994,446	X	X	X	1,113,355	X	X	X
2.2 Time deposits	1,226,340	X	X	X	1,157,185	X	X	X
2.3 Loans	1,265,881	X	X	X	1,214,187	X	X	X
2.3.1 Repurchase agreements for financing purposes	-	X	X	X	-	X	X	X
2.3.2 Other	1,265,881	X	X	X	1,214,187	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	141	X	X	X	209	X	X	X
2.6 Other due and payables	6,546	X	X	X	6,255	X	X	X
Total	**14,831,132**	**-**	**14,831,132**	**-**	**12,940,955**	**-**	**12,940,955**	**-**

Key:
BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

As at 31 December 2021, item "Due to central banks" reports Targeted Longer-Term Refinancing Operations) (TLTRO) with the European Central Bank. TLTROS provide the Eurosystem credit institutions with the possibility to obtain loans with multi-year maturity, intended to improve the monetary policy transmission mechanism supporting bank lending to the real economy.

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO CUSTOMERS

Type of transactions/Values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	BV	*Fair value*			BV	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	38,385,614	X	X	X	37,112,829	X	X	X
2. Time deposits	6,951	X	X	X	6,931	X	X	X
3. Loans	-	X	X	X	-	X	X	X
3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	188,763	X	X	X	202,953	X	X	X
6. Other due and payables	191,388	X	X	X	205,128	X	X	X
Total	**38,772,716**	**-**	**38,772,716**	**-**	**37,527,841**	**-**	**37,527,841**	**-**

Key:
BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

1.3 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF SECURITIES ISSUED

Type of transactions/Values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	BV	*Fair value*			BV	*Fair value*		
		L1	L2	L3		L1	L2	L3
A. Securities								
1 Bonds	10,555,860	-	10,903,054	-	10,051,060	-	10,369,447	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	10,555,860	-	10,903,054	-	10,051,060	-	10,369,447	-
2. Other securities	371,454	-	-	371,454	533,416	-	-	533,416
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	371,454	-	-	371,454	533,416	-	-	533,416
Total	**10,927,314**	**-**	**10,903,054**	**371,454**	**10,584,476**	**-**	**10,369,447**	**533,416**

Key:
BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Item “Bonds” reports debenture loans for Euro 161,140, covered bonds for Euro 8,933,325 thousand and senior non-preferred bonds for Euro 1,461,395, thousand.

Item “Other securities” reports banker’s drafts for Euro 137,681 thousand and certificates of deposit for Euro 233,773 thousand.

1.4 BREAKDOWN OF SUBORDINATED LIABILITIES/SECURITIES

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in the rep. currency	Book value
Lower Tier II deposit	15 Dec. 2021	15 Dec. 2026	at maturity	Euribor 3 months + 266 bps	Euro	80,000	80,073
Lower Tier II deposit	28 June 2017	28 June.2027	at maturity	3M Euribor+ 219 bps	Euro	250,000	250,033
Lower Tier II deposit	11 Dec. 2017	11 Dec. 2027	at maturity	3M Euribor + 162 bps	Euro	400,000	400,207
Lower Tier II deposit	14 Dec. 2018	14 Dec. 2028	at maturity	3M Euribor + 571 bps	Euro	100,000	100,242
Lower Tier II deposit	02 Aug. 2019	02 Aug. 2029	at maturity	3M Euribor + 213 bps	Euro	80,000	80,207
Lower Tier II security	20 Sept. 2010	20 Sept. 2022	in one	Fixed-rateal 3,75%	Euro	8,875	9,114
Lower Tier II security	31 May 2010	30.Nov. 2023	in one	Fixed-rateal 4%	Euro	4,050	4,272

Total subordinated deposits came to Euro 910,762 thousand, whereas total subordinated securities came to Euro 13,386 thousand.

1.5 BREAKDOWN OF STRUCTURED LIABILITIES

As at 31 December 2021, there were no structured liabilities.

1.6 LEASE LIABILITIES

For reporting on lease liabilities and the breakdown of maturities and cash flows, please see Part M of this Note to the financial statements.

Section 2 – Financial liabilities held for trading – Item 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY TYPE

Type of transactions/Values	Total 31 Dec. 2021					Total 31 Dec. 2020				
	Nominal or notional value	*Fair value*			*Fair value*(*)	Nominal or notional value	*Fair value*			*Fair value*(*)
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to Customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-		-	-	-	-	-
3.1 Bonds	-	-	-	-		-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other Bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-		-	-	-	-	
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives		-	53,025	-			-	81,546	-	
1.1 Held for trading	X	-	53,025	-	X	X	-	81,546	-	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit Derivatives		-	-	-			-	-	-	
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**53,025**	**-**	**X**	**X**	**-**	**81,546**	**-**	**X**
Total (A+B)	**X**	**-**	**53,025**	**-**	**X**	**X**	**-**	**81,546**	**-**	**X**

Key:
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair value (*) = *Fair value* calculated excluding value changes resulting from an alteration in the issuer's credit rating after the date of issue.

2.2 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": SUBORDINATED LIABILITIES

At the end of 2021, there were no subordinated financial liabilities held for trading.

2.3 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": STRUCTURED LIABILITIES

At the end of 2021, there were no structured financial liabilities held for trading.

Section 4 – Hedging derivatives – Item 40

4.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF HEDGE AND BY HIERARCHY LEVEL

	Fair value 31 Dec. 2021			NV 31 Dec. 2021	*Fair value* 31 Dec. 2020			NV 31 Dec. 2020
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**146,102**	**677,072**	**7,945,638**	**-**	**136,493**	**569,446**	**6,930,023**
1) Fair value	-	146,102	677,072	7,945,638	-	136,493	569,446	6,930,023
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**146,102**	**677,072**	**7,945,638**	**-**	**136,493**	**569,446**	**6,930,023**

Legenda:
NV = Notional Value
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 HEDGING DERIVATIVES: BREAKDOWN BY HEDGED PORTFOLIO AND BY TYPE OF HEDGE

Transactions/Type of hedge	*Fair value*							Cash flows		Investments in foreign operations
	Micro-hedging						Macro-hedging	Micro-hedging	Macro-hedging	
	Debt securities and interest rates	Equity securities and equity indices	Foreign exchange and gold	Credit	Commodities	Other				
1. Financial assets measured al fair value through other comprehensive income	167,830	-	-	-	X	X	X	-	-	-
2. Financial assets measured at amortized cost	578,082	X	-	-	X	X	X	-	-	-
3. Portfolio	X	X	X	X	X	X	-	X	X	X
4. Other transactions	-	-	-	-	-	-	X	-	-	-
Total assets	**745,912**	-	-	-	-	-	-	-	-	-
1. Financial liabilities	77,262	X	-	-	-	-	X	-	-	-
2. Portfolio	X	X	X	X	X	X	-	X	X	X
Total liabilities	**77,262**	-	-	-	-	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	-	-
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	X	X

Hedging interest rate risk has the objective of immunizing the Banking Book from changes in the fair value of funding and lending, caused by adverse movements in the yield curve.

The “Hedging Derivatives” item referring to financial liabilities consisted of Euro 25,242 thousand for hedging own bonds issued and Euro 52,020 thousand for macrohedging of demand deposits; specifically, the hedged item is limited to the portion referring to interest rate risk. Hedging uses IRS in which the fixed-rate leg equalizes the debenture loan rate and the variable-rate leg is determined as Euribor +/- spread. To hedge sight deposits, a “fictitious” bond-equivalent is simulated, which is designed to identify the hedged item obtained by modeling the financial statements item hedged.

The “Hedging Derivatives” item referring to financial liabilities consisted of Euro 52,020 thousand for hedging deposits and Euro 25,242 thousand for hedging debt securities issued.

Section 5 – Fair value change of financial liabilities in macro-hedge portfolios – Item 50

5.1 FAIR VALUE CHANGE OF HEDGED FINANCIAL LIABILITIES: BREAKDOWN BY HEDGED PORTFOLIO

Fair value change of hedged liabilities/Values	Total 31 Dec. 2021	Total 31 Dec. .2020
1. Increase in fair value of hedged financial liabilities	139,353	386,253
2. Decrease in fair value of hedged financial liabilities	-	-
Total	**139,353**	**386,253**

The part of demand deposits that is considered stable as to liquidity and rate, by the internal model adopted by the Crédit Agricole Italia Banking Group is in the macro-hedge portfolio.

Section 6 – Tax Liabilities – Item 60

Please, see Section 10 – Assets.

Section 8 – Other liabilities – Item 80

8.1 OTHER LIABILITIES: BREAKDOWN

	31 Dec. 2021	31 Dec. 2020
Trade payables	121,129	92,822
Amounts due to third parties	274,939	283,583
Credit transfers ordered and being processed	29,311	47,288
Amounts payable to tax authorities on behalf of third parties	69,910	49,782
Advances on loans to mature	145	199
Adjustments for illiquid items	263,313	219,093
Personnel expenses	75,132	68,577
Uncapitalized accrued expenses	10,952	11,365
Deferred income not allocated to other items	8,455	13,883
Sundry	230,741	231,858
Total	**1,084,027**	**1,018,450**

Section 9 – Employee severance benefits – Item 90

9.1 EMPLOYEE SEVERANCE BENEFITS: CHANGES FOR THE YEAR

	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Opening balance	**92,002**	**96,811**
B. Increases	**1,580**	**2,306**
B.1 Provision for the period	41	307
B.2 Other changes	1,539	1,999
C. Decreases	**10,391**	**7,115**
C.1 Severance payments	9,379	6,634
C.2 Other changes	1,012	481
D. Closing balance	**83,191**	**92,002**
Total	**83,191**	**92,002**

9.2 OTHER INFORMATION

Information on the characteristics of defined-benefit plans and risks associated with them (IAS 19, paragraph 139)

Employee Severance Benefits

Pursuant to the Italian legislation, at the date of termination of his/her employment contract with a company, each employee is entitled to a severance package called "*Trattamento di Fine Rapporto*" (Employee Severance Benefits or with the Italian acronym TFR) equal to the sum of the Severance Benefits accrued for each year of work for the employer. The benefit accrued each year is equal to 6.91% of the gross annual Pay. This rate is calculated by dividing the ordinary pay by 13.5; to the resulting amount a deduction is made of 0.5%, which is paid directly to the Italian National Social Security Institute (INPS) as a pension contribution.

Moreover, as at 31 December of each year, the Provision for Employees' Severance Benefits is subject to revaluation applying a fixed-rate of 1.5% plus 75% of the increase in the consumer price index for blue-collar and white-collar households for the year.

The revalued amount, thus calculated is taxed at a 17% rate, as provided for by the Italian 2015 Stability Law (Italian Law No. 190 of 23 December 2014).

Pursuant to the applicable legislation, employees may ask for advances on their Severance Benefits accrued when the employment relation is still going on. This advance may be obtained only once during the employment relation, after at least 8 years on staff and up to 70% of the Employee Severance Benefits accrued as at the date of request.

With the entry into force of Italian 2007 Finance Act, concerning also the Reform of Supplementary Pension Schemes, the measurement of Employee Severance Benefits, in accordance with IAS 19 Revised, shall take account of the impacts of this Act, as well as of the guidelines for their calculation, which were issued by the Italian National Association of Actuaries and by the *Organismo Italiano di Contabilità* (the Italian National Accounting Body).

Given that, in 2006, Crédit Agricole Cariparma had an average number of employees higher than 50, it has been considered that the portions of employee severance benefits accruing in the future will be paid to a separate entity (supplementary pension scheme, FONDINPS or to the Fund managed by the Italian State Treasury) irrespective of the employees' choice. It was specifically considered that the Fund managed by the Italian State Treasury through the Italian National Social Security Institute (INPS), pursuant to Article 1, paragraph 5, of the Italian 2007 Finance Act "ensures that private sector employees receive the severance benefits as provided for in Article 2120 of the Italian Civil Code, in accordance with the contributions paid to the Fund".

0.5% supplement to employee severance benefits

For the employees that were formerly employees of the Intesa San Paolo Group and were already on staff on 31 December 1990, upon employment termination, an amount supplementing their severance benefits is granted, equal to the 0.5% contribution paid to the Italian National Social Security Institute (INPS) by the workers.

Such supplementary amount accrues on a monthly basis and is revalued in accordance with the ISTAT (the Italian National Institute of Statistics) index for the revaluation of employee severance benefits.

Additional 2.75% revaluation of employee severance benefits

To formerly Intesa employees, in case of employment termination, a supplementary amount is paid which is calculated by applying to the employee severance benefits accrued since 1992, on a yearly basis, an additional fixed revaluation equal to 2.75%. This amount is then revalued, on a yearly basis, according to the reference ISTAT (the Italian National Institute of Statistics) index.

Changes for the year in the defined-benefit plan net liabilities (assets) and in rights to repayment (IAS 19, paragraphs 140 and 141)

Actuarial value of the obligation as at 1 January 2021	92,002
a. Service cost	41
b. Interest cost	-61
c. Transfer in/out	2
d.1 Actuarial gains/losses from changes in financial assumptions	-952
d.2 Actuarial gains/losses from changes in demographic assumptions	-
d.3 Actuarial gains/losses from demographic experience	1,538
e. Payments provided for by the Plan	-9,379
Actuarial value of the obligation as at 31 Dec. 2021	**83,191**

The statement of reconciliation for 2021 of the present value of the plan obligation for Crédit Agricole Italia is given below.

Disclosure of the fair value of the plan assets (IAS 19, paragraphs 142 and 143)

This point does not apply because no assets covering Employee Severance Benefits have been provided for.

Description of the main actuarial assumptions (IAS 19, paragraph 144)

In order to be able to make the required measurements, appropriate demographic and economic assumptions must be used regarding:

- Mortality;
- Invalidity;
- Termination (resignation or dismissal);
- Requests for advances;
- The workers' future economic career (including the assumptions on promotion to higher positions);
- Performance of the actual purchasing power of money.

Specifically, the following assumptions were used:

A) DEMOGRAPHIC TECHNICAL BASES:

a.1 Annual probability of exclusion due to death of employees on staff were calculated based on IPS55;

a.2 Annual probabilities of exclusion due to causes other than death of employees on staff were calculated based on appropriate smoothing of historical data of the Group and, therefore, an annual frequency of turnover of 3.50% was used;

a.3 The annual probability of request for advances on the accrued severance benefits was calculated based on the Group's experience and was assumed as equal to an average annual rate of 3%;

a.4 Retirement is assumed upon meeting the first requirement to qualify for pension.

B) ECONOMIC TECHNICAL BASES:

b.1 To calculate the present value for the various plans, in compliance with the instructions given by Crédit Agricole S.A., the rate adopted was IBOXX AA 0.11% (IBOXX duration 5-7 years);

b.2 The cost of living index for white-collar and blue-collar households, required for the revaluation of the employee severance benefits amounts allocated to provision, was assumed at 1.75%, as per the instructions given by Crédit Agricole SA;

b.3 The pay line, as a function of seniority, increasing by automatic pay increases only, was calculated, on average, with reference to the Company's employees, based on the interpolation and smoothing of the distribution of pays by seniority and on the national and company collective bargaining agreements;

b.4 The average annual rate of increase in pay for changes in the minimum wage, is to be seen as related to the fluctuation in the value of money and, therefore, its appreciation, especially in a long-term perspective, is technically difficult; a 1.75% rate was assumed;

b.5 Percentage of accrued employee severance benefits requested as advances: 60%.This percentage was inferred based on the Group historical data.

Disclosure of amount, timing and uncertainty of cash flows (IAS 19, paragraphs 145, 146 and 147)

The outcomes of the sensitivity analyses for each one of the above main assumptions are given below:

Discount rate

Actuarial value of the obligation as at 31 Dec. 2021		
Central assumption	+50 bps	-50 bps
83,191	80,682	85,532

Inflation rate

Actuarial value of the obligation as at 31 Dec. 2021		
Central assumption	+50 bp	-50 bp
83,191	84,796	81,667

Turnover rate

Actuarial value of the obligation as at 31 Dec. 2021		
Central assumption	+100 bp	-100 bp
83,191	82,721	83,699

Multi-employer plans (IAS 19, paragraph 148)

This point does not apply because the provision for employee severance benefits is not a Multi-employer plan.

Defined-benefit plans that share risks between various entities under common control (IAS 19, paragraphs 149 and 150)

This point does not apply because the provision for employee severance benefits is not a plan that shares risks between various entities under common control.

Section 10 – Provisions for risks and charges – Item 100

10.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

Items/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Provisions for credit risk on commitments and financial guarantees given	30,334	25,328
2. Provisions for other commitments and guarantees given	-	-
3. Company pension plans	32,692	35,816
4. Other provisions for risks and charges	374,201	213,060
4.1 Legal and tax-related disputes	54,547	55,029
4.2 Personnel expenses	191,054	84,977
4.3 Other	128,600	73,054
Total	**437,227**	**274,204**

10.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

	Provisions for other commitments and guarantees given	Pension plans	Other provisions for risks and charges	Total
A. Opening balance	**-**	**35,816**	**213,060**	**248,876**
B. Increases	**-**	**1,107**	**211,670**	**212,777**
B.1 Provision for the period	-	-	211,670	211,670
B.2 Changes due to passage of time	-	-	-	-
B.3 Changes due to alterations in the discount rate	-	-	-	-
B.4 Other changes	-	1,107	-	1,107
C. Decreases	**-**	**4,231**	**50,529**	**54,760**
C.1 Use in the period	-	3,296	32,031	35,327
C.2 Changes due to alterations in the discount rate	-	-	-	-
C.3 Other changes	-	935	18,498	19,433
D. Closing balance	**-**	**32,692**	**374,201**	**406,893**

10.3 PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

	Provisions for credit risk on commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
Commitments to disburse funds	1,026	4,728	-	-	5,754
Financial guarantees given	3,332	4,088	17,160	-	24,580
Total	**4,358**	**8,816**	**17,160**	**-**	**30,334**

10.4 PROVISIONS FOR OTHER COMMITMENTS AND GUARANTEES GIVEN

As at 31 December 2018, there were no provisions for other commitments and guarantees given.

10.5 COMPANY DEFINED-BENEFIT PENSION PLANS

1. Information on the characteristics of defined-benefit plans and risks associated with them

Through its Defined-Benefit Pension Plan, Crédit Agricole Italia provides pension schemes that are supplementary or complementary to the pensions paid by INPS (Italian National Social Security Institute) on whatsoever ground, in compliance with the specific Regulation of the Pension Fund.

In 2021, the Company implemented the agreement that was signed with the Trade Unions on 5 November 2029; ruling out any intention to novate the benefits already provided for, under said agreement the various pension plans of Crédit Agricole Italia S.p.A. operating exclusively for retired employees or their survivors were concentrated into a single Pension Fund (Fondo Pensioni Aziendale della Cassa di Risparmio di Parma e Piacenza S.p.A).

As at today's date, in accordance with the above Regulation, the employees on staff are not entitled to the benefits provided by the Pension Fund.

These benefits may consist in a pension assigned directly to the person concerned, in a pension assigned indirectly to the surviving family of the person concerned dying either before or after retirement.

As at 31 December 2021, 489 people (246 women and 243 men) were the beneficiaries of Crédit Agricole Italia Pension Fund, to whom a gross annual supplementary pension is paid amounting to Euro 6,639.40.

The average age of Crédit Agricole Italia beneficiaries is 82.6 years.

2. Change for the year in defined-benefit net liabilities (assets) and in rights to repayment from the plan

The table below reports the 2021 reconciliation figures for Crédit Agricole Italia:

Actuarial value of the obligation as at 1 Jan. 2021	35,816
a. Interest cost	-
b. Interest cost	-7
c.1 Actuarial gains/losses from changes in financial assumptions	-851
c.2 Actuarial gains/losses from changes in demographic assumptions	1,107
c.3 Actuarial gains/losses from demographic experience	-77
d. Payments provided for by the Plan	-3,296
e. Transfer in	-
Actuarial value of the obligation as at 31 Dec. 2021	**32,692**

The value of the mathematical reserve is equal to the amount that the Management should have as at the measurement date, based on the assumptions used, in order to meet all the commitments undertaken towards the participants in the plan.

3. Disclosure of the fair value of the plan assets

This point does not apply because no assets covering the plan have been provided for.

4. Description of the main actuarial assumptions

In order to be able to make the required measurements, appropriate demographic and economic assumptions must be used, such as:

- Mortality;
- Probability to have a family;
- Performance of the actual purchasing power of money.

The main economic and demographic assumptions are given below, which have been used for the plan measurement and have been made based on the information provided by the Company subject to assessment and on market data/statistics:

- Annual probability of exclusion due to death of employees not on staff were calculated based on A62;
- For assignment to the surviving family in case of the pensioner's death, differentiated technical bases were used according to the age and gender of the member;
- The cost of living index for white-collar and blue-collar households, required for smoothing the annual pension instalments, was assumed at 1.75%, in accordance with the instructions given by Crédit Agricole SA;
- The annual increase in the plan benefits is governed by the relevant regulation, and, therefore, by the applicable regulations in force for INPS (Italian National Social Security Institute) pensions (automatic smoothing under Article 34 of Italian Law;
- no. 448/1998, as amended by paragraph 1, Article 69 of Italian Law no. 388/2000);
- To calculate the Present Value, in compliance with the instructions issued by Crédit Agricole SA, the rate used was IBOXX AA (duration 7-10 years) of 0.30%.

5. Disclosure of amount, timing and uncertainty of future cash flows

The results of the sensitivity analyses for each one of the aforementioned main assumptions are given below:

Discount rate

Actuarial value of the obligation as at 31 Dec. 2021		
Central assumption	+50 bp	-50 bp
32,692	31,441	34,040

Mortality rate

Actuarial value of the obligation as at 31 Dec. 2021		
Central assumption	+20 bp	-20 bp
32,692	29,718	36,599

6. Multi-employer plans

This does not apply to Crédit Agricole Italia.

7. Defined-benefit plans that share risks between various entities under common control

This does not apply to Crédit Agricole Italia.

10.6 PROVISIONS FOR RISKS AND CHARGES - OTHER PROVISIONS

Sub-item 4.2 "Other provisions – personnel expenses" of Table 10.1 also reports the provisions allocated in 2021 (about Euro 124 million) and the remaining portion of those allocated in 2020, 2019 and 2018 by Crédit Agricole Italia, for the liabilities resulting from the Trade Union agreement that gave the possibility to interested employees, who are already eligible for pension or will become eligible in the next few years, to voluntarily terminate their employment receiving incentives.

Some years ago several disputes were started with the Agenzia delle Entrate (the Italian Revenue Agency) as the Agency reclassified the transfers of branches from the Intesa Sanpaolo Group to Crédit Agricole Italia and Crédit Agricole FriulAdria and the subsequent transfer of the received equity investments to the institutional Shareholders of the two Banks as sales of business units.
Although favourable judgements were obtained and believing that its conduct has always been fair and lawful, the Crédit Agricole Group assessed the expediency, merely for risk mitigation purposes, of exercising the option provided for by Italian Decree Law 119/2018, so-called tax amnesty measures, against which no objection was made by the competent Authorities; therefore these disputes are to be deemed essentially closed.
As regards some of them, the competent authorities have already formalized the dispute termination.
Two tax-related disputes are pending concerning a transactions for the transfer of branches made in 2011 by the Intesa Sanpaolo Group, followed by the equity investment sale to Crédit Agricole Italia institutional shareholders, which was reclassified as sale of business unit with subsequent dispute on the taxable goodwill value, for a total registration tax of Euro 11.7 million plus interest which the parties involved were asked to pay. On the transaction requalification, favourable fist -and second-instance court judgements have already been obtained and the Italian Court of Cassation’s ruling is pending.
Having said that, also in this case, the Group believes that its conduct has always been fair and lawful and expects a favourable outcome of the dispute, also on the grounds of the aforementioned judgements, considering that the charge - if any - would be shared between the parties jointly and severally involved under specific agreements, on a prudential basis a provision of Euro 1.15 million has remained.
Other minor disputes are underway for taxes totalling Euro 1.7 million, plus any interest and penalties, for which the Group believes it has good grounds as its conduct has always been fair and lawful, as substantiated, in several cases, by fully or partially favourable judgements, which, therefore, have not been provisioned for.

More specifically:

- A dispute for alleged failure to pay a tax account receivable under Italian Decree Law 185/2008 for the amounts credited by it to Customers relating to the State contribution on floating-rate mortgage loans that were taken out by 31 October 2008. The total amount claimed is Euro 1.3 million, including penalties. The first-instance judgement upheld the tax claim but ruled out any penalties. As its arguments are believed to be valid, the Group continued the dispute;
- Some disputes on registration tax on legal deeds coming from the merged entity Cassa di Risparmio di Rimini, for a total amount of Euro 0.36 million;
- A dispute coming from Crédit Agricole Carispezia, which was absorbed in July 2019, concerning the determination of the taxable base for the Italian Regional Tax on Productive Activities (IRAP) for 2013, for a total amount, including tax, interest and penalties, of Euro 0.177 million; the first-instance judgement was in favour of the Group and the second-instance judgement was pending on the reporting date;; a similar dispute regarding 2014, for a total amount of Euro 0.26 million including tax, penalties and interest,, on which the firstinstance judgement was issued in February 2022 in favour of the Group; for the same reasons and again concerning Credit Agricole Carispezia, two similar disputes started on 2015 and 2016, for a total amount of Euro 0.694 million, on which the first-instance judgement was pending on the reporting date.

A notice of assessment was also served on Crédit Agricole Italia in its capacity as the designated consolidating entity in the tax consolidation scheme comprising the Italian direct and indirect subsidiaries of Credit Agricole S.A., which actually concerns the determination of a member entity that does not belong to the Crédit Agricole Italia Banking Group, for a total amount including tax, penalty and interest of Euro 2.6 million. On this dispute, the first-instance judgement was issued in February 2022 in favour of the Group. It is also pointed out that any expenses shall be paid for by the tax consolidation member entity, which does not belong to the Crédit Agricole Italia Banking Group.

Section 12 – Shareholders' equity – Items 110, 130, 140, 150, 160, 170 and 180

12.1 "CAPITAL" AND "TREASURY SHARES": BREAKDOWN

As at 31 December 2021, the Parent Company's share capital, fully paid in, consisted of 979,283,340 ordinary shares, with a nominal value of Euro 1 each.

No treasury shares were held as at the reporting date.

12.2 CAPITAL - NUMBER OF SHARES: CHANGES FOR THE YEAR

Items/Types	Ordinary	Other
A. Shares - opening balance	**979,234,664**	**-**
- fully paid in	979,234,664	-
- partially paid in	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**979,234,664**	**-**
B. Increases	**48,676**	**-**
B.1 New issues	48,676	-
- for a consideration:	48,676	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	48,676	-
- other	-	-
- free of charge:	-	-
- to Employees	-	-
- to Directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of businesses	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**979,283,340**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares as at the reporting date	979,283,340	-
- fully paid in	979,283,340	-
- partially paid in	-	-

12.3 CAPITAL: OTHER INFORMATION

The unit nominal value of the 979,283,340 ordinary shares is Euro 1.

12.4 RETAINED EARNINGS RESERVES: OTHER INFORMATION

Items/Types	Amounts
Legal reserve	195,847
Reserves provided for by the Articles of Association	1,042,689
Reserve pursuant to Art. 13 of It. Leg. D. 124/93(*)	314
Extraordinary reserve of undistributable dividends on treasury shares	5
Reserve for business combinations under common control	549
Reserve for interest on Additional Tier 1 Instruments	-194,295
Merger surplus	543,691
Reserve from the sale of financial assets at fair value through other comprehensive income without recycling	3,070
Carim IAS 19 revised first-time adoption reserve	-305
Retained earnings reserves	**1,591,565**
Reserve from share-based payments(**)	3,066
Reserve for contributions for share capital increase	416,897
Total reserves	**2,011,528**

(*) Reserve pursuant to Art.13 of Italian Legislative Decree No. 124/1993 to take advantage of tax relief on the portions of Employee severance benefits to be used for supplementary pension schemes.

(**) Reserve recognizing the increase in equity resulting from payments based on shares of the controlling company Crédit Agricole SA. made to Employees and Directors.

12.5 EQUITY INSTRUMENTS: BREAKDOWN AND CHANGES FOR THE YEAR

Equity instruments increased from Euro 715 million to Euro 815 million subsequent to the issue of an Additional Tier 1 (AT1) subordinated instrument for Euro 100 million.

OTHER INFORMATION

1. Commitments and financial guarantees given (other than those designated at fair value)

	Notional value on financial guarantees				Total 31 Dec. 2021	Total 31 Dec. 2020
	Stage 1	Stage 2	Stage 3	POCI assets		
Commitments to disburse funds	**863,026**	**46,854**	**22,628**	**-**	**932,508**	**998,867**
a) Central Banks	-	-	-	-	-	-
b) Public administration bodies	6,637	-	-	-	6,637	7,298
c) Banks	50,472	-	-	-	50,472	1,314
d) Other financial companies	148,490	97	-	-	148,587	252,134
e) Non-financial corporations	559,786	33,238	20,542	-	613,566	635,561
f) Households	97,641	13,519	2,086	-	113,246	102,560
Financial guarantees given	**2,206,679**	**217,917**	**27,600**	**-**	**2,452,196**	**2,254,728**
a) Central Banks	-	-	-	-	-	-
b) Public administration bodies	2,110	182	-	-	2,292	2,038
c) Banks	538,395	4,101	-	-	542,496	617,635
d) Other financial companies	106,431	4,688	-	-	111,119	94,707
e) Non-financial corporations	1,496,296	202,612	27,163	-	1,726,071	1,451,119
f) Households	63,447	6,334	437	-	70,218	89,229

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount as at 31 Dec. 2021	Amount as at 31 Dec. 2020
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-
3. Financial assets measured at amortized cost	16,088,426	14,250,443
4. Property, Plant and Equipment	-	-
- of which: property, plant and equipment inventories	-	-

4. Management and intermediation services

Type of services	Amount
1. Trading on behalf of customers	**-**
a) Purchases	-
1. settled	-
2. not yet settled	-
b) Sales	-
1. settled	-
2. not yet settled	-
2. Portfolio management	**-**
3. Custody and administration of securities	**73,651,365**
a) Third-party securities on deposit held for depository bank services (excluding asset management)	-
1. Securities issued by the reporting bank	-
2. Other securities	-
b) Third party securities deposited (other than portfolio management):other	31,344,716
1. Securities issued by the reporting bank	171,960
2. Other securities	31,172,756
c) Third party securities deposited with third parties	30,736,748
d) Owned securities deposited with third parties	11,569,901
4. Other transactions	**-**

5. Financial assets subject to offsetting or subject to master netting agreements or similar arrangements

Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities netted (b)	Net amount of financial assets recognized (c=a-b)	Related amounts not subject to netting		Net amount (f=c-d-e) 31 Dec. 2021	Net amount 31 Dec. 2020
				Instruments deposits (d)	Cash received as collateral (e)		
1. Derivatives	619,341	-	619,341	596,039	-	23,302	58,114
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31 Dec. 2021	**619,341**	**-**	**619,341**	**596,039**	**-**	**23,302**	**X**
Total 31 Dec. 2020	**1,014,139**	**-**	**1,014,139**	**708,462**	**247,563**	**X**	**58,114**

6. Financial liabilities subject to offsetting or subject to master netting agreements or similar arrangements

Technical forms	Gross amount of financial liabilities (a)	Amount of financial assets offset (b)	Net amount of financial liabilities recognized (c=a-b)	Related amountsnon not subject to subject to		Net amount (f=c-d-e) 31 Dec. 2021	Net amount of 31 Dec. 2020
				Financial Instruments (d)	Cash deposits as collateral (e)		
1. Derivatives	876,199	-	876,199	596,039	274,070	6,090	79,023
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31 Dec. 2021	**876,199**	**-**	**876,199**	**596,039**	**274,070**	**6,090**	**X**
Total 31 Dec. 2020	**787,485**	**-**	**787,485**	**708,462**	**-**	**X**	**79,023**

IFRS 7 requires specific disclosure on financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, but are recognised in the Balance Sheet without any netting as they are governed by "master netting agreements or similar arrangements" that do not comply with all the requirements laid down by IAS 32 paragraph 42.

As regards instruments that may potentially be offset, at the occurrence of certain events, and to be reported in tables 5 and 6, it is pointed out that, for transactions in OTC, the Crédit Agricole Italia Banking Group has signed bilateral netting agreements (ISDA) with all banking counterparties it has OTC derivatives if force with, whereby, if certain conditions are met, claims and obligations relating to OTC derivatives may be offset. Furthermore, the Group has signed Credit Support Annexes (CSA) attached to the ISDA agreements, providing for the exchange of collateral with the counterparties in order to reduce net exposure.

In order to prepare the tables and in accordance with IFRS 7 and with the new regulations on Banks' financial statements, it is reported that:

- The effects of the potential offsetting of the balance sheet values of financial assets and liabilities are reported in column (d) "Financial instruments";
- The related cash collaterals are presented in column (e) "Cash deposits received/pledged as collateral";
- Transactions in derivatives are recognized at fair value;
- These effects are calculated for each master netting agreement, to the extent of the exposure stated in column (c).

Based on the preparation methods described above, thanks to the netting agreements and the related collateral, the credit/debt exposure to the counterparties can be significantly reduced, as shown in column (f) "Net amount".

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Items10 and 20

1.1 INTEREST AND SIMILAR INCOME: BREAKDOWN

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Financial assets measured at fair value through profit or loss	9	-	-	9	-
1.1 Financial assets held for trading	9	-	-	9	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	37,217	-	X	37,217	9,619
3. Financial assets measured at amortized cost:	132,864	574,016	-	706,880	685,123
3.1 Due from banks	-	2,599	X	2,599	7,382
3.2 Loans to customers	132,864	571,417	X	704,281	677,741
4. Hedging derivatives	X	X	(155,855)	(155,855)	(11,494)
5. Other assets	X	X	6,618	6,618	5,177
6. Financial liabilities	X	X	X	114,719	60,665
Total	**170,090**	**574,016**	**(149,237)**	**709,588**	**749,090**
of which: interest income on impaired financial assets	-	16,789	-	16,789	31,570
of which: interest income on finance leases	X	-	X	-	-

Item "Financial liabilities" reports, as to Euro 111,986 thousand, interest income accrued on the funding from the ECB consisting of TLTRO II loans taken.

1.2 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

1.2.1 Interest income on foreign-currency financial assets

As at 31 December 2021, interest income on foreign-currency financial assets came to Euro 1,789 thousand.

1.3 INTEREST AND SIMILAR EXPENSES: BREAKDOWN

Items/Technical forms	Due and payables	Securities	Other transactions	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Financial liabilities measured at amortized cost	(63,643)	(98,907)	-	(162,550)	(154,893)
1.1 Due to central banks	(28,236)	X	X	(28,236)	(15,537)
1.2 Due to banks	(22,975)	X	X	(22,975)	(25,908)
1.3 Due to customers	(12,432)	X	X	(12,432)	(17,498)
1.4 Debt securities issued	X	(98,907)	X	(98,907)	(95,950)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(2,134)	(2,134)	(189)
5. Hedging derivatives	X	X	204,772	204,772	197,882
6. Financial assets	X	X	X	(6,199)	(7,422)
Total	**(63,643)**	**(98,907)**	**202,638**	**33,889**	**35,378**
Of which: interest expenses on lease liabilities	(3,702)	X	X	(3,702)	(3,533)

1.4 INTEREST AND SIMILAR EXPENSES: OTHER INFORMATION

1.4.1 Interest expense on foreign-currency financial liabilities

As at 31 December 2021, interest expenses on foreign-currency financial liabilities came to Euro 610 thousand.

1.5 DIFFERENTIALS ON HEDGING TRANSACTIONS

Items	31 Dec. 2021	31 Dec. 2020
A. Positive differentials on hedging transactions	307,836	279,952
B. Negative differentials on hedging transactions	(258,469)	(93,563)
C. Balance (A-B)	**48,917**	**186,389**

Section 2 – Fees and Commissions – Items 40 and 50

2.1 FEE AND COMMISSION INCOME: BREAKDOWN

Type of services/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
a) Financial instruments	217,261	178,192
1. Placement of securities	207,453	167,525
1.1 With firm commitment underwriting and/or based on an irrevocable commitment	-	-
1.2 Without irrevocable commitment	207,453	167,525
2. Receipt and transmission of orders and trading on customers' behalf	9,245	10,080
2.1 Receipt and transmission of orders for one or more financial instruments	9,245	10,080
2.2 Trading on behalf of customers	-	-
3. Other fees and commissions on activities in financial Instruments	563	587
Of which: proprietary trading	405	582
Of which: individual portfolio management	158	5
b) Corporate Finance	-	-
1. M&A advice	-	-
2. Treasury services	-	-
3. Other fees and commissions on corporate finance services	-	-
c) Investing advice	195	181
d) Clearing and settlement	-	-
e) Custody and administration	4,325	4,123
1. Depositary bank services	-	-
2. Other fees and commissions on custody and administration	4,325	4,123
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary activities	-	-
h) Payment services	247,983	246,195
1. Current accounts	179,062	180,204
2. Credit cards	20,434	19,237
3. Debit cards and other payment cards	18,739	18,692
4. Credit transfers and other payment orders	10,132	8,836
5. Other fees and commissions on payment services	19,616	19,226
i) Distribution of third-party services	294,875	263,999
1. Collective portfolio management	-	-
2. Insurance products	258,715	231,625
3. Other products	36,160	32,374
O/w: individual portfolio management	5,562	7,560
j) Structured finance	29,328	21,863
k) Securitization servicing	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees given	17,840	16,874
Of which: credit derivatives	-	-
n) Financing transactions	6,243	5,410
Of which: for factoring	-	-
o) Foreign exchange trading	4,093	3,192
p) Commodities	-	-
q) Other fee and commission income	40,000	39,906
Of which: for management of multilateral trading facilities	-	-
Of which: management of organized trading facilities	-	-
Total	**862,143**	**779,935**

Item “q) Other fee and commission income” mainly reports fees and commission income on collections services for Euro 17,899 thousand and fee and commission income on e-money services for Euro 12,948 thousand.

2.2 FEE AND COMMISSION INCOME: DISTRIBUTION CHANNELS FOR PRODUCTS ANS SERVICES

Channels/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
a) At own branches:	**502,328**	**431,524**
1. portfolio management	-	5,816
2. placement of securities	207,453	167,525
3. third party products and services	294,875	258,183
b) off-premises distribution:	**-**	**-**
1. Portfolio management	-	-
2. placement of securities	-	-
3. third party products and services	-	-
c) other distribution channels:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party products and services	-	-
Total	**502,328**	**431,524**

2.3 FEE AND COMMISSION EXPENSES: BREAKDOWN

Channels/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
a) Financial instruments	(3,429)	(3,485)
Of which: trading in financial instruments	-	-
Of which: placement of financial instruments	(3,429)	(1,922)
Of which: individual portfolio management	-	(1,563)
- On own account	-	-
- Delegated to third parties	-	(1,563)
b) Clearing and settlement	-	-
c) Custody and administration	(2,427)	(1,368)
d) Collection and payment services	(6,531)	(8,785)
Of which: credit cards, debit cards and other payment cards	(3,804)	(6,214)
e) Securitization servicing	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	(12,922)	(12,986)
Of which: credit derivatives	-	-
h) Off-premises distribution of financial instruments, products and services	-	-
i) Currency trading	-	-
j) Other fee and commission expenses	(9,298)	(9,764)
Total	**(34,607)**	**(36,388)**

Item “j) Other fee and commission expenses” mainly reports fee and commission expenses on e-money services for Euro 4,605 thousand.

Section 3 – Dividend and similar income – Item 70

3.1 DIVIDEND AND SIMILAR INCOME: BREAKDOWN

Items/Income	Total 31 Dec. 2021		Total 31 Dec. 2020	
	Dividend income	Similar income	Dividend income	Similar income
A. Financial assets held for trading	1	-	-	205
B. Other financial assets mandatorily measured at fair value	451	143	-	-
C. Financial assets measured at fair value through other comprehensive income	10,462	-	10,233	-
D. Equity investments	-	-	-	-
Total	**10,914**	**143**	**10,233**	**205**

The main dividend for the reporting year referred to the shareholding in the Bank of Italy, which was classified in the "Financial assets measured at fair value through other comprehensive income" portfolio (Euro 9,157 thousand).

Income referred to the units of O.I.C.R. collective investment undertakings held.

Section 4 – Net profits (losses) on trading activities – Item 80

4.1 NET PROFITS (LOSSES) ON TRADING ACTIVITIES: BREAKDOWN

Transactions/income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**71**	**(6)**	**(6)**	**59**
1.1 Debt securities	-	71	(6)	(6)	59
1.2 Equity securities	-	-	-	-	-
1.3 Units of O.I.C.R. collective investment undertakings	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Due and payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**6,336**
4. Derivatives	**63,948**	**42,532**	**(55,871)**	**(34,088)**	**17,064**
4.1 Financial derivatives:	63,948	42,532	(55,871)	(34,088)	17,064
- On debt securities and interest rates	63,948	42,532	(55,871)	(34,088)	16,521
- On equity securities and equity indices	-	-	-	-	-
- On foreign exchange and gold	X	X	X	X	543
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Of which: natural hedges associated with The fair value option	X	X	X	X	-
Total	**63,948**	**42,603**	**(55,877)**	**(34,094)**	**23,459**

Section 5 – Net profits (losses) on hedging activities – Item 90

5.1 NET PROFITS (LOSSES) ON HEDGING ACTIVITIES: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Income from:		
A.1 Fair value hedging derivatives	272,995	452,846
A.2 Hedged financial assets (fair value)	91,136	64,294
A.3 Hedged ffinancial liabilities (fair value)	653,448	6,502
A.4 Financial derivatives hedging cash flows	-	-
A.5. Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**1,017,579**	**523,642**
B. Expenses for:		
B.1 Fair value hedging derivatives	(738,399)	(201,668)
B.2 Hedged financial assets (fair value)	(232,630)	(11,415)
B.3 Hedged ffinancial liabilities (fair value)	(52,283)	(320,961)
B.4 Financial derivatives hedging cash flows	-	-
B.5. Assets and liabilities in foreign currencies	-	-
Total expenses from hedging activities (B)	**(1,023,312)**	**(534,044)**
C. Net income (loss) on hedging activities (A - B)	**(5,733)**	**(10,402)**
of which: fair value adjustments in hedge accounting on net positions	-	-

Section 6 – Profits (losses) on disposal/repurchase – Item 100

6.1 PROFITS (LOSSES) ON DISPOSAL/REPURCHASE: BREAKDOWN

Items/Income components	Total 31 Dec. 2021			Total 31 Dec. 2020		
	Profits	Losses	Net profit (loss)	Profits	Losses	Net profit (loss)
A. Financial Assets						
1. Financial assets measured at amortized cost	53,650	(162,769)	(109,119)	21,650	(31,853)	(10,203)
1.1 Due from banks	-	-	-	-	-	-
1.2 Loans to customers	53,650	(162,769)	(109,119)	21,650	(31,853)	(10,203)
2. Financial assets measured at fair value through other comprehensive income	62,624	(35,821)	26,803	12,930	(14,751)	(1,821)
2.1 Debt securities	62,624	(35,821)	26,803	12,930	(14,751)	(1,821)
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**116,274**	**(198,590)**	**(82,316)**	**34,580**	**(46,604)**	**(12,024)**
B. Financial liabilities measured at amortized cost						
1. Due to banks	-	-	-	-	-	-
2. Due to Customers	-	-	-	-	-	-
3. Debt securities issued	39	(6)	33	85	(33)	52
Total liabilities (B)	**39**	**(6)**	**33**	**85**	**(33)**	**52**

Section 7 – Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss – Item 110

7.2 NET CHANGE IN VALUE OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES MANDATORILY MEASURED AT FAIR VALUE

Transactions/income components	Capital gains (A)	Profits on realization (B)	Capital losses (C)	Losses on realization (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets	**1,104**	**747**	**(2,000)**	**(4,095)**	**(4,244)**
1.1 Debt securities	1,084	557	(2,000)	(4,095)	(4,454)
1.2 Equity securities	-	190	-	-	190
1.3 Units of collective investment undertakings	20	-	-	-	20
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: foreign	**X**	**X**	**X**	**X**	**-**
Total	**1,104**	**747**	**(2,000)**	**(4,095)**	**(4,244)**

Section 8 – Net adjustments/recoveries for credit risk – Item 130

8.1 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN

Transactions/income components	Losses (1)						Recoveries (2)				Total 31 Dec. 2021	Total 31 Dec. 2020
	Stage 1	Stage 2	Stage 3		POCI assets		Stage 1	Stage 2	Stage 3	POCI assets		
			Write-off	Other	Write-off	Other						
A. Due from banks	**(260)**	**-**	**-**	**-**	**-**	**-**	**20**	**2**	**-**	**-**	**(238)**	**2,547**
- Loans	(260)	-	-	-	-	-	20	2	-	-	(238)	2,547
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. CLoans to customers	**(34,305)**	**(77,448)**	**(105,077)**	**(239,673)**	**-**	**-**	**24,166**	**75,284**	**25,058**	**-**	**(331,995)**	**(338,931)**
- Loans	(31,911)	(77,448)	(105,077)	(239,673)	-	-	23,994	75,284	25,058	-	(329,773)	(332,157)
- Debt securities	(2,394)	-	-	-	-	-	172	-	-	-	(2,222)	(6,774)
Total	**(34,565)**	**(77,448)**	**(105,077)**	**(239,673)**	**-**	**-**	**24,186**	**75,286**	**25,058**	**-**	**(332,233)**	**(336,384)**

8.1A NET ADJUSTMENTS FOR CREDIT RISK ON LOANS MEASURED AT AMORTIZED COST UNDER COVID-19-RELATED SUPPORT MEASURES: BREAKDOWN

Transactions/income components	Net adjustments						Total 31 Dec. 2021	Total 31 Dec. 2020
	Stage 1	Stage 2	Stage 3		POCI assets			
			Write-off	Other	Write-off	Other		
1. Loans with GL-compliant concessions	-	-	-	-	-	-	-	(29,059)
2. Loans under moratoria in force no longer EBA-compliant and not measured as forborne	170	(176)	-	(7,442)	-		(7,448)	-
3. Loans with other concession measures	-	-	-	-	-	-	-	-
4. New loans	420	(9,213)	-	(4,183)	-	-	(12,976)	(16,478)
Total 31 Dec. 2021	**590**	**(9,389)**	**-**	**(11,625)**	**-**	**-**	**(20,424)**	**-**
Total 31 Dec. 2020	**(6,377)**	**(31,252)**	**-**	**(7,908)**	**-**	**-**	**-**	**(45,537)**

8.2 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT AL FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN

Transactions/income component	Losses (1)						Recoveries (2)				Total 31 Dec. 2021	Total 31 Dec. 2020
	Stage 1	Stage 2	Stage 3		POCI assets		Stage 1	Stage 2	Stage 3	POCI assets		
			Write-off	Other	Write-off	Other						
A. Debt securities	(2,359)	-	-	-	-	-	216	-	-	-	(2,143)	(981)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(2,359)	-	-	-	-	-	216	-	-	-	(2,143)	(981)

Section 9 – Profits/losses on contract modifications without derecognition – Item 140

9.1 PROFITS (LOSSES) ON CONTRACT MODIFICATIONS: BREAKDOWN

Losses on contract modifications came to Euro 1,067 thousand.

This item reports the impacts resulting from contract modifications on medium/long-term loans to customers, which, as they do not classify as substantial in accordance with IFRS 9, do not entail derecognition of the assets, but recognition in the Income Statement of the modifications made to contractual cash flows.

Section 10 – Administrative expenses – Item 160

10.1 PERSONNEL EXPENSES: BREAKDOWN

Type of expense/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1) Employees	(700,654)	(561,893)
a) wages and salaries	(411,280)	(403,204)
b) social security contributions	(110,616)	(107,179)
c) severance benefits	(246)	(501)
d) pensions	-	-
e) provisioning for employee severance benefit	20	(307)
f) allocation to provision for post-employment and similar obligations:	7	(209)
- definite-contribution	-	-
- defined-benefit	7	(209)
g) payment to external supplementary pension schemes:	(37,723)	(36,219)
- definite-contribution	(37,723)	(36,219)
- defined-benefit	-	-
h) costs from share-based payment agreements	-	-
i)other employee benefits	(140,816)	(14,274)
2) Other staff	(401)	(240)
3) Directors and Auditors	(1,114)	(1,140)
4) Retired personnel	-	-
5) Expense recovery for employees seconded to other companies	21,085	17,378
6) Expense refund for third parties' employees seconded to the company	(8,647)	(8,876)
Total	**(689,731)**	**(554,771)**

Items e) and f) have a positive sign because of the interest cost effect. Said effect accounts for the release of discount made in the previous year to negative rates.

10.2 AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

	31 Dec. 2021
Employees:	7,058
a) Senior Managers	96
b) Junior Managers	3,346
c) other Employees	3,616
Other staff	42

10.3 COMPANY DEFINED-BENEFIT PENSION PLANS: COSTS AND REVENUES

Type of expenses/Values	31 Dec. 2021	31 Dec. 2020
Provision for the year	-	-
Changes due to passing of time	7	(209)

Changes due to passage of time (interest cost) have a positive sign because of the release of the discount made in the previous year to negative rates.

10.4 OTHER EMPLOYEE BENEFITS

These mainly consisted of the costs incurred for the voluntary redundancy provision, for incentives to voluntary redundancy, for non-occupational policies, of the costs for financed education, refresher and training, and for employee benefits, as well as contributions to the employees' recreational club.

10.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Type of expenses/Values	31 Dec. 2021	31 Dec. 2020
Direct and indirect taxes	(99,524)	(95,811)
IT services, data processing	(16,059)	(12,510)
Facility rental and management	(5,956)	(6,466)
Expenses for advisory services	(33,411)	(16,408)
Mail, telegraph and delivery services	18	46
Telephone and data transmission	(1,494)	(2,065)
Legal expenses	(3,718)	(5,900)
Property maintenance	(2,470)	(3,941)
Furnishing and plant maintenance	(165)	(452)
Marketing, promotion and entertainment expenses	(13,018)	(8,736)
Transport services	(669)	(1,233)
Lighting, heating and air conditioning	(11,420)	(9,520)
Printed material, stationery and consumables	(1,126)	(1,677)
Staff training expenses and reimbursements	(3,099)	(5,018)
Security services	(234)	(307)
Information and title searches	(3,978)	(3,440)
Insurance premiums	(167,200)	(153,505)
Cleaning services	43	(369)
Leasing of other property, plant and equipment	(2,230)	(1,784)
Management of archives and document handling	-	50
Reimbursement of costs to Group companies	(273,450)	(251,725)
Contributions to support the banking system	(85,762)	(48,777)
Sundry expenses	(25,622)	(27,081)
Total	**(750,544)**	**(656,629)**

Section 11 – Net provisions for risks and charges – Item 170

11.1 NET PROVISIONS FOR CREDIT RISK ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN: BREAKDOWN

The “Net provisions for credit risk on commitments and guarantees” item came to Euro 5,278 thousand.

11.2 NET PROVISIONS FOR OTHER COMMITMENTS AND OTHER GUARANTEES GIVEN: BREAKDOWN

As at 31 December 2018, there were no provisions for other commitments and guarantees given.

11.3 NET PROVISIONS FOR OTHER RISKS AND CHARGES: BREAKDOWN

Item “Net provisioning for risks and charges” for 2021 shows a negative mismatch of Euro 39,851 thousand and consists of Euro 2,435 thousand in provisions for revocatory actions Euro 7,506 thousand in provisions for non-lending-related legal disputes and Euro 30 million in provisions for NPE disposed of.

Section 12 – Net adjustments to/recoveries on property, plant and equipment – Item 180

12.1 NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN

Assets/Income components	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net profit (loss) (a+b-c)
A. Property, plant and equipment:				
1 Operating assets	(55,360)	-	-	(55,360)
- owned	(24,241)	-	-	(24,241)
- rights of use acquired through leases	(30,399)	(720)	-	(31,119)
2. Investment property	(4,311)	-	-	(4,311)
- owned	(2,024)	-	-	(2,024)
- rights of use acquired through leases	(2,287)	-	-	(2,287)
3 Inventories	X	-	-	-
Total	**(58,951)**	**(720)**	**-**	**(59,671)**

Section 13 – Net adjustments of/recoveries on intangible assets – Item 190

13.1 NET ADJUSTMENTS TO INTANGIBLE ASSETS: BREAKDOWN

Assets/Income component	Amortization (a)	Impairment (b)	Recoveries (c)	Net profit (loss) (a+b-c)
A. Intangible assets				
of which: software	-	-	-	-
A.1 Owned	(24,806)	-	-	(24,806)
- Internally generated	-	-	-	-
- Other	(24,806)	-	-	(24,806)
A.2 Rights of Use acquired through leases	-	-	-	-
Total	**(24,806)**	**-**	**-**	**(24,806)**

Section 14 – Other operating expenses and income – Item 200

14.1 OTHER OPERATING EXPENSES: BREAKDOWN

Type of expense/Values	31 Dec. 2021	31 Dec. 2020
Amortization of expenditure for leasehold improvements	(4,224)	(5,227)
Other expenses	(6,744)	(35,339)
Total	**(10,968)**	**(40,566)**

14.2 OTHER OPERATING INCOME: BREAKDOWN

Type of expenses/Values	31 Dec. 2021	31 Dec. 2020
Rental income and recovered expenses on real estate	3,817	4,057
Taxes and levies recovered	86,279	82,784
Insurance costs recovered	163,241	151,178
Other expenses recovered	3,783	4,628
Service recovery	10,480	10,351
Other income	3,989	37,834
Total	**271,589**	**290,832**

Section 15 – Profits (losses) on equity investments – Item 220

15.1 PROFITS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Income	-	9,761
1. Revaluations	-	-
2. Profits on disposal	-	-
3. Recoveries	-	-
4. Other income	-	9,761
B. Expenses	(670)	(121)
1. Writedowns	-	-
2. Impairment	(670)	(121)
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**(670)**	**9,640**

Section 18 – Profits (losses) on disposal of investments – Item 250

18.1 PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Real estate	599	64,726
- Profits on disposal	733	65,511
- Losses on disposal	(134)	(785)
B. Other assets	-	-
- Profits on disposal	-	-
- Losses on disposal	-	-
Net profit (loss)	**599**	**64,726**

Section 19 – Taxes on income from continuing operations – Item 270

19.1 TAXES ON INCOME FROM CONTINUING OPERATIONS: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Current taxes (-)	(96,581)	(2,575)
2. Changes in current taxes for previous years (+/-)	827	-
3. Reduction in current taxes for the FY (+)	584	371
3.bis Reduction in current taxes for the FY for tax receivables pursuant to Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	115,430	(42,684)
5. Change in deferred tax liabilities (+/-)	39,409	(4,791)
6. Taxes accrued in the FY (-) (-1+/-2+3+3bis+/-4+/-5)	**59,669**	**(49,679)**

19.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

	31 Dec. 2021
Income before taxes from continuing operations	-131,505
Income from discontinued operations (before taxes)	-
Theoretical taxable income	-131,505

	31 Dec. 2021
Income taxes – Theoretical tax liability at 27.5% ordinary rate	36,164
- effect of tax-exempt income or income taxed at special rates	-
- effect of income alreadysubject to taxation	-
effect of expenses that are fully or partially non-deductible and income that is fully or partially non-	20,427
Income tax – actual tax liability	**56,591**
- lower taxes for patent box relief	**826**
- effect of realignment under Art.110 DL 104/2020	**73,638**
- effect of the commission for conversion of losses/ACE DTA into tax credits L. 178/2021	**-72,589**
- effect of deductions and tax credits	**584**
IRAP – Theoretical tax liability at 5.58% tax rate	7,338
- effect of income/expenses that do not contribute to the taxable base	-91,778
- effect of other changes	85,059
- effect of change in the average tax rate	-
IRAP - Actual tax liability	**619**
Other taxes	-
Actual tax liability recognized	**59,669**
Of which: actual tax liability on continuing operations	59,669
Actual tax liability on discontinued operations	-

Section 22 – Earnings per share

22.1 AVERAGE NUMBER OF ORDINARY SHARES OF DILUTED CAPITAL

The Bank’s share capital consists of 979,283,340 ordinary shares, with a nominal value of Euro 1 each.

PART D – COMPREHENSIVE INCOME

BREAKDOWN STATEMENT OF COMPREHENSIVE INCOME

Items		31 Dec. 2021	31 Dec. 2020
10.	**Profit (Loss) for the period**	**(71,836)**	**168,206**
Other income components not reclassified to profit or loss:		**(18)**	**(9,330)**
20.	Equity securities designated at fair value through other comprehensive income	601	(8,829)
	a) *Fair value change*	712	(8,829)
	b) Transfers to other equity components	(111)	-
30.	Financial liabilities designated al fair value through profit or loss (changes in own credit rating):	-	-
	a) *Fair value change*		
	b) Transfers to other equity components		
40.	Hedging of equity securities designated at fair value through other comprehensive income	-	-
	a) Fair value change (hedged item)	-	-
	a) Changes in fair value (hedging instrument)	-	-
50.	Property, Plant and Equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	(764)	(3,297)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of valuation reserves on equity investments measured using the equity method	-	-
100.	Income taxes for other income components not reclassified to profit or loss	145	2,796
Other income components reclassified to profit or loss		**(14,864)**	**20,336**
110.	Hedging of investments in foreign operations:	-	-
	a) *fair value changes*	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges	-	-
	a) *fair value changes*	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	of which: gains (losses) on net positions	-	-
140.	Hedging instruments: (not designated elements)	-	-
	a) Value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income :	(20,848)	30,378
	a) fair value changes	638	35,442
	b) reclassification to profit or loss	(21,486)	(5,064)
	- adjustments for credit risk	2,143	981
	- profit/losses on disposal	(23,629)	(6,045)
	c) other changes	-	-
160.	Non-current assets held for sale and discontinued operations	-	-
	a) *fair value changes*	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	Share of valuation reserve on equity investments measured with the equity method:	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	- impairment	-	-
	- profit/losses on disposal	-	-
	c) other changes	-	-
180.	Income taxes for other income components reclassified to profit or loss	5,984	(10,042)
190.	**Total other comprehensive income**	**(14,882)**	**11,006**
200.	**Comprehensive income (10+190)**	**(86,718)**	**179,212**

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Section 1 – Credit Risk

QUALITATIVE DISCLOSURES

1. GENERAL ASPECTS

The responsibilities for the lending operations of the Crédit Agricole Italia Banking Group are vested in the Group Chief Lending Officer., In compliance with the European Central Bank guidelines requiring that non-performing exposures (NPE) be managed by expert and dedicated units separate from those managing performing loans ,the Chief Lending Officer is directly responsible for the two management units (Credit Department and NPE Department) and for a unit engaged in strategic and coordination functions (Intelligence & Asset Disposal Department).

The Credit Department is responsible for lending activities regarding the Performing loan portfolio. This Department has the task of setting, in compliance with the corporate strategies and objectives, the lending policies directions and the guidelines on taking and managing credit risk, coordinating their implementation by the relevant structures of the Bank and of the Group.

This Credit Department has also the following responsibilities:

- To coordinate, fully respecting the independence of every Company of the Crédit Agricole Italia Banking Group, lending to ordinary Customers and to Customers entailing significant exposures.
- To set and oversee the implementation of the Crédit Agricole Italia Banking Group's strategies and guidelines pursuing effective control on the number of position becoming non-performing and the related cost, by steering the lending chain structures of the Companies of the Group and of the Distribution Channels.
- To define and promote, consistently with the Group strategies and objectives, an appropriate harmonization of lending governance rules.
- To verify, through appropriate operating control mechanisms, compliance with the lending guidelines and policies within the Group, ensuring their quality and monitoring the allocation of loans in terms of sectors and sizes.

The NPE Department is responsible for managing all exposures classified as non-performing, ensuring and coordinating the relations and interaction with Crédit Agricole S.A. and the Supervisory Authorities as regards NPEs.

On the relevant Customer perimeter, it is responsible for ensuring management, recovery and/or out-of-court collection of non-performing exposures, in close contact and cooperation with the Network of Crédit Agricole Italia for prompt and effective action to prevent loan impairment, so that the associated cost is kept under control.

It is responsible for Customers, single ones and/or by Economic Group, in accordance with the specific "Limits to Decision-Making Powers" and with the specific guidelines set out in the "NPE Regulation" and in the applicable legislation and internal normative instruments (specifically, the "Non-performing exposure – Stage 3") Policy.

The NPE Department is engaged in the following tasks:

- Coordinating the relations with the Group as regards NPEs, as well as managing the preparation of all NPE-related documentation and reporting to the Supervisory Authorities;
- Arranging for, in cooperation with the Risk Management and Permanent Controls Department, the design and update of the NPE impairment policy, ensuring the use of harmonized models for lending processes and tools to manage NPEs;
- Ensuring, consistently with the Group's strategies and objectives and through the structures reporting to this Division on a solid line, the appropriate harmonization of Models, tools and rules for Loan Management, as regards the positions within the Non-Performing Loans management process;

Setting, steering and verifying, in cooperation with the Structures of the Group's Banks reporting on a dotted line to this Division, the implementation of the Guidelines on the management, recovery and/or out-of-court collection of exposures classified as "NPEs" within its scope of responsibility.

All the units engaged in NPL management, namely the UTP Management Division, the Bad Loans Management Division and the Legal Support Service, report to the NPE Department. The responsibilities of the two units are exercised within the specific "Limits to decision-making powers" set out in the "NPE Regulation" and in the applicable legislation in force at the relevant time.

The UTP Management Division is responsible, also through the structures of the Group's Banks reporting to this Division on a dotted line, for the following tasks:

- Ensuring management, recovery and/or out-of-court collection of non-performing exposures (except bad loans), in close contact and cooperation with the Network of Crédit Agricole Italia for prompt and effective action to prevent loan impairment, so that the relevant cost is kept under control;
- Assessing the customers in its scope and providing the single Banks' Loan Committees, the extended Loan Committee of Crédit Agricole Leasing Italia and the Group Loan Committee with its opinion on loan origination proposals submitted by the Structures of the Group's entities reporting to it on a dotted line, in order to ensure that loan origination is consistent with the Group's strategic directions and to coordinate activities regarding key accounts.

The Bad Loans Division is responsible for the management, performance and credit quality of loans to Customers of the Group's Banks and of Crédit Agricole Leasing Italia classified as bad.

The Bad Loans Division is responsible for:

- Steering the management of these exposures, providing the guidelines on the activities to be carried out by the structures reporting to it, and for ensuring coordination and operational efficiency;
- Overseeing the specific activities carried out by the structures reporting to it, and for determining, where the case, the technical-legal solutions to be implemented;
- Verifying and controlling that the structures reporting to it properly carry out the relevant activities, and for setting the specific benchmarks;
- Ensuring and coordinating that the relevant structures are constantly on top of any developments in the legislation and case law applying to the matters under their responsibility;
- Providing the Structure the Division directly reports to and the Top Officers with adequate reporting and regular briefs on the activities of the Division;
- Overseeing proper management of the Division, training of its staff and of the staff of the structures reporting to it.

The Loan Legal Support Service is responsible for:

- Giving legal advice and support in the management of exposures classified as Past Due and UTP in the NPE Department's scope of responsibility;
- Giving legal support in "single name" or "bulk" loan disposals;
- Managing litigation cases in which the Group is the defendant concerning:
  (i) Positions classified as Past Due and UTP; and
  (ii) Exposures previously disposed of;
- Managing post sale on positions disposed of (compensation claims, requests for documents);
- Monitoring the case law and jurisprudence relevant for its scope of responsibility and concerning watch-list and non-performing exposures, in order to support constant compliance with the applicable legislation and regulations.

2. CREDIT RISK MANAGEMENT POLICIES

Impacts generated by the Covid-19 pandemic

Risk monitoring, management and control policies, especially regarding credit risk, are core pillars of the response to the economic impacts generated by the Covid-19 pandemic.

In 2021, the Crédit Agricole Banking Group continued with the measures that had been deployed in 2020 and, thus, continued, on the one hand, to provide its Customers with support in the worst phase of the pandemic crisis and ensuring, on the other hand, enhanced monitoring of the quality of its loan portfolio.

The lending policies and the directions and objectives given to the decision-making bodies and roles and to the distribution network were updated at the various stages in the Covid-19 pandemic, ensuring constant support to Customers through the tools provided for by the applicable legislation (loans backed by public guarantees and loan repayment moratoria) which continued with the State aids beyond the temporary framework throughout 2021. At the same time, the Crédit Agricole Italia Banking Group further enhanced, with a forestalling approach, the parameters for assessing the riskiness of the measures granted, as expressly stated in the ECB letter sent by Andrea Enria, Chair of the Supervisory Board to significant institutions on 4 December 2020.

As to the cost of credit, the Crédit Agricole Italia Banking Group further enhanced its systematic control on the quality of its loans to customers portfolio making it more effective and catching any signs of change in the portfolio during the various stages of the pandemic, constantly fine-tuning the parameters used to identify the priority portfolio to be subjected to enhanced monitoring. Special attention was given to counterparties that, benefiting from moratoria under the “Cure Italy” Decree Law applied for “on-demand” extension, with payment suspension extended to 31 December 2021; said counterparties were subjected to enhanced monitoring processes.

As regards the calculation of expected losses on the performing portfolio, the adopted measurement model was fed with all available information, including forward-looking data as required by IFRS 9. The main macroeconomic indicators that were taken in to account in designing the forward-looking scenarios were set in agreement with the specialist structure of the French Parent Company Crédit Agricole S.A., as were the actions to mitigate the effects of the volatility of some factors and the weighting of the scenarios. Following the ECL calculation, the Group also took yet another step with the analysis of the model results and, based on a regulated process and on the available management information, post-model adjustments were made on a cluster of positions under Covid-related moratoria.

Full disclosure of the individual steps and processes in credit risk management is given in the following paragraphs.

2.1 ORGANIZATIONAL ASPECTS

In 2021, the Crédit Agricole Italia Banking Group completed a profound organizational change of its lending structures, aligning its model to the market best practices and ensuring full compliance with the EBA guidelines on loan origination and monitoring of 29 May 2020, which emphasize that the performing and non-performing management chains be separated.

As described in the previous paragraphs, the adopted model went live with the relevant resolution passed by the Board of Directors of the Parent Company on 4 December 2020, which approved the Chief Lending Office (CLO) role as the central lending governance unit directly coordinating:

- The NPE, Department, which now comprises the UTP Management Division and the Bad Loans Division;
- The Credit Department, which still comprises the Lending Division and the Watch-list Exposures Management Division.

Later, the model was fine-tuned with the resolutions passed by the Board of Directors of the Parent Company on 28 April 2021 and 27 May 2021, whereby the Intelligence and Asset Disposal Department was set up, reporting directly to the CLO,, which now comprises the Portfolio Management and External Collection Governance Division, the Credit Intelligence and Lending Policies Division and the Real Estate Remarketing Service. The Loan Legal Support Service, an in-house counsel team, was also set up and reports directly to the NPE Department.

As regards the Non-Preforming Loans management chain, the aforementioned organizational changes led to setting up the NPE Department which all the structures engaged in the management of NPLs report to, specifically: UTP Management Division, Bad Loans Management Division and the Legal Support Service. The responsibilities of the two Management units are exercised within the specific “Limits to decision-making powers” set out in the “NPE Regulation” and in the applicable legislation in force at the relevant time.

The UTP Management Division is responsible, also through the structures of the Group's Banks reporting to this Division on a dotted line, for the following tasks:

- Ensuring management, recovery and/or out-of-court collection of non-performing exposures (except bad loans), in close contact and cooperation with the Network of Crédit Agricole Italia for prompt and effective action to prevent loan impairment, so that the relevant cost is kept under control.
- Assessing the customers in its scope and providing the single Banks' Loan Committees, the extended Loan Committee of Crédit Agricole Leasing Italia and the Group Loan Committee with its opinion on loan origination proposals submitted by the Structures of the Group's entities reporting to it on a dotted line, in order to ensure that loan origination is consistent with the Group's strategic directions and to coordinate activities regarding key accounts.

On the other hand, the Bad Loans Division is responsible for the management, performance and credit quality of loans to Customers of the Group's Banks and of Crédit Agricole Leasing Italia classified as bad and, therefore, it is responsible for the following scopes:

- Steering the management of these exposures, providing the guidelines on the activities to be carried out by the structures reporting to it, and for ensuring coordination and operational efficiency;
- Overseeing the specific activities carried out by the structures reporting to it, and for determining, where the case, the technical-legal solutions to be implemented;
- Verifying and controlling that the structures reporting to it properly carry out the relevant activities, and for setting the specific benchmarks;
- Ensuring and coordinating that the relevant structures are constantly on top of any developments in the legislation and case law applying to the matters under their responsibility;
- Providing the Structure the Division directly reports to and the Top Officers with adequate reporting and regular briefs on the activities of the Division;
- Overseeing proper management of the Division, training of its staff and of the staff of the structures reporting to it.

The Loan Legal Support Service is responsible for:

- Giving legal advice and support in the management of exposures classified as Past Due and UTP in the NPE Department's scope of responsibility;
- Giving legal support in "single name" or "bulk" loan disposal;
- Managing litigation cases in which the Group is the defendant concerning:
- (i) Positions classified as Past Due and UTP; and
- (ii) Exposures previously disposed of;
- Managing post sale on positions disposed of (compensation claims, requests for documents).
- Monitoring the case law and jurisprudence relevant for its scope of responsibility and concerning watch-list and non-performing exposures, in order to support constant compliance with the applicable legislation and regulations.

As regards the Performing Loans management chain, the related activities are assigned to and carried out by the different dedicated structures of the Parent Company and of the investee Banks and Companies, which report to the Credit Department and did not undergo any material alteration within the organizational change approved in 2021. On the other hand, it is pointed out that in 2020, some organizational change actions resolved and were completed in 2021; said actions specifically consist in eliminating the Credit Advisory Division, with concomitant assignment of its responsibilities to the Loan Authorization Division, as regards authorization and origination of performing loans, and to the Watch-list Exposures Management Division, as regards watch-list exposures. Said actions pursued the following objectives:

- Further streamlining of the levels of decision-making bodies, with clearer assignment of their respective responsibilities for performing loans and watch-list exposures;
- Higher specialization in assessing Customers' risk profiles, with the decision-making structure designed to be fully consistent with Customer business segmentation;
- Rationalization of decision-making powers, different in accordance with the Commercial Channels and Customer segments, implementing the new "weighted authorized amount", resulting from the application to the nominal authorized amount of a set of weighting coefficients reflecting the counterparty's specific riskiness, the sector attractiveness and the structure and nature of the credit lines.

Subsequent to the organizational action, the Credit Department of Crédit Agricole Italia comprises three Divisions:

- The Loan Authorization Division, responsible for the performance and credit quality of Performing loans to Customers with no material non-performing signs (performing loans) and comprises Loan Authorization Services, each one of which specializes in assessing the loan proposals made by one of the Commercial channels (Corporate Banking, Private Banking, Retail Banking Small Business, Retail Banking Individuals and Financial Advisors) or specific "production chains" requiring specific skills in risk assessment, especially as regards the real estate and hotel sector;
- The Watch-list Exposures Management Division, responsible for the performance and credit quality of watch-list exposures, meaning loans that show early warning, as per the adopted early-warning indicators, in order to pursue full recovery of the position and/or to design risk mitigation solutions and/or, where these activities do not prove sufficient, for classifying said loans in the non-performing perimeter.

2.2 MANAGEMENT, MEASUREMENT AND CONTROL

Lending policies and strategies

Lending policies lay down the standards and directions for the Banking Group as a whole, which the Distribution Network and the Decision-making Bodies shall comply with in making lending proposals and decisions. Lending policies are structured in order to foster balanced growth with the worthiest Customers and to recover exposures to the riskiest ones. The Lending Policies are regularly updated consistently with the developments in the economic, financial and market scenarios; they also implement the guidelines set within the Risk Strategy, which is agreed on every year with the Parent Company Crédit Agricole S.A., with specific regard to risk concentration limits and to the limits set for specific types of transactions.

In Q4 2021 the Lending Policies for the previous year were fine-tuned based on the gained experience, while keeping their main structure unchanged and their consistency with the directions set out in the Risk Strategy of the Crédit Agricole Italia Banking Group:

- The operation logics within the new origination workflow (New PEF), thanks to the implementation of a mechanism combining;
- The Weighted authorized amount, as a function of the counterparty's rating, the sector forward-looking riskiness and the loan specific features (duration, financial vs self-liquidating nature, type of guarantee based on eligibility requirements and capital absorption mitigation;
- Qualitative–quantitative rulebook, different for each segment and type of counterparty;
- Specific Key Risk Indicators (KRI), applying crosswise to all segments and designed to detect present and forward-looking affordability (the «affordability» parameter);
- Specialization by segment, considerably differentiating the guidelines for Piccoli Operatori Economici (POE, non-structured enterprises featuring operational flexibility but financial rigidity), SMEs in the Small Business segment;
- Stronger control on the Real Estate and Hotel sector, implementing specific Key Risk Indicators (Debt Yield, project profitability).

In 2021, the Crédit Agricole Banking Group had to make yet another development in its lending policies following some discontinuity element:

- Some changes in its organizational structure which were implemented in 2020 and went live the following year, with specific regard to the setting up of the Local Teams of the Lending Division and the Watch-list Exposures Management Division of the Credit Department;
- The new lending work flow (Electronic Loan Application Processing) went live on all channels as did the use of the Weighted Authorized Amount, for the assessment by the appropriate decision-making body;
- The acquisition of Credito Valtellinese and its becoming part of the Group and the consequent increase in the volumes to be managed.

These elements made indeed necessary an update of the limits to decision-making powers, which was completed with the approval by the Board of Directors of the Parent Company on 26 October 2021.

Lending processes

In H1 2021, lending mainly focused on the priority of providing support to customers hit by the Covid-19 epidemic. Specifically, the Crédit Agricole Italia Banking Group ensured that its Customers had the possibility to use the measures provided for by the applicable legislation with no interruption and in full compliance with the set deadlines.

It continued to apply the measures providing for public guarantees on loans under Italian "Liquidity" Decree Law of 8 April 2020, and specifically:

- For SMEs, sole traders, store keepers, and small businesses, loans up to Euro 30,000 have been made available, with full and free-of-charge guarantee given by the Central Guarantee Fund, with maximum duration of 120 months, with repayment of the principal portion starting 24 months after drawdown, at very advantageous conditions;
- On the other hand, For corporate banking customers, loans were made available with amounts up to 25% of the customer's revenue, with maximum duration of 72 months, with repayment of the principal portion starting up to 24 months after drawdown, with the prior assessment by the Central Guarantee Fund (for corporations with revenue up to Euro 3.2 million), with gives guarantees free of charge up to 90%, or backed by SACE guarantees (for corporations with revenue up to Euro 5 billion).

In accordance with the relevant accounting principles, these loans are recognized at amortized cost. As at 31 December 2021, the Crédit Agricole Italia Banking Group had originated loans backed by state guarantees for an amount of Euro 2.6 billion.

The Crédit Agricole Italia Banking Group also continued with the measures for payment suspension, both those provided for by the Italia Law and those under the agreements between the Italian Banking Association and Trade Associations. Customers in the Individuals segment could:

- Obtain, throughout the year, the suspension of payment of the full instalment for up to 18 months for home loans for primary residence (so-called Gasparrini Fund);
- Apply, until 31 March 2021, for suspension of payment of the full instalment or of the principal repayment portion only for 9 months (Italian Banking Association-Trade Associations Second Agreement).

On the other hand, Corporate Banking Customers could:

- Obtain the suspension of payment of the full instalment or of the principal repayment portion only up to 30 June 2021 ("Cure Italy" Decree Law) applying for the suspension by 31 January 2021;
- Apply, until 31 March 2021, for suspension of payment of the full instalment or of the principal repayment portion only (Italian Banking Association-Enterprises in Recovery 2,0).

Furthermore, the first extension was finalized concerning the moratoria under the "Cure Italy" Decree Law which were in force as at 31 January 2021 and as at 31 March 2021 (for the tourism sector), automatically postponing their expiry to 30 June 2021, unless the moratoria were specifically renounced by customers.

The second and last extension of the moratoria under the "Cure Italy" Decree applied to all the measures in force as at 30 June 2021 for which customers had explicitly applied for postponement of expiry to 21 December 2021.

Conversely, describing normal operations not strictly associated with the pandemic crisis, the operation of the internal lending processes of the Crédit Agricole Italia Banking Group is outlined below, representing that said processes are thoroughly defined and regulated by the internal procedures, in order to ensure adequate selection of borrowers, through exhaustive creditworthiness analyses, and, thus, to develop and support business with the most creditworthy Customers, while anticipating the management of any insolvency risk.

The rules governing authorization and this origination of loans to applicants are set out in the "Regulation on Performing Loans and Watch-list Exposures", which gives the core logics guiding the assessment of credit risk:

- Classifying transactions based on their intrinsic riskiness, consistently with the set risk appetite;
- Structuring of authorization power brackets based on counterparty risk, in accordance with the Internal Rating Systems used within the Crédit Agricole Italia Banking Group, and also in compliance with the regulation on corporate groups;
- Decision-making powers that are scaled up as the customer riskiness increases;
- Separation between the loan proposing structure and the body deciding on loan origination.

To this end, the "Regulation on Performing Loans and Watch-list Exposures" sets out the characteristics of the loans that fall within the "Watch-list" perimeter, as they show irregularities in their performance, which, if not fully solved, could lead to an increase in the risks taken by the Bank.

The loan-origination process in force uses risk assessment metrics based on the internal rating systems and sets the lending decision-making powers based on the Probability of Default assigned to the counterparty, which is reassessed at least once a year, as well as on the sector riskiness, which was reviewed in order to take the effects of the underway pandemic into account, and the characteristics of the specific technical forms (duration, financial or self-liquidating nature, type of guarantees in accordance with eligibility criteria and capital absorption mitigation). Therefore, the Group is fully compliant with the regulatory requirements on the use of the same tools and risk measurement techniques in loan authorization processes, in the measurement of the counterparties' creditworthiness and in the process to determine economic capital and capital requirements.

As stated in the Management Report, in order to determine its capital requirement for credit risk, the Crédit Agricole Italia Banking Group uses PD and LGD internal rating models with the advanced approach (Internal Rating Based – Advanced) on financial assets consisting of loans to customers in the Retail segment – the so-called "Retail portfolio".

Counterparty risk is measured after assessing the counterparty's overall financial situation based on all information – positive and negative – that Crédit Agricole Italia has available. Specifically, the latest possible income statements, cash flow statements and balance sheets are currently acquired, along with budgets, in order to have a point-in-time and forward-looking view of the counterparty, thus taking into account also the effects of the pandemic-related crisis.

The loan authorization process is managed by the Company Information System, within the scope of a specific procedure called "Electronic Loan Application procedure - PEF". The activities for the development of a new work flow, in the scope of specific project aimed at strengthening the governance of origination processes, as well as their overall effectiveness and efficiency, were fully completed with the new work flow going live on all distribution channels in June 2021.

After the first loan authorization and, therefore, after the start of the lending relation, the borrowers' positions are subject to a periodic review process, within set limits and upon reporting and/or at the initiative of the structures concerned, both peripheral and central, in order to verify that the borrower and the relevant guarantors, where any, remain solvent, that they are able to generate cash flows adequate for debt servicing and that the requirements of any guarantees remain complied with (legal certainty, prompt realization and value consistency with the exposure). Then, in some cases, the review of the loans is simplified, after assessing that suitable and pre-set requirements are met in terms of counterparty riskiness, which shall be at modest levels.

The process for monitoring and managing non-performing loans is steered by the early warning indicator (the Performance Monitoring Indicator - IMA), which is defined and maintained by the Risk Management and Permanent Controls Department, supported by the Credit Department, and is updated on a monthly basis. The process has been fine-tuned over time in order for it to be able to ensure that actual risk warnings are more accurately distinguished from the so-called "false alarms" and, in management terms, practical and prompt action lines are set whereby:

- The counterparties that are temporarily non-performing can be restored to a performing status and, thus, the business relation can be retained;
- The exposures to counterparties showing structural non-performing signs can be reduced and/or mitigated and, thus, credit risk can be controlled;
- The combination of credit risk and profitability can be reviewed by amending the conditions applied.

The process for monitoring and managing watch-list exposures is also supported with a dedicated procedure, called "Electronic Management Procedure" or with the Italian acronym "PEG"; it is structured in well-defined process steps, with automatic workflow logic but with the possibility for the relevant staff to act on the strategies and action plans, in accordance with very clear roles and responsibilities. Thanks to the PEG procedure, the guidelines on watch-list exposures have a single and clear direction, thus fostering harmonization of account managers' conducts, the monitoring of time frames and outcomes of the implemented actions, as well as adequate tracing of the management actions carried out on the single positions.

In terms of lending, the main directions set out in the Business Plan for the next three years focus on overall strengthening of tools, processes and infrastructure pursuing higher industrialization, in order to enhance analysis and assessment efficiency and thus to improve both the time to yes and the quality of the lending decisions made. The main projects include:

- Overhaul of the end-to-end lending processes, pursuing higher digitalization and industrialization, as well streamlining;
- The strengthening of forecast analysis and of loan management processes to anticipate and forestall any impairment;
- The evolution in the data infrastructure ("Data Lake") with "LOM oriented" logic, to ensure agile use by the various structures of the Bank, also for portfolio scenarios;
- The adoption of ESG criteria in the various phases of the loan origination and creditworthiness assessment process.

Cost of credit

The Crédit Agricole Italia Banking Group has kept and enhanced its systematic control on the developments in the quality of the Loans-to-Customers Portfolio; specifically, it has intensified the monitoring on loan positions and has made it even more selective, in order to ensure constant adequacy of recovery expectations in accordance with any changes affecting its counterparties. Specifically, in 2021, subsequent to the Covid-19 pandemic and with the adoption of the new NPE Policy, the recovery forecasts were revised with a conservative approach, increasing the provisions covering NPLs.

The process to define, manage and monitor the cost of credit is owned by the NPE Department, which ensures its overall consistency and all he controls within the wider scope of the strategy for the management of Non-performing Loans.

Said process comprises all steps in the cost of credit management, from setting strategic objectives in the NPE Strategy to verifying actuals, with the involvement of all relevant structures and with periodic reporting to the NPE Committee.

The Intelligence and Asset Disposal Department, through the Portfolio Management Service, is responsible for progressive updating of the KPIs set out in the NPE Strategy and for reporting also to the NPE Committee (in order to define strategies, target KPIs and the related monitoring).

Stress test

The credit risk monitoring strategy pursued in 2021 was fully consistent with that pursued in the previous year. The related controls were performed on all channels, focusing on the Corporate Banking Channel (SME/Mid and Large Corporate segments) and on the Small Business and Individuals Retail sub-segments, as well as on Crédit Agricole Leasing Italia.

Moreover, in order to define a reference framework for Stress Test exercises on the different risk scope consistently with the guidelines issued by the Controlling Company Crédit Agricole S.A., since 2017 the Crédit Agricole Italia Banking Group has been implementing a specific policy (the Stress Test Policy), which was approved by the Board of Directors of Crédit Agricole Italia and then adopted by all the Companies of the Group. The Stress Test policy is updated and submitted to the Board of Directors for its validation on a yearly basis.

The Policy lays down the quantitative and qualitative techniques with which the Group assesses its vulnerability to exceptional but plausible events; they consist in measuring the impacts on profit or loss, on its financial position and on regulatory aspects generated by specific events (sensitivity analysis) or by combined changes in a set of economic and financial variables in adverse scenarios (scenario analysis). The policy lays down the stress test reference framework of the Crédit Agricole Italia Banking Group, as required by the new regulations issued by the Supervisory Authority and defines the set of stress test exercises to be carried out in the year.

In 2021, the Group stress testing exercises were:

- The EBA 2021 regulatory stress test exercise;
- The budget and on the MTP (Budgétaire) stress test exercise was carried out using the macroeconomic scenarios given by the Parent Company Crédit Agricole S.A in the period September-November 2021. This exercise, which operated across the various corporate divisions engaged in risk measurement and

management, allowed a prospective analysis of the impact on the Income Statement main items (including the cost of credit) and on risk-weighted assets.

Furthermore, in 2021, the Group started some activities in preparation for the 2022 SSM Climate Risk Stress Test, which is scheduled for 2022. Activities concerned the analysis of the methods, metrics and information necessary to carry out the exercise.

The estimated effects of the economic cycle on the PD allow future developments in Risk Weighted Assets and Expected Loss to be calculated by aggregation level, with the possibility to simulate and calculate separately the impacts in terms of changes in volumes and increase in risk. Moreover, as reported in the section on projects, the outcomes of the stress test exercises are taken into account within the definition and management of the Risk Appetite Framework.

Within the Internal Capital Adequacy Assessment Process (ICAAP), the Pillar II requirements were calculated in accordance with the methods defined by the Parent Company Crédit Agricole s.a., which, as regard credit risk on the Retail portfolio, provide for the calculation of RWAs and capital requirements using point-in-time risk parameters consistently with the IFRS9 framework deployed to calculate impairment on performing loans.

The requirements stressed for credit risk, as expected by the Bank of Italy within the ICAAP, are calculated supplementing the ICAAP with the results obtained in the stressed budget exercise.

2.3 METHODS TO MEASURE EXPECTED LOSSES

ECL governance and measurement

The Risk Management and Permanent Controls Department is responsible for defining the methodological framework and for overseeing:

- The process for ECL-related impairment of exposures and provisioning. The calculation of impairment of performing assets is part of the overall cost of credit process, which is coordinated by the Portfolio Management and External Collection Division.

To define the IFRS 9 parameters required to calculate ECL, the Crédit Agricole Italia Banking Group has primarily relied on its internal rating system and on the other regulatory processes already implemented.

The assessment of credit risk is based on an expected loss model and extrapolation based on reasonable future scenarios. All information that is available, pertinent, reasonable and justifiable, including forward-looking information, shall be taken into account.

Therefore, in compliance with the requirements laid down by the standard, in order to estimate parameters, a set of forward-looking scenarios is used, each one of which is weighted by the related probability of occurrence. In agreement with its French Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group uses four different macroeconomic scenarios: Said scenarios can be summarized as follows:

- Central scenario, i.e. the most likely scenario;
- Moderately adverse scenario, i.e. the economic scenario in moderately adverse conditions;
- Budget stress scenario, i.e. the most adverse scenario used within the Stress exercise at the end of the budget preparation;
- Favourable scenario, i.e. the economic scenario in favourable conditions.

The weights to be assigned to the four scenarios – which may vary at each new estimation of the parameters – are defined by the Crédit Agricole Group (Group Economic Research Department of CAsa).

The Crédit Agricole Banking Group updates the estimate of the parameters at least every year. The ECL calculation formula comprises the following parameters:

- Probability of Default – PD;
- Loss Given Default – LGD;
- Exposure At Default (EAD).

As already pointed out, these parameters have also been defined broadly based on the internal models used as part of the regulatory framework (where any), although they had to be adjusted in order to determine an ECL fully compliant with IFRS 9. Indeed, the standard requires a Point-in-Time analysis as at the reporting date, while taking account of the historical loss data and forward-looking macroeconomic data. Therefore, based on the above, the accounting approach is different from the prudential framework, where analyses are multiyear and Through the Cycle to estimate the Probability of Default (PD); moreover, such analyses shall include the Downturn in the estimate of the Loss Given Default (LGD), whereas this effect is not envisaged in the IFRS 9 LGD.

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments. Expected credit losses are discounted at the effective interest rate (EIR) used for the initial recognition of the financial instrument. The models and parameters used are backtested at least annually by the Risk Management and Permanent Controls Department.

Significant increase in credit risk

For each financial instrument, the Crédit Agricole Italia Banking Group assesses any increase in credit risk from initial recognition at each reporting date. Based on this assessment of changes in credit risk, exposures are classified into the different risk stages.

Monitoring on significant increase in credit risk shall cover every financial instrument, unless specific exceptions apply. Contagion is not required for the downgrading of financial instruments of the same counterparty from stage 1 to stage 2.

Monitoring of significant increase in credit risk shall consider the change in credit risk of the principal debtor without taking account of any guarantee, including for transactions with a shareholder guarantee.

To measure any significant increase in credit risk since initial recognition, it is necessary to use the internal rating and Probability of Default (PD) at origination. The Probability of Default at origination is compared to the Probability of Default as at the reporting date and, setting the change between the two PDs against the SICR thresholds estimated with a statistical approach, it can be assessed whether the financial instrument has undergone any significant increase in credit risk vs. origination. In case of significant increase in credit risk, the financial instrument shall be classified in stage 2. Otherwise, the instrument shall remain in stage 1.

The table below shows the PD change thresholds to be used for staging as set by the Crédit Agricole Italia Banking Group within its recent parameter review (November 2021) whereby, in agreement with the French Crédit Agricole, it was decided to adopt the following new threshold changes:

Portfolio		Significant increase in credit risk (SICR) threshold
Large Corporate		3.0
Small Medium Enterprises		2.8
Retail Bnkg	Individuals with real estate collaterals	4.3
	Qualified rotating Retail Exposures	4.0
	Other exposures to individuals	4.3
	Small Enterprises and Sole Traders	3.2

Origination means the settlement date or the date on which the Bank became bound by the contractual terms of the financial instrument. For financing and guarantee commitments, origination means the date on which the irrevocable commitment was made.

For exposures without an internal rating model, the Crédit Agricole Italia Banking Group uses non-payment as at the reporting date or in the previous 12 months. In case of non-payment, as at the reporting date or in the previous months, the exposure is downgraded to stage 2.

For exposures (with the exception of securities) for which internal rating models have been implemented and applied (all the more so if the rating models have been validated), the Crédit Agricole Italia Banking Group considers that all of the information incorporated into the rating systems allows for a more detailed assessment than the non-payment for over 30 days criterion alone as a back-stop threshold.

Other factors for downgrading to stage 2 are:
- A PD absolute threshold is breached. This threshold is set at 12% for the corporate portfolio and at 15% for the retail portfolio;
- No rating as at the assessment date if regarding loans disbursed over six months before;
- The exposure being classified as forborne performing (definition given below).

If the conditions that triggered downgrading to stage 2 no longer apply, impairment may be reduced to 12-month ECL (stage 1).

For security portfolios, the Crédit Agricole Italia Banking Group uses an approach that consists in applying an absolute level of credit risk, in accordance with IFRS 9, at the breaching of which exposures shall be classified in stage 2 and provisioned for based on ECL at maturity.

Therefore, the following rules shall apply for monitoring significant increase in credit risk of securities:
- “Investment Grade” (IG) securities, at the reporting date, shall be classified in stage 1 and provisioned for based on 12-month ECL;
- “Non-Investment Grade” (NIG) securities, at the reporting date, shall be subject to monitoring for significant increase in credit risk , since origination, and be classified in Stage 2 (lifetime ECL) in the event of significant increase in credit risk.

The related increase in credit risk shall be assessed prior to the occurrence of a known default (Stage 3).

Multi-scenario calculation

To estimate the parameters used in calculating the forward-looking scenarios at the 30 June 2021 reporting date, the weights set by the Parent Company Crédit Agricole S.A. were the following:
- Central scenario, 50%;
- Moderately adverse scenario, 35%;
- Stressed budget scenario, 5%;
- Favourable scenario, 10%.

In compliance with IFRS 9, the ECL is estimated weighting forward-looking scenarios; therefore, the various scenarios were weighted by their probability of occurrence, as given above.

The main macroeconomic indicators used to define the scenarios were prepared by the ECO structure of the French Parent Company Crédit Agricole S.A. specializing in macroeconomic studies.

Indicators used as at 31 December 2021

	Central				Moderately adverse				Stressed budget				Favorable			
	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
ITA GDP	6.0%	4.1%	2.3%	1.5%	6.0%	2.9%	1.1%	1.3%	4.5%	2.5%	0.5%	1.1%	6.0%	4.7%	2.8%	1.9%
EU GDP	5.3%	4.3%	2.5%	1.5%	-8.3%	3.4%	0.7%	1.1%	-6.4%	3.0%	0.1%	0.9%	-2.8%	4.7%	2.8%	2.0%
INVESTMENTS IN BUILDINGS	20.8%	5.3%	3.9%	3.6%	20.8%	2.8%	3.1%	2.6%	18.7%	4.3%	1.1%	1.5%	20.8%	6.5%	4.6%	4.3%
INVESTMENTS IN MACHINERY	15.6%	6.0%	4.4%	2.6%	15.6%	3.1%	3.2%	2.1%	16.2%	3.1%	0.1%	2.4%	15.6%	6.5%	4.8%	4.3%
FIXED INVESTMENTS	15.3%	5.1%	3.9%	3.3%	15.3%	2.9%	3.1%	2.6%	14.6%	3.6%	1.0%	2.2%	15.3%	6.1%	5.0%	4.5%
EMPLOYMENT RATE	-0.5%	0.9%	0.5%	0.8%	-2.2%	0.8%	0.0%	-0.1%	-0.7%	-0.1%	-0.4%	0.6%	-0.1%	1.0%	1.4%	0.7%
DOMESTIC DEMAND	3.7%	3.7%	1.9%	1.0%	3.7%	2.8%	0.8%	0.9%	2.7%	3.0%	0.6%	0.8%	3.7%	4.5%	2.3%	1.5%
WORLD OIL DEMAND	4.7%	3.4%	0.8%	1.1%	-5.3%	3.0%	0.5%	0.6%	-3.9%	2.5%	1.0%	0.8%	-4.5%	3.6%	0.8%	1.2%
WORK PRODUCTIVITY	6.4%	3.9%	1.6%	-0.1%	6.4%	3.0%	1.4%	0.2%	-0.7%	0.9%	1.1%	0.8%	6.4%	2.3%	1.8%	1.1%
INDUSTRIAL PRODUCTION INDEX (IPI)	10.6%	3.2%	3.1%	1.7%	10.6%	1.0%	0.9%	2.7%	11.2%	1.1%	0.5%	0.8%	10.6%	4.2%	3.9%	2.8%
PROPENSITY TO CONSUME	-0.8%	1.9%	0.0%	-0.7%	-1.1%	0.8%	-1.5%	-1.1%	-0.5%	2.2%	0.5%	0.2%	-0.6%	2.2%	0.0%	-0.7%
WEIGHT	50%				35%				5%				10%			

The main underlying assumptions are:

- Central scenario: growth continues to be heavily dependent on the 2021 health-related assumptions, which do not envisage any material restrictions to free movement of people and goods. The strong rebound in the GDP, growing by 6% in 2021, is confirmed also for 2022–2024.
- Moderately adverse scenario: marked and long-lasting increase in inflation and in the prices of commodities and intermediate goods. The economic situation causes consumption and investments to decrease starting from mid-2022, with direct impacts on economic recovery.
- The stressed budget scenario is the most severe scenario. It is considered a variant of the moderately adverse scenario and envisages long-lasting reduction in consumption caused by the spike in the prices of commodities (including energy) and intermediate goods. This scenario goes along with responsive monetary policies deployed by the ECB and by the FED aimed at containing the rise in prices.

The favourable scenario is considered a variant of the central scenario with economic recovery somewhat steadier thanks to lesser increase in the prices of commodities and intermediate goods starting from 2022.

It is to be pointed out that the moderately adverse and stressed budget scenarios do not assume any worsening in the health situation caused by the Omicron variant (which had not yet been detected at the time the scenarios were designed) and by larger spreading of the infection in winter. In order to take this effect into account, an appropriate level of impairment was kept, also through management overlays (please, see the relevant paragraph).

In order to prevent excessive volatility of models caused by the strong growth in macroeconomic indicators in 2021-2023 following the deep depression expressed by the 2020 indicators, Crédit Agricole S.A. decided that the whole Group was to adopt the smoothing approach (*lissage* in French) for some macroeconomic variables (Italian and Euro Area GDP, unemployment rate, domestic consumption, household consumption, fixed investments in constriction and machinery, Industrial output index). The process is intended to spread the effects of the 2020 economic slump over the forecast years, thus mitigating any excessive procyclicality. This treatment can be justified with the uncertainty in the effectiveness of the measures to stimulate the economy (moratoria, new liquidity…) on the probabilities of default in the first year.

The economic scenarios used in the 2021 Half-year Report are also given, in order to represent the main changes occurred.

Indicators used as at 30 June 2021

	HALF-YEAR FINANCIAL REPORT Main macroeconomic indicators for 2021-2023															
	Central				Moderately adverse				Stressed budget				Favorable			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Italy GDP	-8.9%	3.8%	3.9%	1.5%	-8.9%	1.7%	2.5%	1.1%	-8.9%	-0.5%	1.4%	1.0%	-8.9%	5.0%	3.5%	1.3%
EU GDP	-7.0%	3.9%	4.0%	2.3%	-7.0%	2.3%	2.9%	2.2%	-7.0%	-1.1%	3.4%	1.7%	-7.0%	4.8%	4.4%	2.7%
Industrial Production Index (IPI)	-10.4%	6.7%	4.5%	0.9%	-10.4%	3.9%	2.3%	0.9%	-10.4%	2.7%	1.8%	1.2%	-10.4%	7.1%	4.3%	1.2%
Investments in Buildings	-6.6%	10.0%	4.3%	3.3%	-6.6%	6.4%	1.8%	2.6%	-6.6%	6.3%	3.8%	4.1%	-6.6%	11.4%	4.9%	2.9%
Investments in machinery	-15.2%	10.8%	4.4%	3.5%	-15.2%	7.3%	3.2%	3.2%	-15.2%	-3.8%	6.6%	4.2%	-15.2%	12.7%	5.3%	2.7%
Employment rate	-1.0%	0.3%	0.3%	0.3%	-1.0%	-0.2%	0.4%	0.4%	-1.0%	-1.9%	0.9%	0.2%	-1.0%	0.5%	0.4%	-0.1%
Propensity to consume	-5.0%	-0.2%	3.7%	0.4%	-5.0%	-0.8%	2.8%	0.2%	-5.0%	-2.7%	1.7%	0.8%	-5.0%	0.3%	2.7%	0.2%
Public expenditure	1.6%	2.8%	-0.1%	-0.8%	1.6%	1.8%	-0.2%	-0.8%	1.6%	1.5%	-0.3%	-0.8%	1.6%	2.8%	-0.1%	-0.8%
WEIGHT	60%				25%				5%				10%			

Indicators used as at 31 December 2020

	2020 ANNUAL REPORT Main macroeconomic indicators for 2020-2023															
	Central				Moderately adverse				Stressed budget				Favorable			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Italy GDP	-9.7%	3.7%	4.7%	1.9%	-9.7%	1.3%	3.4%	2.1%	-10.4%	-0.5%	1.4%	1.0%	-9.7%	5.6%	2.0%	0.7%
EU GDP	-8.2%	12.1%	-0.6%	-1.4%	-8.2%	10.7%	0.4%	-1.1%	-8.8%	0.7%	3.4%	1.7%	-7.8%	5.3%	2.7%	1.3%
Industrial Production Index (IPI)	-5.3%	2.7%	3.2%	0.2%	-5.3%	1.5%	1.9%	1.5%	-15.3%	2.7%	1.8%	1.2%	-10.3%	5.7%	4.2%	0.2%
Investments in Buildings	-13.5%	4.4%	8.2%	4.3%	-13.5%	4.0%	6.8%	4.3%	-15.2%	6.3%	3.8%	4.1%	-13.9%	8.9%	4.9%	3.2%
Investments in machinery	-19.6%	-1.7%	8.3%	4.8%	-19.6%	-0.8%	7.6%	4.8%	-20.1%	-3.8%	6.6%	4.2%	-18.0%	10.0%	6.9%	4.5%
Employment rate	-2.4%	0.7%	0.6%	0.5%	-2.4%	0.1%	0.7%	0.5%	-2.4%	-0.5%	0.9%	0.2%	-2.4%	0.7%	0.6%	0.5%
Propensity to consume	-7.4%	1.5%	2.3%	1.3%	-7.4%	-0.8%	2.4%	1.6%	-7.4%	-0.2%	1.7%	0.8%	-7.3%	4.0%	0.9%	0.0%
Public expenditure	0.3%	4.0%	-0.1%	-0.8%	0.3%	4.0%	-0.1%	-0.8%	1.1%	1.5%	-0.3%	-0.8%	-1.1%	1.2%	-0.3%	-0.8%
WEIGHT	55%				20%				5%				20%			

Scenario sensitivity analysis

Within the revision of the parameters used for the IFRS 9 calculation of the Q4 2021 figures, the Crédit Agricole Italia Banking Group estimated the sensitivity of the ECL figure to the different macroeconomic scenarios given by the Crédit Agricole Group Economic Research Department - ECO, which is a specialist in macroeconomic studies.

To estimate the impact from the different scenarios identified, the maximum weighting was associated to each scenario, each time zeroing the contribution from the others in determining the forward-looking risk parameters and, thus, assessing the marginal contribution of each scenario to the final result.

The sensitivity estimates were made on September 2021 data in a lab environment and later applied to the closing figure as at the end of 2021. The application of the observed variations to the December 2021 calculation results for the Crédit Agricole Italia Banking Group is summarized in the table below, which shows the range of figures that can obtained with the above-described method.

€/mln	Exposure	EAD	ECL Multiscenario	Sensitivity analysis: ECL per single scenario			
				Central	Adverse modéré	Stress budgétaire	Favorable
RETAIL BNKG	29,069	25,198	126	114	121	145	116
Stage1	*27,030*	*23,254*	*40*	*39*	*41*	*46*	*38*
Stage2	*2,038*	*1,944*	*86*	*75*	*80*	*99*	*79*
CORPORATE BNKG	37,885	31,881	112	110	121	139	105
Stage1	*36,488*	*30,422*	*44*	*42*	*47*	*56*	*37*
Stage2	*1,397*	*1,459*	*67*	*68*	*75*	*83*	*70*
SECURITIES	10,832	43,717	55	51	63	67	29
Stage1	*10,827*	*21,859*	*27*	*26*	*32*	*34*	*15*
Stage2	*5*	*21,859*	*27*	*26*	*32*	*34*	*15*
TOTAL	77,786	100,797	292	276	301	352	264
Deviation				-5.7%	3.0%	20.4%	-9.8%
	Weight			50%	35%	5%	10%

The table reports the result of the ECL sensitivity analysis based on the simulated scenarios and the related percentage deviation from the "multi-scenario" used for the accounting 'ECL , which can vary from Euro 264 million (-9.8% decrease) to Euro 352 million in the Stress Budgetaire scenario used for budget simulations (20.4% increase). The recognized amount of Euro 292 million reflects the weights on the Central and Moderately Adverse Scenarios.

Post-model adjustments

Following the Forward-Looking Local ECL calculation as at December 2021, the Crédit Agricole Italia Banking Group made management overlays for a total amount of Euro 31 million. Said adjustments can be broken down into two types:

- Single-name adjustments (adjustments on single positions) whereby the results could be aligned with the expectations – in terms of risk profile – of the IFRS 9 work group. In accordance with the regulated process, based on the results obtained with the calculation approach defined by the Group and based on the management information of the single counterparties, if the expected loss value associated with a specific counterparty does not accurately reflect its riskiness, the provisioning on the counterparty may be adjusted manually to a level deemed appropriate; such manual actions are allowed only if they increase the coverage ratio on the counterparty. Single-name adjustments also include adjustments of the ECL value associated with exposures to the Bank of Italy, to the State Treasury and to intra-group positions (with effects on the separate financial statements of the Group's entities);
- Reclassifications of portfolio in stage 2. In order to foretell any latent risk situations linked to moratoria, consistently with the end of the last year, the Crédit Agricole Italia Banking Group made adjustments, in terms of both staging on a significant cluster of positions for which it cannot be ruled out that the concession of payment suspension may have generated an impact on the risk parameters used for staging and for the ECL calculation;
- Portfolio adjustments made through massive spreading of the identified amounts over all positions proportionally to the ECL. Said case included the following actions:
- Inclusion of an impact generated by the recalibration of the IFRS 9 for the new definition of default, which went live in the systems of the Crédit Agricole Italia Banking Group on 7 September 2020;
- Restoring the coverage of a cluster of positions for which it cannot be ruled out that the concession of the Covid-19-related moratorium has entailed benefits in the 'ECL calculation (in addition to the impact on the FLL ECL due to the reclassification of some positions under Covid-19-related moratoria to Stage 2 as reported above);
- Actions concerning methodological elements not yet included in the used parameters or the shifting from a regulatory FIRB LGD to a management one, also for the Corporate segment and the implementation of a Forward-Looking Local model also for the LGD value;
- Actions aimed at mitigating the impacts on the impairment of positions with State guarantees that had not been correctly factored in to calculate the Forward-Looking Local ECL.

After the above-reported individual and portfolio adjustments, a realistic margin was kept between the calculated need and the recognized provision without any accounting recoveries in order to take into account any potential worsening in the economic situation, which may be negatively affected by the increase in Covid cases occurred at the end of 2021.

2.4 CREDIT RISK MITIGATION TECHNIQUES

Within the Crédit Agricole Italia Banking Group, the mitigation of credit risk is pursued by entering into ancillary agreements or by adopting adequate tools and techniques designed to mitigate this risk.

In particular, specific processes regulate the obtainment and management of guarantees, with clear definition of the relevant roles, responsibilities and controls. Close attention is paid to the adequacy of the rules and procedures for monitoring that the requirements of the guarantees remain complied with (legal certainty, prompt realization and value consistency with the exposure).

The standards for the appraisal of real estate properties securing the exposures of the Crédit Agricole Italia Banking Group, as laid down in the «Policies on the Valuation of Real Estate Properties Securing Exposures», are compliant with the Guidelines issued by the Italian Banking Association (ABI) in force at the relevant time and prepared in accordance with the recent regulatory principles "International Valuation Standards" (IVS) and "European Valuation Standards" (EVS).

In December 2020, said Policies were updated in order to further strengthen the overall framework in 2021. The main changes were:

- The definition of assignment turnover (2 consecutive ones at the most);
- The differentiation of the type of appraisal in accordance with the type of property and the extension of the cases in which full appraisals are to be requested;
- The extension of the appraisal contents (including wider disclosure of the appraisal methods) and of the documents needed for the appraisal process, in accordance with the type of property and development stage;
- Stricter fit requirements for the appraisers, requiring in particular the RICS certification;
- The differentiation of appraisal methods in accordance with the type of property and the integration of ESG criteria;
- The possibility of having the appraisals updated more frequently in case of any negative market scenario;
- Stronger role of governance and control on the appraisal quality to be played by the Real Estate Chain Service of Crédit Agricole Group Solutions, with special regard to retaining appraisers, to the appraisal methods and criteria used by external experts and to control activities;
- Better formalization of the control framework with internal protocols designed to set the related methods, frequency, type and summary periodic reporting.

3. NON-PERFORMING EXPOSURES

In 2021 the Group updated and revised its rules and arrangements on non-performing loans and completed an organizational change, which contributed to setting up the NPE Department responsible for NPE management and protection.

The NPE Regulation

In the last few years, the legislation and regulations applicable to non-performing loans have been constantly developed and amended in order to improve the prudential criteria for identification and management of non-performing loans, fostering harmonization across the EU Member States.

In order to ensure constant compliance with said developments, the NPE Regulation is periodically revised, on the basis also on the remarks made during the periodic audits carried out by the Parent Company and by the ECB.

Specifically, the latest revision implemented:

- The regulatory requirements on the New definition of Default, on the thresholds triggering classification as non-performing and on contagion criteria;
- The EBA Guidelines, with special regard to the definition of the events triggering the classification of positions as Non-Performing;
- The latest guidance given by the Regulator on the criteria to assess non-performing loans, especially loans to the Commercial Real Estate sector and with specific regard to vintage assessment and to the need to strengthen the methods for appraisal of the assets pledged as collateral.

Besides factoring in the main novelties introduced by the legislation on the New Definition of Default, which, in the Crédit Agricole Italia Banking Group, became operational in September 2000, the revision of the NPE Regulation implemented some regulatory rules ensuring full compliance with the ECB guidelines. More specifically, the NPE Regulation in its latest revision further extends:

- The events triggering classification as in Default (UTP Triggers): in compliance with the EBA Guidelines, a set of events has been defined upon whose occurrence the management structures shall thoroughly review the positions concerned in order to assess whether it is appropriate or necessary to classify them as non-performing.

Said positions may be kept in the performing category only in specific cases to be appropriately substantiated. The triggers are different in accordance with their scope of application being Individuals or SMEs:

- The events triggering classification as Bad Loans; A set of events has been defined which, for their severity and risk of impairment of the assets backing the Bank credit claim, shall trigger immediate classification of the positions concerned as bad loans, with subsequent start of the related executive actions.

Furthermore, some guidelines have been designed for loan classification in the correct risk grade, first of all through going/ gone concern assessment.

Special attention is given to the positions in the "Commercial Real Estate" perimeter, which, due to the problems associated with the sector in terms of management and risk, is quite material in the non-performing loans scope.

In recovery forecasts, thorough assessment has been introduced of the reasons concerning the time for which the positions have been classified as non-performing; to this effect the analysis of exposure vintage is of key importance for the loan conservative measurement.

The policy on the measurement of non-performing loans

In the reporting period, the Policy on the measurement of non-performing loans was thoroughly revised in order to remain fully compliant with the latest guidelines issued by the Regulator; specifically:

- Provisioning on new NPEs was revised, meaning the minimum coverage for each category of non-performing loans (Past Due, UTP, Bad Loans) upon the position downgrading as Non-Performing.
  The new Policy provides for a general increase in the minimum coverage of each risk grade, continuing to differentiate based on the related guarantees.
  It lays down a minimum coverage level of non-performing exposures, which is not linked to the related guarantees, except for exposures backed by direct state guarantees.
- The addition of specific measurement bases for certain types of exposures in the Corporate Banking segment, and specifically;
- Customers using protection arrangements provided for by the Italian Bankruptcy Law;
- Off-balance-sheet exposures It specifies the methods for provision calculation using Cash Conversion Factors that are different by type of exposure;
- Exposures in the Commercial Real Estate segment. For this segment, the existing measurement bases were supplemented in accordance with the latest instructions given by the Regulator, adopting a more conservative approach in determining recovery forecasts relating to the sale of the assets pledged as collateral. Said measurement bases provide, also on UTP for progressive increase in the Haircuts to be applied to real estate values, as verified at the relevant time, based on vintage (period elapsed from the classification as non-performing) in order to keep in all due account the assets' actual liquidity.
  Furthermore, more conservative haircuts shall apply to all UTP positions referring to gone concerns, backed by collateral consisting of non-fungible assets;

- Exposures in the Hotellerie segment. Specific measurement bases have been laid down for this sector, as it was hit very hard by the pandemic crisis.

Yet another point is the need for careful assessment of the actual liquidity of collaterals, with special regard to exposures that have been long in a non-performing status, thus considering vintage as an indicator of the collateral being hardly liquid.

The units managing non-performing loans

The UTP Management Division, through specialist management Services by type of counterparty, is responsible for managing non-performing exposures classified as Unlikely to pay (UTP).

The Division is in charge of out-of-court collection and/or full recovery of the exposures it manages, excluding the positions within the scope of outsourced collection services, consistently with the NPE strategy.

The Division manages relations with the Customers falling within its scope of responsibility with the objective of collecting the credit claims of the Crédit Agricole Italia Banking Group, promptly implementing all actions that are deemed the most suitable and effective towards borrowers.

In addition to periodic specific measurement of the recovery value, the management process for non-performing positions aims also at:

- Verifying whether the counterparty is capable of recovering financial health and, consequently, restoring the business and loan relationship; To this end, the Division is responsible for determining the scenario for collection forecast, specifically assuming the counterparty as a going concern (i.e. the exposure can be repaid with the cash flows generated by the counterparty as a going concern) or assuming the counterparty as a gone concern where the exposure can be collected only through the assets securing it as collaterals);
- Scheduling and monitoring loan workout plans agreed on with Customers;
- Proactive participation in interbank work group for debt restructuring and assessment of the proposed plans.

The Bad Loans Division is responsible for the management of non-performing exposures classified as “bad”, through the two Services it comprises.

The mission of the Bad Loans Division is protecting and enforcing the credit claims of the Bank and of the Leasing Company against borrowers that are insolvent, in accordance with the NPE Strategy.

This mission is pursued managing bad exposures as follows:

- Implementing all possible actions in court and out of court, in order to achieve the best possible compromise between the highest possible collection and the shortest time to collection on these exposures;
- Ensuring organic management of all information on the most likely forward-looking repercussions on the income statement through the recognition of provisions for risks and allowances for losses on loans;
- Preparing and then updating, based on harmonized and standardized approaches, collection forecast in terms of probable collected amount and expected collection date, as well as conservative measurement of the existing guarantees and of those that can be reasonably be obtained in court.

3.1 MANAGEMENT STRATEGIES AND POLICIES

In accordance with the "Guidance to banks on non-performing loans" published in March 2017 by the European Central Bank (ECB), the Crédit Agricole Italia Banking Group designed its strategy for the management of non-performing loans, "Group 2018-2021 NPE Strategy", with the planning of the related KPIs, such as the weight of NPEs, the riskiness of the performing loan portfolio, the effectiveness of NPE recovery and the coverage ratio of the NPL portfolio.

The design of the NPE Strategy has provided for the following approach:

- Breakdown analysis of the loan portfolio and of the performance historical data of NPE management and collection by the Crédit Agricole Italia Banking Group;
- The positioning benchmark of the Crédit Agricole Italia Banking Group in the target market as regards KPIs (NPE Ratio, Coverage Ratio, Cost of Risk);
- Identification, based on the aforementioned analysis, of action drivers to strengthen the performances of the Crédit Agricole Italia Banking Group in terms of credit quality protection and improvement;
- Management actions on the "loan recovery machine";
- Initiatives aimed at increasing the NPE coverage ratio;
- NPE deleveraging initiatives through tools and actions already developed by the Group (NPE sales on a portfolio and single name basis) also in order to reduce the average vintage of the NPE portfolio.

Specifically, the NPL Policy sets out the internal rules for assessing Past Due, UTP and Bad Loans and, for each category, it governs the following scopes:

- Identification and classification methods;
- Criteria to determine statutory impairment applied upon entry in the category;
- Discounting rule to determine the present value in accordance with the estimated recovery plan;
- Assessment methods and criteria during the stay in the category;
- Conditions and methods for exiting the category with migration between NPE categories.

Given the impacts generated by the Covid-19 pandemic, in 2021 the NPE strategy dynamics was updated in order to assess whether any adjustments were appropriate of the set KPIs to new scenario assumptions.

Specifically, the 2021 cost of credit trajectory was reviewed, mainly due to:

- Increase in the performing portfolio coverage, following the revision of the macroeconomic forecast scenario;
- Increase in the non-performing stock coverage, following the revision of recovery forecasts from a conservative standpoint and the acceleration in the deleveraging process. The NPE portfolio coverage came to 53.4% (after POCI application to 38.2%).

In 2021 the NPE Strategy was further supplemented in order to take into account the effects of the non-recurring transactions carried out by the Group, specifically Creval integration and the "Stelvio" disposal of NPLs. Thanks to these transactions, important objectives were achieved in terms of reduction and change in the composition of the NPE stock (consisting by about 80% of UTPs); the gross NPL ratio hit 3.3%.

For information on the technical-organizational procedures and on the methods used to manage and control the NPE portfolio, please, refer to the Note to the Financial Statements – Part A – Accounting Policies, section A.2 Part reporting on the main financial statement items "Impairment for credit risk".

It is also pointed out that, since September 2020, the Group has implemented the New Definition of Default. Albeit confirming the concepts of late payment and unlikeness to pay of the debtor as the default bases, the new definition has introduced some considerable changes mainly concerning:

- "Relative" and "absolute" materiality thresholds to identify pastdue determining classification in the default status. It is automatic is two thresholds (relative and absolute) are jointly breached for 90 days in a row. More specifically:
  - The relative threshold was lowered to 1% (vs. 5% as previously in force), to be compared to the ratio of the total pastdue and/or overlimit amount to the total amount of recognized exposures to the same borrower;
  - The absolute threshold was set at Euro 100 for Retail Customers and at Euro 500 for Non-Retail Customers, to be compared to the total pastdue and/or overlimit amount of the borrower;
- Banks are not allowed to net existing pastdue and/or overlimit exposures on some credit lines of the debtor against existing available margins on other credit lines of the same borrower;
- A 3-month probation period shall be applied, running from the moment the positions no longer meet the conditions to be classified as defaulted and during which no pastdue instances must occur, before classifying the loan, and therefore the Debtor, back to a non-default status. The regulation previously in force did not provide for said probation period and, therefore, allowed reclassification to a performing status upon settlement of the pastdue and/or overlimit loans;
- Specific rules (so-called "triggers") shall be applied, which require automatic classification as non-performing of exposures meeting even one only of the following characteristics:
- Loss of more than 1% on restructured exposures (suspensions, rescheduling, renegotiations) because of financial difficulties experienced by the debtors;
- Disposal of performing loans and consequent recognition of a loss of more than 5%.

Therefore, the new rules are much stricter, especially as regards the lowering of materiality thresholds (relative and absolute) and the fact that no netting is allowed of the pastdue or overlimit amounts against available margins on other credit lines held by the same borrower.

3.2 WRITE-OFF

The Bad Loans Management Division writes off bad loans after full recovery of the exposure or resumption of its amortization.

- Furthermore, bad loans are written off with loan waiver subsequent to:
- Unilateral remission of the residual amount due within authorized and executed settlement;
- Loan disposal.

Conversely, bad loans are written off also without loan waiver subsequent to:

- Loan uncollectibility, as proved or inferred, including the implementation of all possible affordable actions;
- Very marginal possibility of collection.

In this case, the loan is fully or partially written off. These loans are written off in order not to keep, on the Balance Sheet, loans that, although still managed by the structures in charge of collection, are hardly likely to be recovered. The positions to be subject to this treatment must be identified - through a judgemental analysis- from among those that have both high vintage and high coverage.

3.3 PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI) FINANCIAL ASSETS

As regards the accounting treatment of these assets and the related reporting, please refer to "A.2 - Part reporting on the main financial statement items".

4. RENEGOTIATED FINANCIAL ASSETS AND FORBORNE EXPOSURES

As regards the accounting treatment of these assets and the related reporting, please refer to "A.2 - Part reporting on the main financial statement items".

Forborne exposures are those for which "concessions" have been granted to a borrower that is experiencing or is about to experience difficulties in fulfilling his/her/its financial commitments ("financial difficulty").

Concessions consist in the following:

- Modification of the terms/conditions of an existing contract as regards which the borrower is not deemed able to comply with the set payments due to financial difficulties, which would not have been granted if the borrower had not been in financial difficulties;
- Total or partial refinancing of an existing contract as regards which the borrower is not deemed able to comply with the set payments due to financial difficulties, which would not have been granted if the borrower had not been in financial difficulties.

Starting from the definition given by the EBA in its "ITS" and following the guidelines issued by its Parent Company Crédit Agricole SA, the CAI Group defined an internal algorithm whereby forborne exposures can be identified, also setting apart performing from non-performing ones.

As opposed to the "by counterparty" approach, used by the CAI Group to classify non-performing exposures, it classifies forborne positions with a "by individual credit facility" approach". An exposure shall be classified as forborne when:

- The counterparty is classified as performing at the time of contract modification and there were contractual repayment instalments totally or partially past due by over 30 days at least once in the three months before its modification. The contracts meeting these features are classified as "forborne performing - probation period", except for contractual modifications featuring a difference between the net present value before and after the modification of more than 1%, in which case they shall be classified in their cure period and no longer considered forborne when all the following conditions are met;
- The contract is considered performing;
- At least two years have passed from the beginning of the probation period;
- Regular payments have been made for a more than considerable portion of the principal/interest due during at least one half of the probation period;
- No one of the exposures to the same borrower is past due by more than 30 days at the end of the probation period;
- The counterparty is classified as defaulted at the time of contract modification. The contracts with a counterparty that is classified as non-performing at the time of contract modification or that show contractual repayment instalments totally or partially past due by over 30 days at least once in the three months before modification, featuring a difference between the net present value before and after the modification or more than 1% are classified as "forborne non performing – cure period" for at least one year and kept in the Unlikely-to-Pay status. The contract shall be classified "forbearance performing - probation period" when all the following conditions are met:
  - At least one year has passed since the start of the cure period[30];
  - There are no late payments;
  - The counterparty has returned fully able to fulfil its credit obligations.

30 In case of suspensions, the year of cure period starts from the suspension date.

Having said that contract modifications made for business reasons or contract modifications that were provided for in the original contract are not included in the forbearance perimeter, in order to assess whether any "concession" exists, the adopted approaches require that the existence of forbearance is identified when:

- The amortization schedule regarding a loan is suspended or modified in its original duration;
- The loan has be renegotiated;
- Several credit lines granted to a counterparty are closed and consolidated in a new loan;
- A real estate mortgage loan based on the project progress which has been partially disbursed to a counterparty classified in the perimeter of real estate players has a pre-amortization period of over 36 months.

Furthermore, an exposure may be classified in the forborne perimeter on a judgemental basis where the algorithm does not automatically detect the contract modification or the financial difficulties experienced by the debtor. In the same way, the concessions automatically detected by the algorithm may be excluded on a judgemental basis, where the account manager believes that the classification in the forborne perimeter is not consistent with the contract modification made and/or with the customer's financial situation.

An analysis of exposures referring to forborne assets measured at amortized cost is given below, separately reporting performing and non-performing ones.

		Total
PERFORMING	Forborne Performing exposures	343,628
DEFAULTED	Forborne Non-performing exposures	736,482
	Total Forborne Exposures	**1,080,110**

QUANTITATIVE DISCLOSURES

A. Loan quality

All financial assets are classified by credit quality with the exception of equity securities and units of O.I.C.R. collective investment undertakings.

The term "on-balance-sheet exposures" defines all on-balance-sheet financial assets consisting of due from banks or customers, irrespective of the accounting portfolio they are allocated to (measured at fair value through profit or loss, measured at fair value through other comprehensive income, measured at amortized cost, financial assets being divested).

The term "off-balance-sheet exposures" means all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken.

A.1 PERFORMING AND NON-PERFORMING EXPOSURES: AMOUNTS, ADJUSTMENTS, CHANGES AND BREAKDOWNS

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

Portfolio/quality	Bad loans	Unlikely to Pay	Nonperforming past due exposures	Performing past-due exposures	Other performing exposures	Total
1 Financial assets measured at amortized cost	54,172	575,243	11,923	473,670	62,828,460	63,943,468
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,871,187	2,871,187
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily Measured at fair value	-	-	-	-	650	650
5. Financial assets being divested	-	-	-	-	-	-
Total 31 Dec. 2021	**54,172**	**575,243**	**11,923**	**473,670**	**65,700,297**	**66,815,305**
Total 31 Dec. 2020	**345,962**	**829,635**	**26,808**	**369,491**	**62,275,899**	**63,847,795**

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross and net values)

Portfolio/quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total adjustments	Net exposure	Total/partial write-offs (*)	Gross exposure	Total adjustments	Net exposure	
1. Financial assets measured at amortized cost	1,335,454	694,117	641,337	32,199	63,537,774	235,644	63,302,130	63,943,468
2. Financial assets measured at fair value through other Comprehensive income	-	-	-	-	2,874,621	3,434	2,871,187	2,871,187
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	650	650
5. Financial assets being divested	-	-	-	-	-	-	-	-
Total 31 Dec. 2021	**1,335,454**	**694,117**	**641,337**	**32,199**	**66,412,395**	**239,078**	**66,173,967**	**66,815,305**
Total 31 Dec. 2020	**2,478,931**	**1,276,526**	**1,202,405**	**37,833**	**62,885,453**	**240,063**	**62,645,390**	**62,645,390**

(*) Value to be stated for disclosure purposes.

Portfolio/quality	Assets with clearly poor Other credit quality assets		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1 Financial assets held for trading	334	274	49.025
2. Hedging derivatives	-	-	570.135
Total 31 Dec. 2021	**334**	**274**	**619.160**
Total 31 Dec. 2020	**662**	**516**	**1.013.719**

A.1.3 Breakdown of financial assets by past due bracket (book values)

Portfolios/risk	Stage 1			Stage 2			Stage 3			POCI assets		
	From 1 day to 30 days	From over 30 days to 90	Over 90	From 1 day to 30 days	From over 30 days to 90	Over 90	From 1 day to 30 days	From over 30 days to 90	Over 90	From 1 day to 30 days	From over 30 days to 90	Over 90 days
1. Financial assets measured at amortized cost	254,143	16,420	147	164,454	32,325	6,182	25,395	28,711	341,170	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets being divested	-	-	-	-	-	-	-	-	-	-	-	-
Total 31 Dec. 2021	**254,143**	**16,420**	**147**	**164,454**	**32,325**	**6,182**	**25,395**	**28,711**	**341,170**	**-**	**-**	**-**
Total 31 Dec. 2020	183,283	4,557	516	114,543	47,925	18,668	27,535	33,222	870,588	-	-	-

A.1.4 Financial assets, commitment to disburse funds and financial guarantees given: changes in total adjustments and total provisions

	Total adjustments																							Total provisions on commitments to disburse funds and financial guarantees given				Total
	Stage 1 assets						Stage 2 assets						Stage 2 assets						POCI assets									
	Demand due from Banks and claims on Central Banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Demand due from banks and claims on Central Banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Demand due from banks and claims on Central Banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given	
Opening total adjustments	**35**	**81,599**	**3,157**	**-**	**-**	**84,791**	**-**	**155,338**	**-**	**-**	**-**	**155,338**	**-**	**1,276,526**	**-**	**-**	**1,276,526**	**-**	**-**	**-**	**-**	**-**	**-**	**3,604**	**6,645**	**15,079**	**-**	**1,541,983**
Increases from da POC lfinancial assets	-	11,169	1,746	-	-	12,916	-	7,448	-	-	-	7,448	-	2,383	-	-	2,383	-	X	X	X	X	X	232	1,017	1,326	-	25,321
Derecognized items other than write-offs	-	(580)	(1,866)	-	-	(2,446)	-	-	-	-	-	-	-	(801,154)	-	-	(801,154)	-	-	-	-	-	-	-	-	-	-	(803,600)
Net adjustments/recoveries for credit risk (+/-)	(35)	(613)	397	-	-	(250)	-	(18,275)	-	-	-	(18,275)	-	251,321	-	-	251,321	-	-	-	-	-	-	523	1,154	754	-	235,226
Contract modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimate approach	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognized through profit or loss	-	(34)	-	-	-	(34)	-	4	-	-	-	4	-	(36,989)	-	-	(36,989)	-	-	-	-	-	-	-	-	-	-	(37,019)
Other changes	-	(480)	-	-	-	(480)	-	68	-	-	-	68	-	2,030	-	-	2,030	-	-	-	-	-	-	-	-	-	-	1,618
Closing total adjustments	**-**	**91,061**	**3,434**	**-**	**-**	**94,497**	**-**	**144,583**	**-**	**-**	**-**	**144,583**	**-**	**694,117**	**-**	**-**	**694,117**	**-**	**-**	**-**	**-**	**-**	**-**	**4,359**	**8,816**	**17,159**	**-**	**963,529**
Recoveries from collection on financial assets written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognized directly through profit and loss	-	(173)	-	-	-	(173)	-	(218)	-	-	-	218	-	(65,253)	-	-	(65,253)	-	-	-	-	-	-	-	-	-	-	(65,644)

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between the difference credit risks stages (gross and nominal values)

	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortized cost	2,266,245	972,171	171,786	21,662	82,394	5,220
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets being divested	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	3,228,932	49,254	3,210	362	2,256	2,578
Total 31 Dec. 2021	**5,495,177**	**1,021,425**	**174,996**	**22,024**	**84,650**	**7,798**
Total 31 Dec. 2020	**1,231,323**	**609,096**	**202,297**	**15,707**	**98,152**	**12,973**

A.1.5a Loans subject to Covid-19-related relief measures: transfers between the different credit risk stages (gross and nominal values)

Portfolios/risk stages	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Loans measured at amortized cost	**109,562**	**37,310**	**18,356**	**408**	**-**	**-**
A.1 under EBA-compliant concession measures	-	-	-	-	-	-
A.2 under moratoria in force no longer EBA-compliant and not measured as forborne	10,550	6,577	16,300	228	-	-
A.3 under other concession measures	-	-	-	-	-	-
A.4 new loans	99,012	30,733	2,056	180	-	-
B. Loans measured at fair value through other comprehensive income	-	-	-	-	-	-
B.1 under EBA-compliant Concession measures	-	-	-	-	-	-
B.2 under moratoria in force no longer EBA-compliant And not measured as forborne	-	-	-	-	-	-
B.3 under other concession measures	-	-	-	-	-	-
B.4 new loans	-	-	-	-	-	-
Total 31 Dec. 2021	**109,562**	**37,310**	**18,356**	**408**	**-**	**-**
Total 31 Dec. 2020	**482,038**	**135,326**	**35,361**	**2,194**	**14,655**	**173**

A.1.6 On-balance-sheet and off-balance-sheet exposures to banks: gross and net values

Type of exposures/Value	Gross exposure					Total adjustments and total provisions					Net exposure	Total/partial write-offs (*)
		Stage 1	Stage 2	Stage 3	POCI assets		Stage 1	Stage 2	Stage 3	POCI assets		
A. ON-BALANCE-SHEET EXPOSURES												
A.1 DEMAND	**208,465**	**208,465**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**208,465**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	208,465	208,465	-	X	-	-	-	-	X	-	208,465	-
A.2 Other	**11,811,706**	**11,811,373**	**332**	**-**	**-**	**903**	**902**	**1**	**-**	**-**	**11,810,802**	**-**
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to Pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	11,811,706	11,811,373	332	X	-	903	902	1	X	-	11,810,803	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**12,020,171**	**12,019,838**	**332**	**-**	**-**	**903**	**902**	**1**	**-**	**-**	**12,019,268**	**-**
B. OFF-BALANCE-SHEET EXPOSURES												
a) Non-performing Performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1,174,330	1,170,230	4,101	X	-	1,088	1,072	16	X	-	1,173,242	-
TOTAL (B)	**1,174,330**	**1,170,230**	**4,101**	**-**	**-**	**1,088**	**1,072**	**16**	**-**	**-**	**1,173,242**	**-**
TOTAL (A+B)	**13,194,501**	**13,190,068**	**4,433**	**-**	**-**	**1,991**	**1,974**	**17**	**-**	**-**	**13,192,510**	**-**

(*) Value to be stated for disclosure purposes.

A.1.7 On-balance-sheet and off-balance-sheet exposures to customers: gross and net values

Type of exposures/Values	Gross exposure					Total adjustments and total provisions					Net exposure	Total/partial write-offs (*)
		Stage 1	Stage 2	Stage 3	POCI assets		Stage 1	Stage 2	Stage 3	POCI assets		
A. ON-BALANCE-SHEET EXPOSURES												
a) Bad loans	255,801	X	-	255,801	-	201,629	X	-	201,629	-	54,172	181
- of which: forborne exposures	79,834	X	-	79,834	-	58,951	X	-	58,951	-	20,882	-
b) Unlikely to Pay	1,066,574	X	-	1,066,574	-	491,332	X	-	491,332	-	575,243	31,994
- of which: forborne exposures	656,507	X	-	656,507	-	303,052	X	-	303,052	-	353,454	-
c) Non-performing past due exposures	13,079	X	-	13,079	-	1,156	X	-	1,156	-	11,923	23
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	488,400	271,884	216,515	X	-	14,730	1,174	13,556	X	-	473,670	-
- of which: forborne exposures	29,455	227	29,228	X	-	1,628	1	1,627	X	-	27,827	-
e) Other performing exposures	54,112,291	51,328,099	2,784,192	X	-	223,445	92,487	130,958	X	-	53,889,496	5,483
- of which: forborne exposures	314,173	40,233	273,940	X	-	23,510	593	22,917	X	-	290,663	-
TOTAL (A)	**55,936,145**	**51,599,983**	**3,000,707**	**1,335,454**	**-**	**932,292**	**93,661**	**144,514**	**694,117**	**-**	**55,004,504**	**37,681**
B. OFF-BALANCE-SHEET EXPOSURES												
a) Non-performing	50,228	X	-	50,228	-	17,169	X	-	17,169	-	33,059	-
b) Performing	2,743,352	2,482,681	260,671	X	-	12,151	3,360	8,791	X	-	2,731,202	-
TOTAL (B)	**2,793,580**	**2,482,681**	**260,671**	**50,228**	**-**	**29,320**	**3,360**	**8,791**	**17,169**	**-**	**2,764,261**	**-**
TOTAL (A+B)	**58,729,725**	**54,082,664**	**3,261,378**	**1,385,682**	**-**	**961,612**	**97,021**	**153,305**	**711,286**	**-**	**57,768,765**	**37,681**

(*) Value to be stated for disclosure purposes.

A.1.7a On-balance-sheet exposure to Customers subject to Covid-19 relief measures: gross and net values

Type of exposures/Values	Gross exposure					Total adjustments and total provisions					Net exposure	Total/partial write-offs (*)
		Stage 1	Stage 2	Stage 3	POCI assets		Stage 1	Stage 2	Stage 3	POCI assets		
A. Bad loans:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Under EBA-compliant concession measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Under moratoria no longer EBA-compliant and not measured as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Under other concession measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
B. Unlikely To Pay:	**51,921**	**-**	**-**	**51,921**	**-**	**14,545**	**-**	**-**	**14,545**	**-**	**37,376**	**-**
a) Under EBA-compliant concession measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Under moratoria no longer EBA-compliant and not measured as forborne	42,269	-	-	42,269	-	10,155	-	-	10,155	-	32,114	-
c) Under other concession measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	9,652	-	-	9,652	-	4,390	-	-	4,390	-	5,262	-
C. Non-performing past due loans:	**552**	**-**	**-**	**-**	**-**	**109**	**-**	**-**	**109**	**-**	**443**	**-**
a) Under EBA-compliant concession measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Under moratoria no longer EBA-compliant and not measured as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Under other concession measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	552	-	-	-	-	109	-	-	109	-	443	-
D. Other performing past due loans:	**10,940**	**8,357**	**2,584**	**-**	**-**	**356**	**59**	**297**	**-**	**-**	**10,584**	**-**
a) Under EBA-compliant concession measures	-	-	-	-	-	-	-	-	-	-	88	-
b) Under moratoria no longer EBA-compliant and not measured as forborne	88	-	88	-	-	3	-	3	-	-	85	-
c) Under other concessions measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	10,852	8,357	2,496	-	-	353	59	294	-	-	10,499	-
E. Other performing loans:	**2,780,658**	**2,588,426**	**192,232**	**-**	**-**	**25,938**	**13,088**	**12,850**	**-**	**-**	**2,754,720**	**-**
a) Under EBA-compliant i concession measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Under moratoria no longer EBA-compliant and not measured as forborne	192,527	164,807	27,720	-	-	1,648	536	1,112	-	-	190,879	-
c) Under other concession measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	2,588,131	2,423,619	164,512	-	-	24,290	12,552	11,738	-	-	2,563,841	-
TOTAL (A+B+C+D+E)	**2,844,711**	**2,596,783**	**194,816**	**51,921**	**-**	**40,948**	**13,147**	**13,147**	**14,654**	**-**	**2,803,123**	**-**

(*) Value to be stated for disclosure purposes.

A.1.9 On-balance sheet exposures to Customers: changes in gross non-performing exposures

Reasons/categories	Bad loans	Unlikely To Pay	Non-performing past due exposures
A. Opening gross exposure	**1,151,742**	**1,297,901**	**29,288**
- of which: sold exposures not derecognized	-	-	-
B. Increases	**312,604**	**278,154**	**23,227**
B.1 from performing exposures	4,836	238,509	10,836
B.2 from POCI	-	-	-
B.3 from other categories of non-performing exposures	300,925	13,347	11,037
B.4 Contract modifications without derecognition	6,843	26,298	1,354
B.5 other increases	-	-	-
C. Decreases	**1,208,545**	**509,481**	**39,436**
C.1 to performing exposures	114	18,599	8,170
C.2 Write-offs	68,177	23,026	11,162
C.3 collections	29,263	85,414	6,740
C.4 profits on disposals	228,674	33,617	-
C.5 losses on disposals	160,540	1,122	-
C.6 transfers to other categories of non-performing exposures	158	311,786	13,364
C.7 Contract modifications without derecognition	-	1,045	-
C.8 other decreases	721,619	34,872	
D. Closing gross exposure	**255,801**	**1,066,574**	**13,079**
- of which: sold exposures not derecognized	-	-	-

Item C.8 “Other decreases” reports also the gross amount of the exposure disposed of exceeding the sum of the profit and any losses on disposal.

A.1.9bis On-balance-sheet exposures to Customers: changes in gross forborne exposures broken down by credit quality

Reasons/Quality	Non-performing forborne exposures	Performing forborne exposures
A. Opening gross exposure	**1,137,809**	**375,598**
- of which: sold exposures not derecognized	-	-
B. Increases	**149,659**	**231,790**
B.1 from non-forborne performing exposures	37,038	203,872
B.2 from forborne performing exposures	53,101	X
B.3 from forborne non-performing exposures	X	16,249
B.4 from non-forborne non-performing exposures	-	-
B.5 other increases	59,520	11,669
C. Decreases	**551,126**	**263,760**
C.1 to non-forborne performing exposures	X	146,222
C.2 to forborne performing exposures	16,249	X
C.3 to forborne non-performing exposures	X	53,101
C.4 Write-offs	20,369	112
C.5 collections	51,965	45,588
C.6 profits on disposals	74,578	-
C.7 losses on disposal	28,595	-
C.8 other decreases	359,370	18,737
D. Closing gross exposure	**736,342**	**343,628**
- of which: sold exposures not derecognized	-	-

A.1.11 On-balance-sheet exposures to Customers: changes in total adjustments

Reasons/categories	Bad loans		Unlikely to Pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total adjustments	**805,780**	**250,988**	**468,266**	**266,500**	**2,480**	**3**
- of which: sold exposures not derecognized	-	-	-	-	-	-
B. Increases	**402,620**	**160,658**	**259,171**	**143,177**	**12,038**	**2,101**
B.1 Adjustments from POCI financial assets	-	X	-	X	-	X
B.2 other adjustments	106,471	38,131	234,641	125,699	4,650	1,076
B.3 losses on disposals	160,540	54,694	1,122	714	-	-
B.4 transfers from other categories of Non-performing exposures	135,242	67,809	1,076	161	7,059	1,021
B.5 Contract modifications without derecognition	-	-	-	-	-	-
B.6 other increases	367	24	22,332	16,603	329	4
C. Decreases	**1,006,771**	**352,695**	**236,105**	**106,625**	**13,362**	**2,104**
C.1. recoveries from valuation	242	41	8,673	5,997	586	-
C.2 recoveries from collection	10,747	1,389	12,019	5,175	278	-
C.3 profits on disposal	43,465	13,771	1,105	930	-	-
C.4 write-offs	68,177	10,449	23,025	8,136	11,162	2,101
C.5 transfers to other categories of Non-performing exposures	3	-	142,335	68,989	1,039	3
C.6 Contract modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	884,137	327,045	48,948	17,398	297	-
D. Closing total adjustments	**201,629**	**58,951**	**491,332**	**303,052**	**1,156**	**-**
- of which: sold exposures not derecognized	-	-	-	-	-	-

Item C.7 Other decreases mainly reports, as to derecognized items other than write-offs, the amount equal to difference between the gross exposure and the disposal price.

A.2 CLASSIFICATION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BASED ON EXTERNAL AND INTERNAL RATINGS

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by external rating grades (gross values)

Exposures	External rating grades						Without rating	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6		
A. Financial assets measured at amortized cost	**244,373**	**2,244,627**	**4,793,185**	**1,790,342**	**209,722**	**11,225**	**55,579,755**	**64,873,229**
- Stage	236,847	2,110,268	4,541,405	1,407,374	87,856	4,910	52,148,076	60,536,736
- Stage	7,526	134,359	251,652	381,657	120,187	5,184	2,100,474	3,001,039
- Stage 3	-	-	128	1,311	1,679	1,131	1,331,205	1,335,454
- POCI assets	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**2,874,621**	**2,874,621**
- Stage 1	-	-	-	-	-	-	2,874,621	2,874,621
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- POCI assets	-	-	-	-	-	-	-	-
C. Financial assets being divested	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- POCI assets -	-	-	-	-	-	-	-	-
Total (A+B+C)	**244,373**	**2,244,627**	**4,793,185**	**1,790,342**	**209,722**	**11,225**	**58,454,376**	**67,747,850**
D. Commitments to disburse funds and financial guarantees given	**125,792**	**754,456**	**718,797**	**294,832**	**242,836**	**1,876**	**1,247,958**	**3,386,547**
- Stage 1	106,616	690,175	670,371	246,356	223,940	474	1,133,615	3,071,547
- Stage 2	19,176	64,281	48,426	46,867	18,868	1,402	65,752	264,772
- Stage 3	-	-	-	1,609	28	-	48,591	50,228
- POCI assets	-	-	-	-	-	-	-	-
Total (D)	**125,792**	**754,456**	**718,797**	**294,832**	**242,836**	**1,876**	**1,247,958**	**3,386,547**
Total (A+B+C+D)	**370,165**	**2,999,083**	**5,511,982**	**2,085,174**	**452,558**	**13,101**	**59,702,334**	**71,134,397**

The breakdown by rating grades represented in the table refers to the ratings given by Cerved Rating Agency S.p.A. and DBRS Ratings GmbH. The "without rating" column reports exposures with counterparties for which ratings given by the two ECAIs are not available, of which the key is given in the table below:

Credit rating grade	Cerved Rating Agency S.p.A.	DBRS Ratings GmbH
Grade 1	from A1.1 to A1.3	from AAA to AAL
Grade 2	from A2.1 to A3.1	from AH to AL
Grade 3	B1.1, B1.2	from BBBH to BBBL
Grade 4	B2.1, B2.2	from BBH to BBL
Grade 5	C1.1	from BH to BL
Grade 6	from C1.2 to C2.1	from CCCH to D

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating grades (gross values)

Exposures	Internal rating grades					Total
	From AAA to BBB+	From BBB to BBB-	From BB+ to B	From B- to D	Without rating	
A. Financial assets measured at amortized cost	**29,167,950**	**15,420,887**	**8,104,285**	**2,035,764**	**10,144,342**	**64,873,228**
- Stage 1	29,034,872	15,017,220	6,444,237	126,825	9,913,581	60,536,735
- Stage 2	133,078	403,667	1,659,616	575,497	229,181	3,001,039
- Stage 3	-	-	432	1,333,442	1,580	1,335,454
- POCI assets	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**2,874,621**	**-**	**-**	**-**	**-**	**2,874,621**
- Stage 1	2,874,621	-	-	-	-	2,874,621
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
- POCI assets	-	-	-	-	-	-
C. Financial assets being divested	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
- POCI assets	-	-	-	-	-	-
Total (A+B+C)	**32,042,571**	**15,420,887**	**8,104,285**	**2,035,764**	**10,144,342**	**67,747,849**
D. Commitments to disburse funds and financial guarantees given	**1,011,641**	**1,074,196**	**953,331**	**106,066**	**241,314**	**3,386,548**
- Stage 1	977,897	1,008,590	852,585	15,799	216,677	3,071,548
- Stage 2	33,744	65,606	100,725	40,064	24,632	264,771
- Stage 3	-	-	21	50,203	5	50,229
- POCI assets	-	-	-	-	-	-
Total (D)	**1,011,641**	**1,074,196**	**953,331**	**106,066**	**241,314**	**3,386,548**
Total (A+B+C+D)	**33,054,212**	**16,495,083**	**9,057,616**	**2,141,830**	**10,385,656**	**71,134,397**

The breakdown by rating grade refers to the Crédit Agricole Italia Banking Group's internal models. The "Without rating" column mainly shows exposures to Banks, Public Administration Bodies and Sovereign States, for which internal rating models are not available.

Excluding counterparties without rating, 81% of total counterparties fall within the Investment grades (from AAA to BBB-), whereas 15% falls within the BB+/BB grades and 4% in the B-/D grades.

It is pointed out that 57% of total "without rating" exposures refers to Financial Institutions, followed by Banks accounting for 27%; the remaining portion refers to Mixed Joint Accounts and other types of counterparties that are less material in terms of exposure.

A.3 BREAKDOWN OF SECURED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 On-balance-sheet and off-balance-sheet secured exposures to banks

	Gross exposure	Net exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Signature loans				
			Real estate	Properties - loans for leases	Secu	Other collaterals	CLN	Other derivatives				Public administration bodies	Banks	Other financial companies	Other parties	
								Central counterparties	Banks	Other financial companies	Other parties					
1. On-balance-sheet secured exposures:	**332**	**331**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**331**	**-**	**-**	**331**
1.1 fully secured	332	331	-	-	-	-	-	-	-	-	-	-	331	-	-	331
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Off-balance-sheet secured exposures:	**12,828**	**12,821**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,005**	**7,547**	**-**	**12,552**
2.1 fully secured	8,118	8,111	-	-	-	-	-	-	-	-	-	-	5,005	3,107	-	8,112
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	4,710	4,710	-	-	-	-	-	-	-	-	-	-	-	4,440	-	4,440
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 On-balance-sheet and off-balance-sheet secured exposures to customers

	Gross exposure	Net exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Signature loans				
			Real estate	Properties - loans for leases	Secu	Other collaterals	CLN	Other derivatives				Public administration bodies	Banks	Other financial companies	Other parties	
								Central counterparties	Banks	Other financial companies	Other parties					
1. On-balance-sheet secured exposures:	**33,655,326**	**32,955,556**	**20,935,038**	**-**	**824,948**	**923,451**	**-**	**-**	**-**	**-**	**-**	**2,726,939**	**3,585,291**	**715,327**	**1,707,732**	**31,418,726**
1.1 fully secured	29,577,937	28,966,537	20,800,205	-	784,873	771,372	-	-	-	-	-	1,411,211	2,789,840	297,087	1,561,996	28,416,584
- of which non-performing	1,029,132	567,050	466,237	-	202	6,496	-	-	-	-	-	5,322	-	3,497	62,250	544,004
1.2 partially secured	4,077,389	3,989,019	134,833	-	40,075	152,079	-	-	-	-	-	1,315,728	795,451	418,240	145,736	3,002,142
- of which non-performing	83,212	26,937	10,605	-	100	746	-	-	-	-	-	4,440	153	1,129	4,048	21,221
2. Off-balance-sheet secured exposures:	**707,982**	**615,800**	**150,237**	**-**	**20,568**	**122,811**	**-**	**-**	**-**	**-**	**-**	**19,866**	**24,820**	**47,105**	**247,515**	**632,922**
2.1 fully secured	539,508	450,907	137,652	-	13,176	102,286	-	-	-	-	-	13,536	12,289	21,507	233,498	533,944
- of which non-performing	22,318	2,757	15,322	-	49	1,164	-	-	-	-	-	341	107	-	1,410	18,393
2.2 partially secured	168,474	164,893	12,585	-	7,392	20,525	-	-	-	-	-	6,330	12,531	25,598	14,017	98,978
- of which non-performing	8,428	6,308	1,916	-	2,078	10	-	-	-	-	-	-	2,616	-	503	7,123

In compliance with Bank of Italy Circular No. 262, 5th update, in the "Collaterals" and "Personal guarantees" columns, the fair value of the collaterals or guarantee is reported, estimated as at the reporting date or, where not available, its contractual value.

It is pointed out that, in compliance with the aforementioned 5th update, both the above values shall not be higher than the book value of secured exposures.

B. Breakdown and concentration of exposures

B.1 BREAKDOWN BY SECTOR OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS

Exposures/Counterparties	Public administration bodies		Financial companies		Financial companies (of which: insurance undertakings)		Non-financial corporations		Households	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance-sheet exposures										
A.1 Bad loans	-	-	50	826	-	-	42,678	168,909	11,444	31,894
- of which: forborne exposures	-	-	-	518	-	-	19,898	53,650	984	4,783
A.2 Unlikely to Pay	26	32	3,559	5,911	1	-	361,311	380,515	210,347	104,874
- of which: forborne exposures	-	-	2,494	4,408	-	-	251,532	254,637	99,428	44,007
A.3 Non-performing past due exposures	-	-	-	-	-	-	1,606	229	10,317	927
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	11,989,376	15,411	7,314,419	6,757	231,540	28	13,810,241	124,399	21,248,480	91,608
- of which: forborne exposures	-	-	162	4	-	-	205,221	20,819	113,107	4,315
Total (A)	**11,989,402**	**15,443**	**7,318,028**	**13,494**	**231,541**	**28**	**14,215,836**	**674,052**	**21,480,588**	**229,303**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	30,787	16,919	2,272	250
B.2 Performing exposures	8,926	12	227,773	679	32,744	76	2,313,886	8,115	182,888	3,345
Total (B)	**8,926**	**12**	**227,773**	**679**	**32,744**	**76**	**2,344,673**	**25,034**	**182,889**	**3,595**
Total (A+B) 31.12.2021	**11,998,328**	**15,455**	**7,545,801**	**14,173**	**264,285**	**104**	**16,560,509**	**699,086**	**21,663,476**	**232,898**
Total (A+B) 31.12.2020	**10,505,229**	**13,093**	**8,090,339**	**23,630**	**254,619**	**159**	**16,234,297**	**1,162,602**	**20,855,053**	**341,692**

On-balance-sheet exposures include loans as well as other financial assets, such as debt securities, with the exception of derivative contracts and equity securities.

Exposures associated to counterparty risk relating to transactions for lending or borrowing securities or commodities are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken.

B.2 BREAKDOWN BY GEOGRAPHICAL AREA OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS

Exposures/Geographical areas	Northwest Italy		Northeast Italy		Central Italy		South and insular Italy	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures								
A.1 Bad loans	19,302	46,148	20,569	97,979	8,662	46,233	5,598	11,077
A.2 Unlikely to Pay	184,987	144,511	229,882	226,650	112,278	88,518	47,343	31,401
A.3 ENon-performing past due exposures	3,826	386	2,795	352	2,355	224	2,911	187
A.4 Performing exposures	23,827,179	94,464	9,162,164	70,440	18,534,200	51,764	2,378,020	17,930
Total (A)	**24,035,294**	**285,509**	**9,415,410**	**395,421**	**18,657,495**	**186,739**	**2,433,872**	**60,595**
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	7,282	2,250	22,356	12,763	1,795	1,951	1,626	205
B.2 Performing exposures	1,245,115	9,143	923,733	1,430	443,162	1,287	84,191	217
Total (B)	**1,252,397**	**11,393**	**946,089**	**14,193**	**444,957**	**3,238**	**85,817**	**422**
Total (A+B) 31 Dec. 2021	**25,287,691**	**296,902**	**10,361,499**	**409,614**	**19,102,452**	**189,977**	**2,519,689**	**61,017**
Total (A+B) 31 Dec. 2020	**24,370,366**	**522,883**	**10,524,414**	**607,455**	**17,658,213**	**287,265**	**2,496,261**	**115,984**

On-balance-sheet exposures include loans as well as other financial assets, such as debt securities, with the exception of derivative contracts and equity securities.

Exposures associated to counterparty risk relating to transactions for lending or borrowing securities or commodities are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken.

B.3 BREAKDOWN BY GEOGRAPHICAL AREA OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO BANKS

Exposures/ Geographical areas	Italy		Other European Countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely To Pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	11,363,381	862	647,798	37	1,470	2	3,065	1	3,553	1
Total (A)	**11,363,381**	**862**	**647,798**	**37**	**1,470**	**2**	**3,065**	**1**	**3,553**	**1**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Non-performing exposures	294,037	994	708,155	30	6,625	-	140,951	44	23,474	20
Total (B)	294,037	994	708,155	30	6,625	-	140,951	44	23,474	20
Total (A+B) 31 Dec. 2021	**11,657,418**	**1,856**	**1,355,953**	**67**	**8,095**	**2**	**144,016**	**45**	**27,027**	**21**
Total (A+B) 31 Dec. 2020	8,614,214	873	3,833,804	45	102,907	-	49,991	4	18,928	8

On-balance-sheet exposures include loans as well as other financial assets, such as debt securities, with the exception of derivative contracts and equity securities.

Exposures associated to counterparty risk relating to transactions for lending or borrowing securities or commodities are excluded.

Off-balance-sheet exposures include all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken.

B.4 LARGE RISKS

As at 31 December 2021, positions showing large risk features, as defined in Circular No. 258/2013 (as updated) were:

a) Of a total nominal amount of Euro 41,883,048 thousand;

b) Of a total weighted amount of Euro 437,761 thousand;

c) A total number of 6.

C. Securitizations

QUALITATIVE DISCLOSURES

Within the derisking actions deployed on the NPE portfolio, in 2021 the Crédit Agricole Italia Group successfully completed disposals of non-performing loans for an aggregate gross book value of over Euro 1.6 billion, combining the securitization transaction called "Stelvio Project" and the disposal of single positions during the ordinary collection activities.

Specifically, the Stelvio transaction perimeter is a portfolio of about 13,500 loans classified as bad, for a gross book value of Euro 1.55 billion, 71% of which (Euro 1.10 billion) was originated by Crédit Agricole Italia, 17% by Credito Valtellinese and 12% by Crédit Agricole FriulAdria.

The transaction was carried out by the Crédit Agricole Italia Banking Group, con ItalFondiario as the Master Servicer, Zenith as the corporate servicer and DoValue S.p.A. and Cerved as the Portfolio Special Servicers.

In December 2021 the sale agreement was signed with the special-purpose entity "Ortles 21 S.r.l."

In order to finance the purchase of the loans, on 17 December 2021, the special-purpose entity issued three tranches of ABS as listed below:

- Senior (Class A) notes, amounting to Euro 340,000,000 and equal to 18.5% of the gross collectible value of the sold loans, to which a BBB investment grade rating was assigned by Scope Rating, DBRS and Arc Rating and were subscribed by the Parent Company;
- Mezzanine (Class B) notes, amounting to Euro 40,000,000 and equal to 2.2% of the gross collectible value of the sold loans, without rating and subscribed by the Parent Company;
- Junior (Class J) notes, amounting to Euro 14,311,000 and equal to 0.8% of the gross collectible value of the sold loans, without rating and subscribed by the Parent Company.

The Notes are not listed on any regulated market.

In order to comply with the obligation to retain a net economic interest in the securitized exposures of no less than 5% under Regulation (EU) 2017/2402 and the other applicable regulations, the Parent Company undertook to retain, throughout the transaction duration, 5% of (i) the nominal value of each class of notes and (ii) of the principal amount of the limited recourse loan originated by the Parent Company within the transaction.

On 21 December 2021, 95% of the Mezzanine notes and 95% of the Junior notes was sold to specialist investor SPF Investment Management with concomitant payment of the purchase price and subsequent derecognition of the sold loans.

As regards the Senior notes, the application for admission to the Italian State guarantee scheme on securitization of NPLs (GACS) was submitted to the Italian Ministry of the Economy and Finance.

Stelvio (structured transaction pursuant to Italian Law no.130 of 30 April 1999)

Key transaction information	
Transaction finalized on	3 Dec. 2021
Special-purpose entity	Ortles 21 S.r.l.
Underlying exposures	NPLs consisting of Mortgage and unsecured credit exposures to individuals and businesses (corporate and retail bnkg)
Geographical area of the sold loans	Italy
Total original amount of the loans sold	1.55 bln
Outstanding notes	394,311 mln
of which senior BBB	340 mln
of which mezzanine	40 mln
of which junior	14.311mln
Limited recourse loan (Cash reserve)	17.05 mln
Senior notes rating at issue	BBB Moody's, Scope, ARC

In order to comply with the regulatory requirements concerning the recognition of "Significant transfer of credit risk", within the securitizations of non-performing and performing loans, the Group designed a comprehensive and clear-cut framework for periodic monitoring and management of the controls and information flows (consistently with its risk appetite expressed by the Risk Appetite Framework and with its strategic plan),adopting the policy for oversight on the model for governance and management of the risks associated with the securitizations, called Significant Risk Transfer ("SRT").

The “SRT” Policy provides for a clear definition of the roles and responsibilities for monitoring, control and reporting, as well as for the related escalation mechanisms; the Framework for the management of significant transfer of credit risk and the related risk oversight and control system are part of the overall Internal Controls System, which is managed and implemented by the Parent Company Crédit Agricole Italia on behalf of all the entities of the Group.

QUANTITATIVE DISCLOSURES

C.1 EXPOSURES RESULTING FROM “OWN” MAIN SECURITIZATION TRANSACTIONS BROKEN DOWN BY TYPE OF ASSET-BACKED SECURITIES AND BY TYPE OF EXPOSURES

Type of securitized assets/ Exposures	On-balance-sheet exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries
A. Partially derecognized																		
A.1 Stelvio																		
- NPL	241,118	-	461	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.2 EXPOSURES RESULTING FROM “OWN” MAIN SECURITIZATION TRANSACTIONS BROKEN DOWN BY TYPE OF ASSET-BACKED SECURITIES AND BY TYPE OF EXPOSURES

Type of securitized assets/ Exposures	On-balance-sheet exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries	Book value	Losses/recoveries
A.1 Stelvio																		
- NPL	98.882	-	189	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.3 SECURITIZATION SPECIAL-PURPOSE ENTITIES

Securitization name/ SPE name	Registered office	Consolidation	Activities			Liabilities		
			Loans	Debt securit	Other assets	Senior	Mezzanine	Junior
Ortles 21 S.r.l.	Milano	No	394.300	-	-	340.000	40.150	14.383

The special-purpose entity was incorporated in Q4 2021 and its deed of incorporation provides for the first financial year to close on 31 December 2022.

From the transaction finalization date to the reporting date, the SPE collected over 33 million Euros for the purchased loans.

E. Operazioni di cessione

D. Operazioni di covered bond

In order to increase its liquidity reserves, in 2013 the Crédit Agricole Italia Banking Group designed its programme for the issue of Covered Bonds. These bonds are secured, i.e. "covered" both by the issuing bank and by a pool of high-quality loans, whose "separate" administration is assigned to a special-purpose vehicle (Crédit Agricole Italia OBG - the Special Purpose Entity for the Program, 60% of which is held by Crédit Agricole Italia), which acts as the "depositary of loans used as collaterals". This transaction, which is part of a process for enhancing the efficiency of funding sources, aims at providing Crédit Agricole Italia with a wider range of liquidity management instruments. This decision was made considering that the Covered Bond market allows the Banks of the CAI Group to have access to funding instruments with higher maturity than the securities placed with their Retail customers, to diversify their investor base and to stabilize the cost of funding. In order to be implemented, this programme, which aims also at increasing the eligible liquidity reserve with the European Central Bank, requires very effective organizational control and significant capital soundness. It is also emphasized that the above program has no effect on the regulatory risk profile of the disposing Banks (and of the Crédit Agricole Italia Banking Group) and does not generate the obligation for the Banks to derecognize the assets used as collaterals.

Disclosure

At its meetings held on 24 July 2012 and 26 March 2013, the Board of Directors of Crédit Agricole Italia resolved to start the design of a programme for the issue of covered bonds.

The Italian legislation framework on covered bonds consists of Article 7-*bis* of Law No. 130 of 30 April 1999 (as amended and supplemented, hereinafter referred to as "Law 130"), of the Decree issued by the Italian Minister of the Economy and Finance No. 310 of 14 December 2006 (the "MEF Decree") and by the Provisions for Prudential Supervision of Banks set down in the Bank of Italy's Circular No. 285 of 17 December 2013, as supplemented and amended (the "Instructions" and, jointly with Law 130 and with the MEF Decree, the "Legislation"). The issue of Covered Bonds has allowed the Crédit Agricole Italia Banking Group to further diversify its stock of eligible assets with the European Central Bank, to have access to funding tools with longer maturity than the securities placed with its Retail Customers, to diversify its investor base and to stabilize the cost of funding.

In general, the programme transactions, in accordance with the relevant regulations, consist in the following activities. The Banks of the Crédit Agricole Italia Banking Group (Crédit Agricole Italia and Crédit Agricole FriulAdria) transfer a "Pool" of mortgage loans to Crédit Agricole Italia OBG.

The assets transferred to the Special-Purpose Entity are separated from the SPE's assets and are to be used to the benefit of the holders of the covered bonds issued and of other parties in whose favour the guarantee has been given.

The Banks grant a subordinated loan to Crédit Agricole Italia OBG, to be used to pay the purchase price of the assets by the same Special-Purpose Entity.

Crédit Agricole Italia issues the Covered Bonds and the Special-Purpose Entity issues collateral in favour of the holders of the issued covered bonds.

As a consequence, the repayment of the Covered Bonds that have been issued within the programme is secured by unconditional and irrevocable collateral issued by Crédit Agricole Italia OBG exclusively to the benefit of the Covered Bond subscribers and of unrelated counterparties.

In March 2021, the Group went again to the market with the first Italian issue of green covered bonds with 12-year maturity for Euro 500 million and mid swap rate increased by 9 basis points. With this issue, the first issue of green covered bonds in Italy, the Group enhanced its commitment to the protection of the environment, while also posting the first single-digit issue of covered bonds by an Italian issuer.

Consistently with the Group's green finance objectives, the issue aimed at financing or refinancing a pool of residential mortgage loans selected based on sustainability criteria and originated for the purchase of high energy efficiency properties. Applying eligibility requirements compliant with the best practices in Environmental Sustainability, mortgage loans for the purchase of residential properties with A, B and C energy ratings or, if not energy rated, of recently built properties (from 2016 on), in accordance with the principle of the best 15% of the most energy-efficient buildings in the Country.

In 2021, Crédit Agricole Italia also made another issue of covered bonds, which were then repurchased in June, for an amount of Euro 1.0 billion, in order to create new eligible reserves with the ECB.

The cover pool

The loan pool that, each time, is transferred to the Special-purpose entity must have some common features.

Since May 2013, several transfers have been made of credit claims based on mortgage loan contracts, which, as at their respective transfer date, had, by way of example and not limited to, the following common features.

Credit claims based on mortgage loan contracts:
- Which are residential mortgage loans (i) having a risk-weighting factor not higher than 35%; and (ii) for which the residual principal amount plus the residual principal of any previous mortgage loans with mortgage on the same property is not higher than 80% of the value of the mortgaged property;
- Which are mortgage loans originated or purchased by the Crédit Agricole Italia Banking Group;
- Which are performing with no instalments past due by over 30 days;
- Which do not include clauses restricting the right of the Banks of the Crédit Agricole Italia Banking Group to sell its credit claims resulting from the relevant loan contract or providing for the borrower's consent to the transfer and for the Banks of the Crédit Agricole Italia Banking Group to have obtained such consent;
- For which any pre-amortization period provided for by the contract has fully expired and at least one instalment has matured and has been paid;
- Which have been granted to a natural person, a legal person or to more than one natural or legal person, who have jointly taken out the loan;
- Which provide for the borrower to pay floating-rate interest (determined each time by the Banks of the Crédit Agricole Italia Banking Group) or fixed-rate interest.

Specifically, in 2021 two transfers of residential mortgage loans were made:
- On 21 June 2021, the Banks of the Crédit Agricole Italia Banking Group transferred the eleventh pool to Cariparma OBG S.r.l. for a total principal amount of approximately Euro 3.5 billion (of which Euro 3.1 billion transferred by Crédit Agricole Italia and Euro 0.4 billion by Crédit Agricole FriulAdria).
- On 29 November 2021, the Banks of the Crédit Agricole Italia Banking Group transferred the twelfth pool, consisting of green mortgage loans only, to Cariparma OBG S.r.l. for a total principal amount of approximately Euro 50 million (of which Euro 36 million transferred by Crédit Agricole Italia and Euro 14 million by Crédit Agricole FriulAdria).

As at 31 December 2021, the Cover Pool consisted of receivables resulting from 159,928 mortgage loans, with a total residual debt, net of any repayments, of approximately Euro 12.8 billion (Euro 10.7 billion transferred by Crédit Agricole Italia and Euro 2.1 billion by Crédit Agricole FriulAdria).

Current accounts

The Programme provides for a complex structure of current accounts to manage the cash flows from the transaction.

A number of accounts have been opened in the name of Crédit Agricole Italia OBG and specifically, but not limited to: collection accounts, quota capital account, reserve fund account, guarantor payments account and expenses account.

Parties involved in the Programme

With regard to the Programme, the following parties have the roles set forth here below:
- Transferor Banks: Crédit Agricole Italia and Crédit Agricole FriulAdria.
- Master Servicer: Crédit Agricole Italia (which, in this capacity, has been tasked by Crédit Agricole Italia OBG, pursuant to the Servicing Master Agreement, with the collection and recovery of the receivables in the Initial Pool and in the pools that the Transferor Banks will transfer to Crédit Agricole Italia OBG pursuant to the Transfer Master Agreement);
- Sub-Servicers and Services Provider: each Transferor Bank (which, in this capacity, shall undertake to carry out, as sub-servicer, the same services that Crédit Agricole Italia shall undertake to provide to Crédit Agricole Italia OBG, in its capacity as Master Servicer, with reference only to the portion of the Pool transferred by the same Transferor Bank to Crédit Agricole Italia OBG;

- Principal Paying Agent: Crédit Agricole Italia (which, in this capacity, pursuant to the Cash Management and Agency Agreement, shall have the main task to determine and process the payments due, for principal and interest, to the holders of the Covered Bonds);
- Calculation Agent: Crédit Agricole Corporate & Investment Bank, Milan Branch ("CACIB") (which, in this capacity, pursuant to the Cash Management and Agency Agreement, shall have the main task to prepare and sent – to all parties to the agreement – the so-called Payments Report, setting forth the available funds owned by Crédit Agricole Italia OBG and the payments to be made, based on the payment priority order as set by the parties in the transaction, pursuant to the Intercreditor Agreement, from the available funds);
- Account Bank: Crédit Agricole Italia (with which, in this capacity, pursuant to the Cash Management and Agency Agreement, the Italian current accounts shall be opened and kept in the name of Crédit Agricole Italia OBG S.r.l.; on these accounts the liquidity shall be deposited to be used for the payments as per the Programme schedule);
- Asset Monitor: BDO Italia (which, in this capacity, pursuant to the Asset Monitor Agreement, shall carry out the calculations and verifications on the Mandatory Tests and on the Amortisation Test to be performed pursuant to the Cover Pool Administration Agreement, verifying the accurateness of the calculations made by the Calculation Agent pursuant to the Cover Pool Administration Agreement. With separate assignment, the Asset Monitor, tasked by Crédit Agricole Italia, shall carry out further verifications, specifically on (i) compliance of the eligible assets making up the Pool with the requirements set by the Legislation and (ii) compliance with the limits set for the transfer and with the issuers' requirements as provided for in the Instructions and (iii) the completeness, truthfulness and promptness of the information made available by investors);
- Guarantor quotaholders: Crédit Agricole Italia and Stichting Pavia (which, in this capacity, have signed the Quotaholders Agreement to exercise the corporate rights associated to the equity investment held by each one of them in Crédit Agricole Italia OBG);
- Representative of the Covered Bondholders: Zenith Service (which, in this capacity, exercises, towards Crédit Agricole Italia and Crédit Agricole Italia OBG, the rights of the counterparties involved in the transaction based on the Programme Contracts);
- Administrative Services Provider: Zenith Service (which, in this capacity, has the task of providing Crédit Agricole Italia OBG with administrative and corporate services relating to the activities to be carried out within the Programme);
- Arranger: CACIB;
- Rating Agency: Moody's.

Risks associated with the Programme

The Programme for the Issue of Covered Bonds entails the financial risks specified below, for which several mitigation measures have been adopted: Credit Risk, Liquidity Risk, Refinancing Risk, Counterparty Risk, Operational Risks, Risk of Bankruptcy of the Issuer Bank, Legal Risks.

Based on the procedures, in compliance with the Supervisory Instructions, the Internal Audit Department of Crédit Agricole Italia performs a verification of the controls carried out, at least every 12 months, also using the information received from and the judgements expressed by the Asset Monitor.

Main features of the Programme

The Programme financial structure envisages that Crédit Agricole Italia may issue Covered Bonds, in more than one subsequent series, to be rated by Moody's Investors Service (presently the expected rating is Aa3).

In 2013 a single issue of Covered Bonds was made, the so-called retained Covered Bonds (which were repurchased by Crédit Agricole Italia) at a floating rate, indexed to the Euribor, for an amount of Euro 2.7 billion, to be used in refinancing operations with the European Central Bank.

In 2014, Crédit Agricole Italia partially cancelled the securities issued in 2013 and launched its first issue of Covered Bonds on the market for Euro 1 billion; the latter were placed with institutional investors with the support of Dealers, such as Crédit Agricole Corporate & Investment Bank, Banca Imi, Erste Group, LBBW, Nord LB, Unicredit.

In 2015 Crédit Agricole Italia went on with the second issue of Covered Bonds on the market for Euro 1 billion; these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, Unicredit Bank AG, Lloyds, ING, Santander, Natixis.

In 2016, Crédit Agricole Italia made two issues of Covered Bonds on the market for a total amount of Euro 1.5 billion (Euro 750 million each); these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, BayernLB, LBBW, Lloyds, Mediobanca, Natixis, Unicredit Bank AG.

In March 2017, Crédit Agricole Italia made two issues of Covered Bonds on the market for a total amount of Euro 1.5 billion (Euro 750 million each); these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, Danske Bank, ING, LBBW, Santander, Unicredit Bank AG.

Moreover, in December 2017, Crédit Agricole Cariparma made a new issue of Covered Bonds on the market amounting to Euro 0.75 billion; these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, BBVA, Mediobanca.

In January 2018, the Crédit Agricole Italia Banking Group made another issue of Covered Bonds on the market for Euro 500 million with 20-year maturity; these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, Natixis, Caixa Bank, Banca Imi.

Moreover, in March 2019, Crédit Agricole Italia made a new issue of Covered Bonds on the market amounting to Euro 0.75 billion with 8-year maturity; these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, Unicredit, Mediobanca and Natixis. Concomitantly, Crédit Agricole Italia issued a Covered Bond for Euro 500 million, which was then repurchased in order to create a new eligible reserve with the ECB.

In January 2020, the Group went again to the market with a new dual-tranche issue of Covered Bonds with 8-year and 25-year maturities for Euro 500 million and Euro 750 million, respectively. The 25-year maturity tranche was the issue of covered bonds with the longest maturity ever offered in Italy. In 2020, Crédit Agricole Italia also made another two issues of Covered Bonds, which were then repurchased in April and July, for an amount of Euro 500 million each, in order to create new eligible reserves with the ECB. Furthermore, in July 2020, the Covered Bond issued in 2013 and amounting to Euro 1.2 billion matured.

In March 2021 the Group issued a new set of Green Covered Bonds, with 12-year maturity for an amount of Euro 500 million. With this issue, the first issue of green covered bonds in Italy, the Group enhanced its commitment to the protection of the environment, while also posting the first single-digit issue of covered bonds by an Italian issuer. In 2021, Crédit Agricole Italia also made another issue of covered bonds, which were then repurchased in June, for an amount of Euro 1.0 billion, in order to create new eligible reserves with the ECB.

Therefore, as at 31 December 2021, the nominal value of the bonds issued came to Euro 11.5 billion, of which Euro 2.75 billion in retained bonds and Euro 8.75 billion in publicly traded bonds. Crédit Agricole Italia will be able to issue, within the Programme, Covered Bonds for a total amount not exceeding Euro 16 billion.

Section 2 – Market risks

2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

QUALITATIVE DISCLOSURES

A. General aspects

Crédit Agricole Italia does not typically engage in proprietary trading on financial markets, but only in trading operations to meet its customers' needs. Furthermore, trading activities are subject to specific regulatory requirements that prohibit any proprietary speculative trading. The applicable legislation consists of the Volcker Rule (Dodd-Frank Wall Street Reform and Consumer Protection Act) and the LBF - "*Loi de séparation et de régulation des activités bancaires*" (French law no. 2013-672)). Following the Volcker Rule reform in 2020, the Crédit Agricole Italia Banking Group has been classified as a TOTUS ("Totally Outside The US") entity. The Entities that do not have any branches in the US or direct operations in the US territory are exempted from the obligation to perform the Volcker specific controls that were previously required, thus simplifying the programme for compliance with that piece of legislation. Therefore, trading activities are ancillary to and aimed at meeting customers' requirements; Crédit Agricole Italia takes only residual risk positions in the trading book.

The trading book of Crédit Agricole Italia mainly consists of Over-The-Counter derivatives (matched trading) and non-structured financial instruments. In its capacity as the Parent Company, Crédit Agricole Italia coordinates the interest rate risk and price risk of the trading books of all the Group's entities, centrally managing financial operations as well as the risk assessment and control activities. The control of market risk on the trading book ensures that a risk level consistent with the Group's objectives is continuously maintained.

Given the exposure immateriality, Pillar One capital absorption is calculated in accordance with the standardized approach.

B. Management and measurement of interest rate and price risks

Organisational aspects

The process for the management of market risks is regulated by the relevant risk policy. This document lays down the internal system of normative instruments for the management of market risk with reference to operations in financial instruments, foreign currencies and commodities, in terms of:

- The principles, objectives, methodologies and tools used for the measurement, control and management of market risk;
- Guidelines and rules which the market risk management processes are based on.

The Market Risk Policy is one of the components of the overall risk governance model implemented by the Crédit Agricole Group, consistently with the guidelines issued by the Parent Company Crédit Agricole S.A.

Within the process for market risk management, primary responsibility is assigned to corporate bodies/ structures, according to their respective scopes, and they must be fully aware of the Bank's level of exposure. Specifically:

- The Board of Directors is the body engaged in strategic oversight functions and is therefore responsible for defining market risk governance policies and management processes;
- The Deputy General Manager in charge of Corporate Banking, delegating the relevant powers to the Corporate Banking Department, is the officer responsible for market risk management, and, therefore, sets down and steers the Group's mechanism for the management of Market Risk;
- The Capital Management and Middle Office Service is responsible for controlling the perfect back–to-back of the transactions entered by the Capital Market & Open Innovation Division on behalf of Customers.
- The Risk Management and Permanent Controls Department is responsible for level 2.2 control. It verifies the corporate risk management process and supervises compliance of the market risk treatment with the applicable legislation in force and with the Group Risk Strategy.

The model for market risk management and governance applies to the entire consolidation perimeter.

The limit structure

The limit structure reflects the level of risk deemed acceptable with reference to the individual business areas and is a mechanism designed to control that operational practices, at the various organisational levels, are performed in compliance with management guidelines and strategies, as defined by the Top Management.

The risk framework system regarding the trading books of Crédit Agricole Italia is reviewed on a yearly basis, consistently with the guidelines and the risk appetite set by the Crédit Agricole Group. Its risk appetite is structured through global limits and operational limits that are defined by the Risk Strategy.

The system of global limits must be able to ensure a controlled development of the business. The limits are set in order to contain any losses within a level that is deemed acceptable for the Crédit Agricole Group as a whole and are defined using common metrics, such as Notional Value, Mark to Market and Value at Risk. As regards limits and thresholds on market risk, the global limits and global alert thresholds are validated by the Group Risk Committee of Crédit Agricole SA (Comité Risques Groupe - CRG) and approved by the Boards of Directors of the entities of the Crédit Agricole Italia Banking Group, whereas the operational limits – which are specific adaptations of the global limits – are adapted to the individual entities of the Crédit Agricole Italia Banking Group and are also validated by their respective Boards of Directors.

Control System

he monitoring of global and operational limits is a task assigned to the Risk Management and Permanent Controls Department. Reporting on compliance with the set limits is included in the monthly Financial Risk Report, while continuous compliance is verified with automated daily reporting through an internal procedure. . The Financial Risk Report is sent to the Group's top bodies and officers, to the structures engaged in market risk management, to the Internal Audit Department and to the Group Risk Department (*Direction Risques Groupe*) of Crédit Agricole S.A. A summary of this report is the basis for quarterly reporting on market risks to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are significant changes in markets, significant losses, etc.), a specific alert procedure is triggered, reporting the event and a remedial action plan to the Top Management Bodies and to the Parent Company Crédit Agricole S.A., depending on the type of breach detected.

Furthermore, the Risk Management and Permanent Controls Department performs Independent Price Verification activities and audits on Prudent Valuation of the financial instruments on the trading book. As regards derivative instruments sold to ordinary instruments, it issues opinions on the pricing methodology, whose models, which are commonly used in financial practices, are fed with input parameters (such as interest rate, exchange rate and volatility curves) observed on the market and subject to monitoring processes.

Local "Correspondant Volcker Rule" (the Local Officer in charge of the Volcker Rule)

The Local "*Correspondant Volcker Rule*" (the Local Officer in charge of the Volcker Rule) for the Crédit Agricole Italia Banking Group is part of the Finance Department and is responsible for ensuring that the Group is always compliant with the Volcker Rule and with the LBF cooperating with the central Officers in charge at Crédit Agricole S.A.

Fair Value Option

In 2021, no transactions recognized under "Fair Value Option" were carried out.

QUANTITATIVE DISCLOSURES

1. Supervisory Trading Book: breakdown by residual maturity (repricing date) of on-balance-sheet financial assets and liabilities and financial derivatives

Type/Residual maturity EURO	Sight	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 year to 10 years	Over 10 years	Indefinite maturity
1 On-balance-sheet assets	**-**	**-**	**-**	**-**	**18**	**9**	**1**	**-**
1.1 Debt securities	-	-	-	-	18	9	1	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	18	9	1	-
1.2 Other assets:	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**60,023**	**4,428,826**	**3,332,443**	**1,818,459**	**5,740,887**	**539,356**	**49,022**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	60,023	4,428,826	3,332,443	1,818,459	5,740,887	539,356	49,022	-
- Options	23	5,216	10,372	18,903	99,011	17,036	1,864	-
+ long positions	14	2,608	5,186	9,452	49,501	8,520	932	-
+ short positions	9	2,608	5,186	9,451	49,510	8,516	932	-
- Other derivatives	60,000	4,423,610	3,322,071	1,799,556	5,641,876	522,320	47,158	-
+ long positions	30,000	2,213,105	1,660,167	899,736	2,820,938	261,160	23,579	-
+ short positions	30,000	2,210,505	1,661,904	899,820	2,820,938	261,160	23,579	-

Type/Residual maturity EURO	Sight	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 year to 10 years	Over 10 years	Indefinite maturity
1 On-balance-sheet assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets:	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	**434,422**	**232,078**	**206,018**	**124,154**	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	434,422	232,078	206,018	124,154	-	-	-
- Options	-	434	498	576	242	-	-	-
+ long positions	-	217	249	288	121	-	-	-
+ Short positions	-	217	249	288	121	-	-	-
- Other derivatives	-	433,988	231,580	205,442	123,912	-	-	-
+ long positions	-	216,468	115,843	102,721	61,956	-	-	-
+ Short positions	-	217,520	115,737	102,721	61,956	-	-	-

2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of interest rate risk and price risk

General aspects

Asset & Liability Management activities cover all the items on the banking book, on-balance-sheet and off-balance-sheet. Future fluctuations in interest rates that would impact on profits, through changes in net interest income, and that would also have an effect on the discounted value of its capital, as they would cause a change in the net present value of future cash flows, are mitigated with hedges that are calibrated also through specific modeling of financial statement items.

Organisational aspects

In its capacity as the Parent Company, Crédit Agricole Italia coordinates the interest rate risk and price risk profiles of the Group's banking book, centrally managing financial operations, as well as risk assessment and control activities.

The Governance model adopted by the Crédit Agricole Italia Banking Group vests:

- The ALM Committee with the task of setting the strategic and direction lines for the management, of validating proper application of the standards and methods for measuring the exposure to interest rate risk, of examining the reporting produced by the Finance Department, as well as to resolve on any measures to be implemented, as well as of validating the local operational limits and the local alert thresholds regarding interest rate risk.
- The Risk and Internal Control Committee with the task of examining the outcomes of controls on compliance with the RAF and Risk Strategy limits and alert thresholds, as well as any alert procedures that started.

The CFO is responsible for the management and measurement of interest rate risk for the Group as a whole. Through the Finance Department, the CFO sets the methods for managing interest risk in compliance with the applicable regulations and with the methodological indications provided by the Crédit Agricole Group. The CFO also designs operational actions, carries out stress testing exercises based on the guidelines issued by the Crédit Agricole Group and prepares the ICAAP reports, both the local one and the contribution to the Group's ICAAP exercise.

The Risk Management and Permanent Controls Department is responsible for control. Therefore, it verifies the corporate risk management process and supervises compliance of the risk treatment with the applicable legislation in force and with the Group Risk Strategy.

In compliance with the normative instruments of the Crédit Agricole Group and with the supervisory regulations, the system of limits to the interest rate risk is reviewed on a yearly basis within the Risk Appetite Framework (RAF) process, setting out operational limits in the Risk Strategy, which is submitted to the Group Risk Committee of Crédit Agricole SA. and is approved by the Boards of Directors of all the Group's Entities. The local operational limits are reviewed by the ALM Committee.

Risk policy and management

The processes for the management of interest rate risk and price risk are governed by the respective risk policies. These documents lay down the internal normative framework for the management of risks with reference to operations in financial instruments, in terms of:

- Principles, objectives, methodologies and tools used for the measurement, control and management of risks;
- Guidelines and rules on which the Risk Management and Stress Testing processes are based.

The management of interest rate risk designed by the Crédit Agricole Italia Banking Group aims at ensuring that the individual legal entities and the Group as a whole achieve the maximum possible income from the existing positions through proactive management of interest risk hedges. The main financial instruments to manage risk hedges are derivative contracts, i.e. interest rate options and Interest Rate Swaps.

Control System

Independent level 2.2 control on the system for the management of interest rate risk is performed by the Risk Management and Permanent Controls Department of Crédit Agricole Italia,by verifying the system compliance with the internal model of Crédit Agricole S.A. Specifically, within its responsibilities, the Risk Management and Permanent Controls Department:

- Independently verifies compliance with the limits and alter thresholds provided for by the RAF and by the Risk Strategy; it also expresses its prior opinion in case of any changes to the approaches and methods used by the Finance Department, while reporting on them to the ALM Committee and to the Risk and Internal Control Committee;
- Submits the outcomes of its verifications to the Controlling Company on a monthly basis and, in case of breach of any one of the limits and alert thresholds set in the Risk Strategy and/or locally by the ALM Committee, it triggers the alert procedure, with a specific escalation measure depending on the type of breach detected, and analyzes and approves the action plan proposed by the relevant corporate structures.
- Reports to the Boards of Directors of the single Banks of the Group and to the Risk and Internal Control Committee on any breached limits or thresholds, problems arisen and compliance with the Risk Strategy.

The Risk Management and Permanent Controls Department is responsible for level 2.2. control on compliance with the set limits; therefore, on a monthly basis, it prepares and sends its Financial Risk Report to the Corporate Bodies, which provides information on the control outcomes and on any breaches of limits, and activates, where required, the appropriate alert procedures. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to the Boards of Directors of all the Entities of the Crédit Agricole Italia Banking Group.

Risk measurement: methodological aspects

The model for the measurement of global interest rate risk provides for an analysis of the contractual profile (cash flow generation by maturity), of all balance-sheet items and, where appropriate, for the "modeling" of other balance sheet items that, in terms of asset stability and responsiveness to changes in market interest rates, are among the items that are sensitive to interest rate risk for the Banks of the Group. Specifically, for interest rate risk analysis, the following elements are identified:

- Term loans (fixed and variable rate for the portion with an already established rate);
- Balance-sheet items modelled in accordance with Crédit Agricole S.A. guidelines;
- Balance-sheet items modelled in accordance with specific management rules set by the relevant corporate structures of Crédit Agricole Italia (local models).

As regards price risk for the Banking Book, global limits have been set, based on the type of instruments that can be held, which are expressed with reference to indicators, such as the balance sheet notional value and fair value, along with the outcomes of the management for stress testis on the relevant perimeter.

QUANTITATIVE DISCLOSURES

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Type/Residual maturity EURO	Sight	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 year to 10 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**15,446,049**	**21,799,313**	**1,610,616**	**1,374,432**	**14,893,952**	**4,979,699**	**6,465,980**	**139,307**
1.1 Debt securities	-	-	250,604	99,723	9,909,421	1,407,186	340,650	139,307
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	250,604	99,723	9,909,421	1,407,186	340,650	139,307
1.2 Loans to banks	717,868	9,492,830	6,164	181,489	722,336	496,133	401,121	-
1.3 Loans to customers	14,728,181	12,306,483	1,353,848	1,093,220	4,262,195	3,076,380	5,724,209	-
- c/a	735,322	201,287	23,239	25,558	27,118	3,622	498,684	-
- Other loans	13,993,162	21,501,070	1,330,609	1,067,662	4,235,077	3,072,758	5,225,525	-
- with early repayment option	2,948	250,173	112,250	24,166	58,356	5,461	297	-
- other	13,990,214	11,855,023	1,218,359	1,043,496	4,176,721	3,067,297	5,225,228	-
2. On-balance-sheet liabilities	**37,817,726**	**3,704,189**	**217,749**	**87,289**	**15,472,614**	**3,172,842**	**3,355,190**	**-**
2.1 Due to customers	36,830,033	6,304	8,541	15,788	97,289	52,982	1,499,886	-
- c/a	36,178,960	651	-	-	-	-	1,494,973	-
- Other due and payables	651,073	5,653	8,541	15,788	97,289	52,982	4,913	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	651,073	5,653	8,541	15,788	97,289	52,982	4,913	-
2.2 Due to banks	986,619	1,160,804	182,518	36	11,892,102	368,939	111,202	-
- c/a	596,163	-	-	-	-	-	-	-
- other due and payables	390,456	1,160,804	182,518	36	11,892,102	368,939	111,202	-
2.3 Debt securities	1,074	2,537,081	26,690	71,465	3,483,223	2,750,921	1,744,102	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	1,074	2,537,081	26,690	71,465	3,483,223	2,750,921	1,744,102	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**21**	**28,047,754**	**468,221**	**1,645,072**	**15,861,946**	**7,716,608**	**3,495,204**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	21	28,047,754	468,221	1,645,072	15,861,946	7,716,608	3,495,204	-
- Options	21	10,380	221	275,035	1,665,510	648,779	570,204	-
+ long positions	21	62	159	138,048	835,137	324,716	286,932	-
+ short positions	-	10,318	62	136,987	830,373	324,063	283,272	-
- Other derivatives	-	28,037,374	468,000	1,370,037	14,196,436	7,067,829	2,925,000	-
+ long positions	-	11,535,638	243,000	1,145,000	6,238,700	5,720,000	2,150,000	-
+ short positions	-	16,501,736	225,000	225,037	7,957,736	1,347,829	775,000	-
4. Other off-balance-sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Type/Residual maturity EURO	Sight	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 year to 10 years	Over 10 years	Indefinite maturity
1 On-balance-sheet assets	**6,067**	**131,411**	**11,133**	**4,161**	**23,703**	**8,845**	**7,979**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	-	151	-	1,175	-	-	-	-
1.3 Loans to customers	6,067	131,260	11,133	2,986	23,703	8,845	7,979	-
- c/a	4,476	1	-	1	-	-	7,979	-
- other loans	1,591	131,259	11,133	2,985	23,703	8,845	-	-
- with early repayment option	271	13,231	7,373	568	-	-	-	-
- other	1,320	118,028	3,760	2,417	23,703	8,845	-	-
2. On-balance-sheet liabilities	**257,894**	**108,249**	**4,921**	**2,538**	**-**	**-**	**-**	**-**
2.1 Due to customers	243,502	-	-	1,186	-	-	-	-
- c/a	242,634	-	-	1,186	-	-	-	-
- other due and payables	868	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	868	-	-	-	-	-	-	-
2.2 Due to banks	14,392	108,249	4,921	1,352	-	-	-	-
- c/a	14,392	-	-	-	-	-	-	-
- other due and payables	-	108,249	4,921	1,352	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions	**16,017**	**79,945**	**184**	**-**	**-**	**-**	**-**	**-**
+ long positions	16,017	31,872	184	-	-	-	-	-
+ Short positions	-	48,073	-	-	-	-	-	-

2.3 FOREIGN EXCHANGE RISK

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of foreign exchange risk General aspects

Crédit Agricole Italia is not engaged in proprietary trading on the currency market. Consequently, there are no exposures other than residual positions resulting from activities carried out to meet customer requirements, in both the spot and forward markets.

In its capacity as the Parent Company, Crédit Agricole Italia coordinates the foreign exchange risk profiles of the Group, centrally managing financial operations, as well as risk assessment and control activities.

Organisational aspects

The process for the management of foreign exchange risks is governed by the relevant risk policy, which is one of the key components of the overall risk governance model implemented by the Group, consistently with the guidelines given by Crédit Agricole S.A.

Within the process for foreign exchange risk management, primary responsibility is assigned to corporate bodies/departments, according to their respective scopes, and they must be fully aware of the Bank's level of exposure. Specifically:

- The Board of Directors is tasked with strategic oversight and is therefore responsible for defining risk governance policies and management processes;
- The Deputy General Manager in charge of Corporate Banking, and Lending through the Capital Market & Open Innovation Division, is responsible for risk management, and, therefore, defines and steers the Group's mechanism for the management of exchange rate risk, in compliance with the instructions and resolutions issued by the ALM Committee and by the Risk and Internal Control Committee;
- The Risk Management and Permanent Controls Department is responsible for level 2.2 control. It verifies the corporate risk management process and supervises compliance of foreign exchange risk treatment with the applicable legislation in force and with the Group risk strategy.

The limit structure

The limit structure reflects the level of risk deemed acceptable with reference to the individual business areas and is designed to control that operations are performed in compliance with the management and strategic directions set by the Top Management.

The Group's framework system for foreign exchange risk is reviewed on a yearly basis, consistently with the guidelines and the risk appetite set by the Crédit Agricole Group. Such risk appetite is structured through global limits and operational limits that are defined by the Risk Strategy.

The global limit is set in order to ensure a controlled development of the business. It is calculated as the sum of the value in Euro of the open foreign currency position (in absolute value) for each currency and is validated by the Group Risk Committee (CRG) of Crédit Agricole S.A. and approved by the Boards of Directors of Crédit Agricole Italia and of the single entities of the Group. That limit takes into account the foreign currency position of both Crédit Agricole Italia and of Crédit Agricole FriulAdria at a consolidated level; following every transaction made by CA FriulAdria, the subsequent risk position is automatically immunized through the transaction reversal with the Parent Company Crédit Agricole Italia, which, therefore, centrally manages foreign exchange risk for the whole Group. Pending CREVAL full integration, in the IT systems of the Parent Company Crédit Agricole Italia, the foreign exchange position of CREVAL, which follows the same operational practices as Crédit Agricole Italia and is compliant with the transitional legislation in force, is managed and monitored on a daily basis by the Capital Market & Open Innovation Division.

Control System

The monitoring of the limits, which is carried out on a daily basis, is a task assigned to the Risk Management and Permanent Controls Department. The outcomes of monitoring on limits are included in the monthly Report on Financial Risks. It is sent to the Group's Top Management (CFO), to the structures engaged in foreign exchange risk management (Corporate Banking Department), to the Internal Audit Department and to Crédit Agricole S.A. (*Direction Risques Groupe*).

A summary of this report is the basis for quarterly reporting on foreign exchange risks to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are material changes in markets, material losses, etc.), the Group triggers the alert procedure in force, reporting the event and the related remedial action plan to the Top Management Bodies and to the *Direction Risques Groupe* of Crédit Agricole S.A., depending on the type of breach.

B. Foreign exchange risk hedging

Foreign exchange risk hedging is based on the intermediation principle, which allows the Parent Company Crédit Agricole Italia and the Subsidiaries of the Crédit Agricole Italia Banking Group not to take foreign exchange risk positions breaching the authorized operational limits. Back-to-back hedging transactions are carried out with authorized financial counterparties, are traded upon the closing of the relevant transactions with Customers and entered in the relevant procedures within the business day.

QUANTITATIVE DISCLOSURES

1. Breakdown by currency of assets, liabilities and derivatives

Items	Currencies					
	USD	GBP	JPY	CAD	CHF	Other currencies
A. Financial Assets	**179,050**	**3,393**	**518**	**2,064**	**2,467**	**5,820**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	151	-	-	-	-	1,175
A.4 Loans to customers	178,899	3,393	518	2,064	2,467	4,645
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**28,141**	**7,284**	**1,855**	**2,950**	**7,432**	**9,004**
C. Financial liabilities	**308,862**	**22,187**	**7,468**	**4,785**	**9,404**	**20,893**
C.1 Due to banks	110,660	3,086	1,917	2,164	2,320	8,764
C.2 Due to customers	198,202	19,101	5,551	2,621	7,084	12,129
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**13,371**	**715**	**-**	**108**	**817**	**849**
E. Financial derivatives	**841,950**	**54,910**	**2,387**	**15,633**	**5,308**	**4,785**
- Options	1,170	502	16	60	-	-
+ long positions	585	251	8	30	-	-
+ short positions	585	251	8	30	-	-
- Other derivatives	840,780	54,408	2,371	15,573	5,308	4,785
+ long positions	420,351	27,123	583	7,855	2,717	2,510
+ short positions	420,429	27,285	1,788	7,718	2,591	2,275
Total assets	**628,127**	**38,051**	**2,964**	**12,899**	**12,616**	**17,334**
Total liabilities	**743,247**	**50,438**	**9,264**	**12,641**	**12,812**	**24,017**
Mismatch (+/-)	**-115,120**	**-12,387**	**-6,300**	**258**	**-196**	**-6,683**

Section 3 - Derivatives and hedging policies

3.1 DERIVATIVE INSTRUMENTS HELD FOR TRADING

A. Financial derivatives

A.1 FINANCIAL DERIVATIVES HELD FOR TRADING: CLOSING NOTIONAL VALUES

Underlying assets/ Type of derivatives	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates	**-**	**4,347,217**	**4,327,027**	**-**	**-**	**4,029,640**	**4,014,281**	**-**
a) Options	-	658,306	586,553	-	-	708,949	704,619	-
b) Swaps	-	3,688,911	3,740,474	-	-	3,320,691	3,309,662	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and Equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**182**	**-**
a) Options	-	-	-	-	-	-	182	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**490,940**	**562,053**	**-**	**-**	**292,575**	**341,796**	**-**
a) Options	-	89,744	90,053	-	-	54,878	54,878	-
b) Swaps	-	31,751	31,751	-	-	40,298	40,298	-
c) Forwards	-	369,445	440,249	-	-	197,399	246,620	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**4,838,157**	**4,889,080**	**-**	**-**	**4,322,215**	**4,356,259**	**-**

A.2 FINANCIAL DERIVATIVES HELD FOR TRADING: GROSS POSITIVE AND NEGATIVE FAIR VALUE - BREAKDOWN BY PRODUCT

Underlying assets/ Type of derivatives	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. *Positive fair value*								
a) Options	-	5.085	2.206	-	-	457	3.180	-
b) Interest rate	-	2.864	31.939	-	-	24	60.532	-
c) Cross currency swaps	-	-	255	-	-	-	260	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	2.786	3.947	-	-	1.663	4.890	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	124	-	-	26	-	-
Total	**-**	**10.735**	**38.471**	**-**	**-**	**2.170**	**68.862**	**-**
2. *Negative fair value*								
a) Options	-	2.216	4.757	-	-	2.715	411	-
b) Interest rate	-	36.052	3.125	-	-	71.659	-	-
c) Cross currency swaps	-	260	-	-	-	263	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	3.251	3.241	-	-	4.212	2.261	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	124	-	-	-	-	26	-
Total	**-**	**41.903**	**11.123**	**-**	**-**	**78.849**	**2.698**	**-**

A.3 OTC FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTY

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
1) Contracts not included in netting agreements				
- notional value	X	-	312,037	4,014,991
- positive fair value	X	-	1,565	30,715
- fnegative fair value	X	-	398	6,023
2) Equity securities and equity indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold				
- notional value	X	53,253	-	508,801
- positive fair value	X	494	-	5,698
- negative fair value	X	565	-	4,137
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting arrangements				
1) Debt securities and interest rates				
- notional value	-	4,346,013	1,205	-
- gross positive fair value	-	6,488	-	-
- gross negative fair value	-	36,375	21	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	490,939	-	-
- gross positive fair value	-	4,246	-	-
- gross negative fair value	-	5,507	-	-
4) Commodities				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-

A.4 RESIDUAL MATURITY OF OTC FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES

Underlying asset/residual maturity	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	2,374,723	5,415,782	883,740	8,674,245
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3. Financial derivatives on foreign exchange rates and gold	967,308	85,684	-	1,052,992
A.4 Financial Derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31 Dec. 2021	**3,342,031**	**5,501,466**	**883,740**	**9,727,237**
Total 31 Dec. 2020	**2,371,021**	**5,082,835**	**1,224,618**	**8,678,474**

3.2 ACCOUNTING HEDGES - QUALITATIVE

DISCLOSURES

A. Fair value hedging

Hedging interest rate risk has the objective of immunizing the Banking Book from changes in the fair value of funding and lending, caused by adverse movements in the yield curve.

The main financial instruments for the management of interest risk hedges are Interest Rate Swaps and Interest Rate Options, which, for their very nature, are contracts referring to “pure” interest rate risk.

Specifically, fixed-rate debenture loans have been hedged (micro-hedging), as have the mortgage loans with optional components to Customers (macro-hedging), government securities (micro- hedging), current accounts and fixed-rate mortgage loans in the macro-hedging portfolio.

In compliance with the financial reporting standards, the effectiveness of the hedges is assessed by the Finance Department, which carries out the relevant tests on a monthly basis and keeps formal documentation for every hedge.

B. Cash flow hedging

In 2021, no Cash Flow Hedge transactions were carried out.

D. Hedging instruments

Crédit Agricole Italia hedges interest rate risk resulting from some parts of its balance sheet items under fair value hedging, with the following instruments:

- IRS, both for micro-hedging (Issued Debenture Loans and Securities under assets), and for macro-hedging (modelled Retail Current Accounts under liabilities and fixed-rate mortgage loans to Customers);
- IRO, in macro-hedging, to hedge optional risk resulting from CAP options associated with a part of mortgage loans sold to Customers.

A source of ineffectiveness set for all the types of hedging used is the possible early repayment of the hedged item. Moreover, for hedging with IRS, also any possible sudden and material change in the Euribor rates, entailing the breach of the tolerance threshold set by IAS 39 for the hedge ratio (-80%/-125%), could be a cause of possible ineffectiveness. Lastly, as regards hedging of “modelled” items, a change in the model’s financial characteristics, subsequent to the periodic review of the models, could also be yet another cause of ineffectiveness.

Over time, ineffectiveness resulting from early or from the periodic review of the models (reduction in the modelled item duration) has been overcome with total or partial unwinding of the hedging instruments.

E. Hedged items

Hedging of issued (fixed-rate) Debenture Loans

The hedged item is limited to portion referring to interest rate risk. Hedging uses IRS in which the fixed-rate leg equalizes the debenture loan rate and the variable-rate leg is determined as 3M Euribor +/- spread.

The spread on the variable-rate leg of the IRS is included in the hedging relationship, inverting its sign, as "spread adjustment" of the hedged item (debenture loan rate +/- spread adjustment). In this way, based on the assumption that the two legs of the IRS, on the trading date, have the same value and knowing that an IRS contract hedges interest rate risk only, the value of the "hedged item" referring to every debenture loan can be determined, or the only part of the debenture loan interest rate referring to the hedged risk (interest rate risk).

Hedging of Securities recognized as Assets (fixed rate)

The hedged item is limited to portion referring to interest rate risk. Hedging is done with IRSs in which the variable-rate leg is determined as 3M Euribor and the fixed-rate leg equalizes the swap market rate with maturity equal to the security maturity.

Hedging of Securities recognized as Assets (inflation-linked)

The hedged item is limited to the portion referring to fixed-rate + the principal periodic revaluation based on inflation. Hedging is done with IRSs in which the variable-rate leg is determined as 3M Euribor with spread adjustments and the fixed-rate leg equalizes the security rate.

Hedging of the fixed-rate part of Retail Current Accounts recognized as Liabilities

The hedged item is limited to portion referring to interest rate risk. Hedging uses IRS in which the fixed-rate leg equalized the rate of a "fictitious" bond-equivalent designed to identify the hedged item resulting from the modelling of a balance-sheet item (a set of current accounts) that, in contractual terms only, would not allow to separate the characteristics required for the hedging, and the variable-rate leg is determined as 3M Euribor. The value of the hedged rate and the duration of this bond-equivalent are determined with a modelling process that is specific to the Retail channel and is reviewed on a yearly basis and validated by the relevant structures of the Bank. Through a statistical analysis, the model breaks down a set of current accounts featuring the same behavioural aspects and product type (Retail current accounts under liabilities), into its different financial parts: stable part by volume (fixed-rate or variable-rate), and volatile part. The hedged part is the stable fixed-rate one.

Hedging of the CAP option on mortgage loans (variable rate)

The hedged item is limited to portion referring to interest rate risk. Hedging uses IRO traded in order to hedge the risk that a variable-rate mortgage loan contract, once having reached its cap, becomes a fixed-rate item, with subsequent increase in the Bank's financial leverage. Every IRO is specifically traded in order to hedge portfolios of mortgage loans having the same financial characteristics (strike, market parameter, payment schedule, ...). In this way, the Bank achieves its objective of having essential specularity between the characteristics of the implied Cap rates of the mortgage loans and those of the IRO hedging them.

Hedging of fixed-rate mortgage loans

The hedged item is limited to portion referring to interest rate risk and is an aggregate of mortgage loans homogeneous in terms of original duration (within the set time bracket) and interest settlement frequency. Once having defined the financial characteristics of the item to be hedged for interest rate risk, it is hedge "at par", i.e. with the swap market rate on the IRS fixed-rate leg, equal to the meta mortgage loan maturity, which, on the trade date, equalizes the value of 3M Euribor applied to the variable-rate leg.

QUANTITATIVE DISCLOSURES

A. Financial Derivatives held for hedging

A.1 FINANCIAL DERIVATIVES HELD FOR HEDGING: CLOSING NOTIONAL VALUES

Underlying assets/ Type of derivatives	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities	**-**	**29,125,592**	**-**	**-**	**-**	**26,906,413**	**757,555**	**-**
a) Options	-	2,093,253	-	-	-	2,225,005	-	-
b) Swaps	-	27,032,339	-	-	-	24,681,408	-	-
c) Forward	-	-	-	-	-	-	757,555	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**29,125,592**	**-**	**-**	**-**	**26,906,413**	**757,555**	**-**

A.2 FINANCIAL DERIVATIVES HELD FOR HEDGING: GROSS POSITIVE AND NEGATIVE FAIR VALUE - BREAKDOWN BY PRODUCT

Type of derivatives	*Positive and negative fair value*								Change in value used to calculate hedge ineffectiveness	
	Total 31 Dec. 2021				Total 31 Dec. 2020					
	Over the counter			Organized markets	Over the counter			Organized markets	Total 31 Dec. 2021	Total 31. Dec. 2020
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements			
1. *Positive fair value*										
a) Options	-	87,501	-	-	-	1,437	-	-	87,501	1,437
b) Interest rate swaps	-	482,634	-	-	-	941,561	-	-	482,634	941,561
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	111	-	-	111
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**570,135**	**-**	**-**	**-**	**942,998**	**111**	**-**	**570,135**	**943,109**
2. *Negative fair value*										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	823,174	-	-	-	705,551	-	-	823,174	705,551
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	388	-	-	388
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**823,174**	**-**	**-**	**-**	**705,551**	**388**	**-**	**823,174**	**705,939**

A.3 OTC FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTY

	Centrals counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
1) Debt securities and interest rates	**-**	**-**	**-**	**-**
- notional value	X	-	-	-
- Positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and equity indices	**-**	**-**	**-**	**-**
- notional value	X	-	-	-
- Positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold	**-**	**-**	**-**	**-**
- notional value	X	-	-	-
- Positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities	**-**	**-**	**-**	**-**
- notional value	X	-	-	-
- Positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other	**-**	**-**	**-**	**-**
- notional value	X	-	-	-
- Positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates	**-**	**30,518,900**	**-**	**-**
- notional value	-	29,125,591	-	-
- gross positive fair value	-	570,135	-	-
-Gross negative fair value	-	823,174	-	-
2) Equity securities and equity indices	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
3) Foreign exchange and gold	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
4) Commodities	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
5) Other	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-

A.4 RESIDUAL MATURITY OF OTC FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES

Underlying asset/residual maturity	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debit securities and interest rates	2,843,074	14,196,436	12,086,082	29,125,592
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3. Financial derivatives on foreign exchange rates and gold	-	-	-	-
A.4 Financial Derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31 Dec. 2021	**2,843,074**	**14,196,436**	**12,086,082**	**29,125,592**
Total 31 Dec. 2020	**2,679,225**	**13,419,419**	**11,565,324**	**27,663,968**

D. Hedged items

D.1 FAIR VALUE HEDGING

	Micro-hedges: book value	Micro-hedges - net positions: book value of assets or liabilities (before netting)	Micro-hedges			Macro-hedges: book value
			Accumulated fair value changes of the hedged instrument	Hedge discontinuation: remaining accumulated fair value changes	Change in the value used to test hedge effectiveness	
A. ASSETS						
Financial assets measured at fair value through other comprehensive income - hedging of:	-	-	-	-	-	
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Equity securities and equity indices	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
Financial assets measured at amortized cost – hedging of:	-	-	-	-	-	
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Equity securities and equity indices	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
Total 31 Dec. 2021	-	-	-	-	-	-
Total 31 Dec. 2020	**-8,958,930**	-	**-185,251**	-	-	-
B. LIABILITIES						
Financial liabilities measured at amortized cost - hedging of:						
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Equity securities and equity indices	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	-
1.5 Other	**8,959,812**	-	**-529,365**	-	-	-
Total 31 Dec. 2021						
Total 31 Dec. 2020						

3.3 OTHER INFORMATION ON DERIVATIVE INSTRUMENTS (HELD FOR TRADING AND FOR HEDGING)

A. Financial and credit derivatives

A.1 OTC FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUES BY COUNTERPARTY

	Central counterparties	Banks	Other financial companies	Other parties
A. Financial derivatives				
1) Debt securities and interest rates	**-**	**34,907,776**	**315,226**	**4,051,729**
- notional value	-	33,471,604	313,242	4,014,991
- positive fair value	-	576,623	1,565	30,715
- negative fair value	-	859,549	419	6,023
2) Equity securities and equity indices	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign exchange and gold	**-**	**555,004**	**-**	**518,636**
- notional value	-	544,192	-	508,801
- positive fair value	-	4,740	-	5,698
- negative fair value	-	6,072	-	4,137
4) Commodities	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
B. Credit derivatives				
1) Purchase and protection	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Sale and protection	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

SECTION 4 – LIQUIDITY RISK

Covid-19 – Impacts on liquidity risk

Having regard to liquidity risk, since the very beginning, Crédit Agricole Italia has deployed all necessary measures to optimize liquidity management, keeping a strong position that can rely on the availability of large buffers and on highly stable funding.

In 2021, the European Central Bank continued with its accommodative monetary policy, which succeeded in mitigating potential liquidity crunch striving to support the financial systems in order for it to lend to the real economy.

High vaccination rates in advanced Countries and in some emerging Countries reduced the economy sensitivity to the COVID-19 pandemic. The progressive reabsorption of the economic effects of the pandemic, the mismatches between demand and supply, and the signs of tension on the labour market prompted central banks to change their stance. In mid-December, the European Central Bank announced that, in Q1 2022, the amount of the pandemic emergency purchase programme (PEPP) with be tapered and then ended by the end of March 2022.

Based on these elements, Crédit Agricole ItaliÀs available liquidity buffers have been deemed adequate to meet present and forward-looking requirements.

The s LCR and NSFR of Crédit Agricole Italia, at 302% and 142%, respectively, remain well above the minimum regulatory requirement throughout the Business plan duration.

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of liquidity risk General and organizational aspects

Liquidity risk reflects the possibility that Crédit Agricole Italia may not be able to meet its payment commitments, both expected and unexpected, without prejudicing its daily operations or its financial position. This risk is managed based on the following components:

- Management of short-term liquidity: its objective is to ensure the balance between incoming and outgoing liquidity flows, in the perspective of continuously supporting normal banking operations;
- Management of structural liquidity: its objective is to maintain the balance between total liabilities and medium-/ long-term assets.

The liquidity risk management model, approved by Crédit Agricole Italia Board of Directors, is based on the principle of separation of liquidity management and measurement processes from control processes, in compliance with the regulatory requirements and with the guidelines issued by Crédit Agricole S.A.

The model provides for the governance and management of liquidity risk to be centrally performed by the Parent Company Crédit Agricole Cariparma, which is also responsible for the funding process of all the entities of the Group. This framework is defined as the “Liquidity System”.

The model lays down the responsibilities of the Corporate Bodies and Functions Holders involved, specifically:

- The Board of Directors, the body in charge of strategic oversight, is responsible for defining governance policies, the organizational structure and management processes. Specifically, it approves measurement methods, risk tolerance thresholds and the limits system, the assumptions at the basis of stress tests and the Contingency Funding Plan (CFP or *Plan d’Urgence*).
- The CFO, through the Finance Department, is the role responsible for management and, specifically, for the preparation of the reporting to the Bank of Italy, as well as of internal reporting on the Group’s liquidity situation (Liquidity Report). The Finance Department operates in compliance with the directions set by the ALM Committee, the Risk and Internal Control Committee, the RAF and the Risk Strategy.
- The Risk Management and Permanent Controls Department is responsible for the permanent controls framework, verifies compliance with global and operational limits, as well as with alert thresholds, prepares the reporting to corporate Bodies and triggers, where required, the alert procedures. Jointly with the Finance Department, it is also responsible for monitoring the ratios and indicators provided for in the Contingency Funding Plan.

The process for the management of liquidity risk is governed by the relevant risk policy.

Risk management and control: methodological aspects

The model adopted for liquidity risk management is based on the monitoring of the short-term component (up to 12 months) and the medium/long-term one.

The main objective of the short-term liquidity management process is to ensure that Crédit Agricole Italia is able to meet its on-balance-sheet payment commitments, expected and unexpected, in such a way as not to prejudice normal business operations.

A key condition for achieving this objective is to constantly maintain sufficient balance between incoming and outgoing liquidity flows.

The liquidity risk monitoring system considers the following factors:

- Keeping immediate liquidity, i.e. the net balance of customer sources, surplus own funds and loans to customers. This is carried out by recognizing cash inflows and outflows expected in the various ranges of residual maturity making up the maturity ladder;
- The continuation of the business activity at a planned pace (monitoring the performance of liquidity used in loans to customers/from customer sources).

An essential aspect of liquidity management is the definition of an interbank short-term refinancing limit (LCT - *Limite Court Terme*), which is fine-tuned in accordance with the guidelines given by the Parent Company Crédit Agricole S.A., aimed at limiting short-term funding on the market over a one-year time horizon in a market featuring stress conditions.

Short-term liquidity risk management and oversight policies aim at ensuring the surmounting of any crisis that leads to serious reduction in the Group's normal financing sources; in this regard, three stress scenarios have been identified:

- Systemic crisis: a situation that leads to partial closure of the short-term and medium-/long-term refinancing market, with continuing business operations. The Group must be able to continue operations for a time horizon of one year;
- Idiosyncratic crisis: a situation that leads to a bank run, partial closure of the short-term market and total closure of the medium-/long-term market with continuing business operations. In this scenario, the Group must be able to continue operations for a time horizon of three months;
- Global crisis: a situation having the combined features of both a systemic crisis and an idiosyncratic crisis, in terms of substantial bank run, total closure of the markets, use of reserves even though with write-downs. The Group must be able to continue business operations in a serious crisis for a time horizon of one month.

Within Short-Term Liquidity Risk monitoring, on a daily basis Crédit Agricole Italia calculates its Liquidity Coverage Ratio (LCR= Stock of high quality liquid assets/Total net cash outflows in the subsequent 30 calendar days). The LCR is a 30-day horizon ratio that simulates the combination of a systemic crises and an idiosyncratic one and measures the ability of the stock of liquid assets to ensure coverage of expected net cash outflows in the subsequent 30 calendar days.

As at 31 December 2021, the Liquidity Coverage Ratio (LCR) of Crédit Agricole Italia was 302%, once again firmly above the set compliance requirements.

Global alert thresholds have also been implemented for the management medium-/long-term liquidity, by defining the ratios *Position en Resources Stable* (PRS – Stable Resources Position) and *Coefficient en Resources Stable* (CRS – Stable Resources Ratio). They aim at ensuring financial balance between stable founding (medium-/long-term funding on the market, funding from Customers, own funds) and long-term uses (non-current assets, loans to Customers, Customers' securities and LCR reserves).

PRS and CRS positive levels substantiate the Crédit Agricole Italia Banking Group's ability to support its assets during a crisis.

Moreover, a concentration limit to medium/long-term maturities (*Concentration des échéances* MLT) has also been set, which aims at ensuring balance between maturities of MLT resources and long-term uses.

The resilience ratios and indicators for every one of the assumed scenarios are calculated on a monthly basis. These ratios and indicators have the purpose of monitoring compliance with the Crédit Agricole Italia Banking Group's risk appetite and are benchmarked against specific global limits laid down by Crédit Agricole S.A. and approved by the Group Risk Committee, upon presentation of the Risk Strategy and then submitted to the Board of Directors of the Parent Company Crédit Agricole Italia for its approval.

Within its medium/long-term Liquidity Risk monitoring, the Crédit Agricole Italia Banking Group calculated its Net Stable Funding Ratio (NSFR) on a quarterly basis. The ratio, which shall be higher than100%, has the Available Stable Funding (ASF) figure as the numerator and the Required Stable Funding (RSF) figure as the denominator.

As at 31 December 2021, the Liquidity Coverage Ratio (NSFR) of Crédit Agricole Italia was 142%, once again firmly above the set compliance requirements.

Diversification of the Group's refinancing sources through Covered Bonds placed in the market continued in 2021. To that effect, in March 2021, the Group substantiated once again its commitment to environmental protection with the first issue in the Italian market of Green Covered Bonds (CB), for a total amount of Euro 500 million and 12-year maturity. Consistently with the Group's green finance objectives, the issue aimed at financing or refinancing a pool of residential mortgage loans originated for the purchase of high energy efficiency properties. Furthermore, in June 2021 the Group made another issue of retained covered bonds with 4-year maturity for Euro 1,000 million.

With these transactions, the Crédit Agricole Italia Banking Group and its member entities aim at further improving their liquidity profile diversifying financing sources and stabilizing them on longer maturities.

Crédit Agricole FriulAdria participated in the cover pool transferring credit claims from mortgage loans and obtained its share of M/L term liquidity.

Furthermore, within the ECB Targeted Longer-Term Refinancing Operations,(TLTRO) programme, between December 2019 and March 2021, the Parent Company Crédit Agricole Italia participated in TLTRO-III.

Lastly, in marketing the products of the Group's Banks, the internal transfer rate system takes account of the cost of liquidity. Based on the products' financial features and on the prevailing market conditions, the system enables to determine the internal return rate, which, in turn, is the basis for the pricing of lending and direct funding products.

Risk control

The Risk Management and Permanent Controls Department is responsible for verifying compliance with the set limits; therefore it prepares its own Financial Risk Report on a monthly basis and sends it to relevant corporate bodies, informing them of the control outcomes and of any breaches of the limits or alert thresholds and, in case any limits or thresholds are breached, it asks the Finance Department for a recovery plan.

On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to Crédit Agricole Italia Boards of Directors.

Lastly, in case any limits are breached, the Risk Management and Permanent Controls Department shall inform, through the Alert Procedure in force, the relevant Top Bodies of the Group and the relevant structures of Crédit Agricole SA., depending on the type of breach detected.

Jointly with the Finance Department, the Risk Management and Permanent Controls Department is also responsible for monitoring the ratios/indicators provided for in the Contingency Funding Plan (CFP).

The CFP of the Crédit Agricole Italia Banking Group is approved by the Board of Directors of the Parent Company Crédit Agricole Italia and applies to all the legal entities within the liquidity risk monitoring perimeter.

DISCLOSURE

The document "Disclosure" (Basel III Third Pillar) referring to 31 December 2021 is published on the Group's website https://gruppo.credit-agricole.it/bilanci-Italia.

It is pointed out that the Crédit Agricole Italia Banking Group is controlled by a parent company based in the EU and, therefore, the conditions laid down in Part One, Title II, Chapter 2, Article 13, Paragraph 1 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) as amended (CRR 2 - Regulation (EU) 2019/876 on "Application of disclosure requirements on a consolidated basis" are met.

QUANTITATIVE DISCLOSURES

1. Breakdown of financial assets and liabilities by residual contract maturity

Items/Time brackets EURO	Sight	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 months to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**2,258,028**	**113,630**	**165,164**	**928,656**	**1,294,986**	**2,556,476**	**3,895,204**	**25,717,632**	**20,571,278**	**9,120,815**
A.1 Government securities	462	-	3,128	-	49,322	244,253	162,111	9,177,904	1,347,307	-
A.2 Other debt securities	5	-	-	-	-	-	15,919	13,410	342,718	135,216
A.3 Units of collective investment undertakings	46,658	-	-	-	-	-	-	-	-	-
A.4 Loans	2,210,903	113,630	162,036	928,656	1,245,664	2,312,223	3,717,174	16,526,318	18,881,253	8,985,599
- banks	667,966	229	-	474,718	3,215	6,207	181,717	772,467	927,900	8,985,599
- customers	1,542,937	113,401	162,036	453,938	1,242,449	2,306,016	3,535,457	15,753,851	17,953,353	-
On-balance-sheet liabilities	**39,453,787**	**1,040**	**16,918**	**1,147,348**	**71,573**	**62,515**	**177,924**	**16,842,801**	**6,455,295**	**-**
B.1 Deposits and current accounts	39,106,988	-	-	77,634	5,060	309	16,232	554,000	479,900	-
- banks	980,054	-	-	77,423	-	-	-	554,000	479,900	-
- customers	38,126,934	-	-	211	5,060	309	16,232	-	-	-
B.2 Debt securities	140,197	1,040	16,289	1,064,536	50,730	29,997	100,207	4,432,438	5,000,000	-
B.3 Other liabilities	206,602	-	629	5,178	15,783	32,209	61,485	11,856,363	975,395	-
Off-balance-sheet transactions	**92,949**	**55,443**	**52,018**	**110,461**	**325,605**	**264,028**	**495,855**	**783,498**	**635,000**	**-**
C.1 Financial derivatives with exchange of principal	-	55,020	37,710	89,260	242,127	218,251	202,080	63,498	-	-
- long positions	-	28,050	18,852	44,621	121,042	109,050	100,998	31,749	-	-
- short positions	-	26,970	18,858	44,639	121,085	109,201	101,082	31,749	-	-
C.2 Financial derivatives without exchange of principal	92,949	423	14,308	21,201	83,478	45,777	293,775	720,000	635,000	-
- long positions	44,495	26	14,307	19,404	52,008	32,915	236,027	110,000	500,000	-
- shot positions	48,454	397	1	1,797	31,470	12,862	57,748	610,000	135,000	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Items/Time brackets Other currencies	Sight	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month Up to 3 months	From over 3 months Up to 6 months	From over 6 months Up to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**16.822**	**1.321**	**12.712**	**34.942**	**81.791**	**11.532**	**3.281**	**22.157**	**8.829**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.4 Loans	16.822	1.321	12.712	34.942	81.791	11.532	3.281	22.157	8.829	-
- banks	-	-	61	91	-	-	1.196	-	-	-
- customers	16.822	1.321	12.651	34.851	81.791	11.532	2.085	22.157	8.829	-
On-balance-sheet liabilities	**257.894**	**41.295**	**10.781**	**11.671**	**44.525**	**4.926**	**2.542**	**-**	**-**	**-**
B.1 Deposits and current accounts	257.026	41.295	10.781	11.671	44.525	4.926	2.542	-	-	-
- banks	14.392	41.295	10.781	11.671	44.525	4.926	1.355	-	-	-
- customers	242.634	-	-	-	-	-	1.187	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	868	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**16.308**	**134.276**	**38.816**	**91.657**	**246.803**	**222.060**	**204.870**	**61.376**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	55.683	38.816	90.642	246.468	221.876	204.870	61.376	-	-
- long positions	-	27.317	19.408	45.321	123.234	110.991	102.435	30.688	-	-
- short positions	-	28.366	19.408	45.321	123.234	110.885	102.435	30.688	-	-
C.2 Financial derivatives without exchange of principal	291	-	-	-	-	-	-	-	-	-
- long positions	146	-	-	-	-	-	-	-	-	-
- shot positions	145	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	61.886	-	844	-	-	-	-	-	-
- long positions	-	31.365	-	-	-	-	-	-	-	-
- short positions	-	30.521	-	844	-	-	-	-	-	-
C.4 Commitments to disburse funds	16.017	16.707	-	171	335	184	-	-	-	-
- long positions	16.017	-	-	171	335	184	-	-	-	-
- short positions	-	16.707	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Section 5 – Operational risks

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of operational risks

The Crédit Agricole Italia Banking Group has adopted the definition of operational risk given in "Basel 2 – International Convergence of Capital Measurement and Capital Standards" prepared by the Basel Committee on Banking Supervision.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

In that scope, in 2021 Crédit Agricole Italia underwent an audit by the Autorità Garante della Concorrenza e del Mercato (the Italian Competition Authority), which, on 22 September 2021, served the Issuer with the notice of start of preliminary investigations under Article 27, paragraph 3, of Italian Legislative Decree no. 206 of 6 September 2005 (the Italian Consumer Protection Code), and under Article 6 of the "Regulation on preliminary investigation procedures regarding misleading and comparative advertising, unfair commercial practices, violation of consumers' rights in contracts, breach of the prohibition of discrimination and unfair clauses" in order to assess whether the Issuer adopted a conduct allegedly breaching Articles 20, 24 and 26, paragraph 1, letter f), of the Consumer Protection Code as regards the methods whereby the Issuer proposes the instant credit transfer service to its customers. At the end of the proceeding, being of the view that the methods to present the service to customers (suggesting that the instant credit transfer option be chosen) and the request for the option confirmation qualify as fit to exercise undue influence and to limit the average consumer's freedom of choice, the Italian Competition Authority imposed an administrative pecuniary penalty on the Bank amounting to Euro 1,000,000. Furthermore, on 25 November 2021 the aforementioned Authority served the Issuer with the notice of start of yet another preliminary investigation proceeding aimed at assessing the alleged violation of Article 20, paragraph 2, Article 24 and Article 25 of the Consumer Protection Code consisting in undue influence exercised on consumers and/or microenterprises in order for them to accept services provided by a consulting firm as the entity issuing the tax compliance endorsement that is necessary to obtain the transfer of tax credits from, and/or Article 20, paragraph 2 and Article 26, letter f), of the Consumer Protection Code, for a services not requested and provided for a price. The preliminary investigation proceeding started by the Italian Competition Authority was still underway as at the reporting date and there were no elements that could be used to make any forecast.

Given the findings reported by the Bank of Italy after the audits it carried out on compliance with the transparency legislation in 2018, about which disclosure was given in 2019, Crédit Agricole Italia prepared and implemented an action plan to remedy the shortcomings found, which, among other things, aimed at reducing operational risks resulting from the fact that the contractual documents to be formally executed with customers were managed by hand, refunding any expenses debited by mistake, improving transparency in the proposal of insurance policies combined with loans, upgrading the remuneration of credit lines and positions overlimit to the guidelines published by the Bank of Italy during the audit and strengthening its controls system. Upon completion of the implemented actions, on 29 September 2021 the Bank of Italy made some additional requests for clarifications and/or further information.

Audit under Article 6-*ter*, paragraph 1, of the Italian Consolidated Law on Finance by CONSOB
On 26 November 2020, CONSOB (Italian Securities and Exchange Commission) started an audit under Article 6-*ter*, paragraph 1, of the Italian Consolidated Law on Finance, aimed at assessing the degree of compliance with the new legislation transposing MiFID II, having regard to the following scopes:
(i) The procedural structures designed for product oversight governance; and
(ii) The procedures for assessing the adequacy of the transactions made on behalf of customers.

On 10 January 2022, the Bank received a technical note from CONSOB containing the outcomes of the aforementioned audit, based on which no expenses are expected. The corporate officers of the Crédit Agricole Italia Group met with CONSOB in order to discuss the scopes in which the Group intends to strengthen its procedural structures, also in the light of the audit findings. By the end of Q1 2022, the Crédit Agricole Italia Group will submit a written report to CONSOB on the initiatives being planned both as regards the implementation of additional organizational controls, in addition to those already in force, and as regards the IT procedures that the Bank uses to provide its services. Some of the enhancement measures currently being assessed are, by way of example, the evolutions in the commercial planning process, aimed at giving more weight to customers' needs, update of the tools to survey customers' features and fine-tuning of the algorithms measuring the adequacy of the transactions made on behalf of customers.

To consolidate and enhance control of operational risks, the Group has set clear objectives:
- To achieve full compliance with the requirements set by the Supervisory regulations for internal control systems (15th update of Bank of Italy's Circular No. 285/2013 as updated).
- To maintain constant full compliance of Crédit Agricole Italia (including the Creval Group until its merger by absorption) and CA FriulAdria with the regulatory requirements for the use of the Traditional Standardised Approach (TSA) and full compliance of the other banking entities of the Group with the requirements for the use of the Basic indicator approach (BIA) to calculate their regulatory capital.
- To constantly improve the monitoring of risks and losses, in order to allow a management- oriented approach, especially in terms of risk mitigation and prevention initiatives, as well as risk culture dissemination;
- Fine-tuning of the permanent controls systems and extension of the coverage of said controls within the company perimeter.

Macro-organisational aspects

Governance of the Group operational risks is the responsibility of the Risk Management and Permanent Controls Department of Crédit Agricole Cariparma, which implements the guidelines issued by the Risk Management Department of the Controlling Company Crédit Agricole S.A., and reports on a solid line to the latter.

The Risk Management and Permanent Controls Department (Italian acronym DRPC) performs risk management and control activities for all the Companies of the Crédit Agricole Italia Banking Group.

In compliance with the supervisory regulations, the Group has formalized the roles and responsibilities of the corporate bodies and structures involved in the management of operational risks.

The governance model provides for:
- A centralized strategy for the control of operational risks;
- Close connections with the activities for permanent controls;
- Synergies with the Compliance Department and with the Internal Audit Department.

Risk management

The Group has adopted a model that is consistent with the guidelines issued by Crédit Agricole and governed by the central department, which works with the well-established and complementary contributions, in its operating, management and mitigation activities, of specialized roles, departments and mechanisms:
- Operational Risk Manager (ORM or with the Italian acronym: MRO);
- Control on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE) and on Physical Security;
- MRSI (Manager des Risques SI), in charge of monitoring and control of IT risks on the Information System, on the Business Continuity Plan (BCP or with the Italian acronym PCO) and on physical security;
- CISO (Chief Information Security Officer), who is responsible for the security of corporate information;
- Information Security Manager (ISM): who is responsible for the implementation and management of the Information System operational security;
- Business Continuity Manager (BCM), who is responsible for the Group's Business Continuity Plan;
- Persons in charge of Controls, within the Distribution Network structures, with the task of performing 2nd degree 1st level permanent controls;
- Structures, systems and tools, instrumental for proper risk control and for the management of mitigation/ improvement actions, including:
  - The Risk and Internal Control Committee;
  - The BCP (Business Continuity Plan) Interfunctional Unit;
  - The Supervisory Committee on IT Security and on BCP of the Parent Company Crédit Agricole S.A. (CS, Supervisory Committee on Security and Business Continuity);
  - The system of permanent controls for the Distribution Network, together with early warning synthetic indicators;
  - Work Groups for Improvement.

The upgrading of the process for the management and control of operational risks to the guidelines issued by Crédit Agricole S.A. aims at harmonizing the general methods used throughout the Group and consists of the macro-phases listed below:

- Detection, identification and classification of risks and losses and their recognition in the accounts where necessary;
- Assessment and measurement of the risk profile for every corporate environment;
- identification of mitigation actions and preparation of the action plan;
- Verification of the adequacy of the control plan and increase in control points;
- Verification of actual implementation of controls;
- Verification of correct exercise of mitigation actions;
- information and reporting.

In the above phases, the following processes are also applied:

- Loss data collection (recording, classification and processing of loss data);
- Risk self-assessment ((self-assessment of the exposure to operational risks relating to the specific structures engaged in operating functions and the relevant processes);
- Direct involvement of corporate structures in collective assessment work groups (Improvement, ...).

Each one of these processes entails information processing based on methods that are predefined, repeatable and formalized in the Company's normative instruments, as well as with the support of specific application tools.

Risk mitigation

The Group has implemented a policy for operational risk mitigation through:

- Specific self-assessment activities on a yearly basis (Risk Self-Assessment") aimed at designing an annual Action Plan containing all the initiatives that the owners of the various corporate processes have identified as required in order to mitigate the detected operational risks operational risks; the Action Plan is then submitted to the Board of Directors for approval;
- Implementation of the permanent controls plan, both within the Distribution Network and at Central Departments, in order to have the most critical processes fully under control;
- A fraud prevention system governed by the Compliance Department;
- Implementation of the framework for controlling and monitoring outsourced critical and important functions (CIF);
- Implementation of the framework for controlling and monitoring;
- Physical security;
- Business Continuity (BCP);
- Implementation of the function for control and monitoring of Information and Communication Technology (ICT) Risk.

Transfer of risk

The Structure in charge of Control on the Insurance Coverage of the Group, which is part of the Operational Risks Division of the Risk Management and Permanent Controls Department, is responsible for the process that governs the insurance policies covering the Group's insurable risks and for the definition of the regulations governing it.

The implemented insurance strategy provides – through specific policies – for the coverage of material events having exceptional nature and not for the coverage of recurring routine events having medium-low amounts (the so-called expected losses). It follows that the insurance policies in force cover events that are not frequent but that could have severe consequences, consistently with the insurance approach of the Crédit Agricole Group and in full compliance with the guidelines issued by the Regulator.

Where the outcomes of specific assessments prove it appropriate, the Structure in charge shall:

- Transfer insurable risks underwriting specific insurance policies, in order to mitigate the impact of any unexpected losses and in accordance with the best practices in the System;
- Coordinate with CA S.A., in order to ensure full consistency between the transfer strategy and the Group objectives;
- Exercise control on and provide support to the various corporate structures in outsourcing management, with specific focus on the outsourcing of Critical and Important Functions (CIF);
- Perform controls and specific analyses on the insurance policies underwritten by the Providers of Outsourced Critical or Important Functions (CIF), in order to assess their adequacy to the risks associated with the outsourced essential services.

Risk management oversight and shared solutions

This is the specific task of the Group Risk and Internal Control Committee, composed of the main Corporate Function holders, which is responsible for:

- Approving guidelines and action plans on Operational Risks;
- Acknowledging the Loss Data Collection (LDC) outcomes;
- Monitoring control activities and outcomes, as well as periodically validating the mapping of operational risks;
- Governing Business Continuity for the Crédit Agricole Italia Banking Group;
- Monitoring and, if necessary, taking action on Information and Communication Technology (ICT) Risk for the Crédit Agricole Italia Banking Group, assessing the situation based on the periodic reporting made by the MRSI (*Manager des Risques SI*) and by the CISO (Chief Information Security Officer);
- Assessing the risk analyses on critical or important functions, i.e. essential services for the Crédit Agricole Italia Banking Group;
- Managing risk transfer, with specific reference to insurance coverage.

Loss data

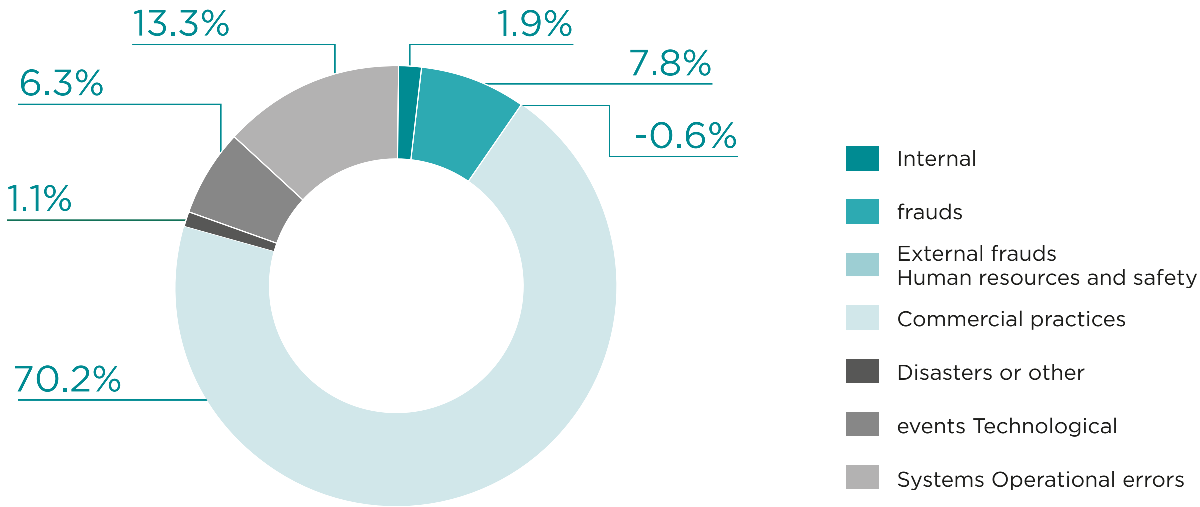
Operational losses, which the model considers as quantitative data, are collected, managed and analyzed, to different levels of granularity and detail, using an event classification scheme complying with the one set by the Basel II Framework, by the Supervisory Authority and by Crédit Agricole S.A. The basic structure is as follows:

- Internal frauds: events due to deliberate acts committed by at least one party internal to the Bank and causing losses to the Bank;
- External frauds: events due to deliberate acts committed exclusively by parties that cannot be defined as internal to the Bank, generally for the purpose of personal gain;
- Relations with staff and workplace safety: events relating to the relations between the company and its staff or to the failure of the workplace to meet health and safety standards. These include liabilities arising from accidents to employees in company offices or vehicles;
- Business practices: events linked to the supply of products and provision of services to Customers carried out in an improper or negligent manner (fiduciary requirements and adequate information on investments), as well as defects in the nature or features of products/models/contracts. These include liabilities arising from breach of public security laws or other legislation not specific to the banking sector;
- Disasters or other events: events due to natural causes or human actions, which lead to damage to company resources (tangible or intangible property, persons, etc.) and/or service interruptions or other events (including improper conduct/illegal acts by third-party companies that damage the company). The category also includes liabilities arising from political changes and retroactive changes in legislation and taxation;
- Technological systems and services: losses arising from the malfunctions, logical or structural defects in technological and other support systems;
- Execution, delivery and management of processes: events arising from unintentional errors in the management of operational and support assets or caused by counterparties other than Customers and Vendors.

For Loss Data Collection and for reporting consolidated loss data, the Crédit Agricole Italia Banking Group has adopted an IT application especially designed for the adoption of advanced approaches, as well as specific tools and models developed directly by Crédit Agricole S.A.

QUANTITATIVE DISCLOSURES

With reference to sources of operational risk, the breakdown of net losses (gross losses net of other collection excluding insurance-related ones) by event type recognized in 2021 is given below. Any"boundary losses" have been excluded.



Information and Communication Technology (ICT) Risk

Pursuant to the regulatory provisions issued by the Bank of Italy (Circular 285/13), Information and Communication Technology (ICT) Risk is defined as the "risk of suffering losses, in terms of income, reputation and market shares, associated with the use of Information and Communication Technology (ICT) [...]. In the integrated statement of corporate risks for prudential purposes (ICAAP), this type of risk is included, in accordance with specific aspects, among operational, reputational and strategic risks".

To analyze and assess ICT risks on its IT resources, the Crédit Agricole Italia Banking Group implements and develops the key concepts of the "MESARI Risk Analysis Methodology" of the Parent Company Crédit Agricole S.A., supplementing it, to achieve an overall representation of its risk position, with:

- The definition of the risk taxonomy of the information system (ICT Governance and strategy, ICT availability and continuity risk, ICT security risk, ICT change risk, ICT data integrity risk, ICT outsourcing risk);
- The outcomes of the Risk Self-Assessment Process;
- The outcomes of the process for collection of Operational Losses data;
- The outcomes of the Permanent Controls framework;
- Continuous information flows on the main processes/events concerning the Information System and Information System Security, with specific reference to incident management.

The ICT Risk governance stricture meets the requirements in terms of roles and responsibilities; in 2021 the activities to comply with regulatory requirements and expectations were completed, specifically PSD2 (management of third party access, API Management).

Furthermore, the actions to manage the Covid-19 pandemic continued also in 2021 and led to keeping work from home (smartworking) at a considerably high level, as well as digitalization and remotization of contact and sale processes with Customers; safety and risk control measures were concomitantly upgraded to meet the changed operational needs, which caused strong pressure on the availability and security of the Group's information system.

The structures involved in IT Risk Governance are:

- The Risk Management and Permanent Controls Department of the Crédit Agricole Italia Banking Group, which comprises the ITC risk monitoring function (Information System and Information Security System);

- The Chief Operating Officer (COO) of the Crédit Agricole Italia Banking Group is also the Chief Information Security Officer (CISO), for the Information Security System scope;
- The Head of the Security Division of Crédit Agricole Group Solutions, who has been vested with the role of Security Manager for the Information Security System scope;
- The Head of the Information Systems Department of Crédit Agricole Group Solutions (CIO, Chief Information Officer) for the Information System scope (other risk not security-related).

Business Continuity Plan (Italian acronym: PCO)

In 2021, the Group continued to update and verify its Business Continuity Plan to take account of the changes in the scenario and in the Group's organisational, technology and software infrastructure.

In 2021, the main activities were:

- Continuing with the activities subsequent to the activation of the Crisis Management Organizational Model (CMOM or with the Italian acronym MOGC): specifically, to manage the health emergency the Covid-19 Task Force was kept in operation as the Crisis Management Operational Unit and as the Surveillance Team, having the Head of Physical and Occupational Safety Service (the head of the Prevention and Protection Service), the Company's physician and the Human Resources Department among its members; the Covid-19 Task Force periodically reports to the Group Top Management.
- Periodic testing and certification exercises on the solutions for information system recovery and on critical processes in the business continuity scope;
- Adequacy assessment and analysis of business continuity plans and of the relevant tests of providers of Outsourced Critical and Important Functions (CIF), continuing also with the activity on NON-CIF vendors involved in critical processes;
- Testing the Crisis Management Organizational Model (Italian acronym MOGC), by simulating a cyberattack;
- The updating of the Business impact analysis (BIA);
- The updating of contingency Operational Plans (back-up solutions to be triggered in case of crisis).

Participation in the "Test Contingency" of Eba Clearing, which provides for the simulation of a loss of part of the Target2 system.

Critical or Important Functions (CIF or FEI, called PSEE – Provisions of Outsourced Essential Services - by Crédit Agricole S.A.)

The unit in change of control on Outsourced Critical or Important Functions, which is in the scope of the Operational Risks and Permanent Controls Division of the Risk Management and Permanent Controls Department, governs the system of controls on compliance with the processes in force for the outsourcing of critical and important functions; moreover, it has specific responsibilities for the definition of risk monitoring controls and plays a management and methodological support role, especially as regards risk assessment.

Within the Organization Department, the Group Outsourcing Governance structure was set up to support the Outsourcing Manager of the Crédit Agricole Italia Banking Group, in its performing its functions as the single point of contact for outsourcing and vested with the responsibility for managing the governance of outsourced functions, providing support in the design of the strategic directions, managing communication and interaction with the Regulator, the preparation of information reports to the Corporate Bodies and to the Top Management of the Bank and of the Companies of the Group.

In 2021, the most important actions concerned:

- Strong support to the corporate structures in the phases of outsourcing management, aimed both at proper implementation of the process and at wider dissemination of an outsourcing culture and the analysis of the associated risks;
- The review and upgrading -by the Unit responsible for control on outsourced critical and important functions - of the monitoring tools it uses to perform its tasks;
- The review and update of the tools used to assess risks associated with outsourcing;
- Monitoring of the process for the preparation of the Register of Outsourcing Arrangements as a tool for the governance and management of information concerning all outsourcing arrangements in force, with different level of detail for critical and important functions;
- Monitoring of the project aimed at ensuring compliance with the outsourcing arrangements and with the new rules and expectations introduced by Circular 285/13 transposing the EBA new guidelines;

- General monitoring on and actions to increase the awareness of the outsourced service owners as regards their responsibilities, using also:
  - A specific "*tableau de bord*", managed by the CIFI/PSEE control unit;
  - Regular updating of the permanent controls plan;
  - Systematic performance of specific activities (e.g. "risk assessment", participation in work groups).

The most important results concerned the consolidation of methods, approaches and culture on this matter, all foreboding satisfactory general quality within the outsourcing of Critical and Important Functions (FEI).

PART F – INFORMATION ON EQUITY

Section 1 – Consolidated equity

QUALITATIVE DISCLOSURES

The own funds management policy implemented by Crédit Agricole Italia is aimed at maintaining an adequate level of resources in order to be able to cope at any time with the risks taken.

QUANTITATIVE DISCLOSURES

B.1 Consolidated equity: breakdown

The breakdown of consolidated equity as at 31 December 2021 is given below:

Items/values	Amount as at 31 Dec. 2021	Amount as at 31 Dec. 2020
1. Capital	**979,283**	**979,235**
2. Share premium reserve	**3,118,688**	**3,118,389**
3. Reserves	**2,011,528**	**1,568,206**
- retained earnings		
a) legal reserve	195,847	192,078
b) reserve provided for by the Articles of Association	1,042,689	969,570
c) treasury shares	-	-
d) other	353,029	403,530
- other	419,963	3,028
4. Equity instruments	**815,000**	**715,000**
5. (Treasury Shares)	**-**	**-**
6. Valuation reserves	**-48,666**	**-33,784**
Equity securities designated at fair value through other comprehensive income	-12,823	-13,358
Hedging of equity securities designated at fair value through other comprehensive income	-	-
Financial assets (other than equity securities) measured at fair value through other comprehensive income	12,588	27,450
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging of investments in foreign operations	-	-
- Cash flow hedges	-	-
Hedging instruments (non-designated elements)	-	-
- Foreign exchange differences	-	-
- Non-current assets held for sale and discontinued operations	-	-
Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
- Actuarial gains (losses) relating to defined-benefit pension plans	-48,431	-47,876
- Share of Valuation Reserves on investees measured using the equity method	-	-
- Special revaluation laws	-	-
7. Profit (Loss) for the period	**-71,836**	**168,206**
Total	**6,803,997**	**6,515,252**

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets/Values	Total 31 Dec. 2022		Total 31 Dec. 2021	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	13,053	465	27,451	-
2. Debt securities	1,853	14,675	1,284	14,642
3. Loans	-	-	-	-
Total	**14,906**	**15,140**	**28,735**	**14,642**

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equity securities	Loans
1. Opening balance	**27,451**	**-13,358**	**-**
2. Increases	**6,443**	**2,133**	**-**
2.1 Fair value gains	4,733	2,053	-
2.2 Adjustments for credit risk	1,710	X	-
2.3 Reclassification to profit or loss of negative reserves from disposal	-	X	-
2.4 Transfers to other equity components (equity securities)	-	80	-
2.5 Other changes	-	-	-
3. Decreases	**21,306**	**1,597**	**-**
3.1 Fair value losses	5,233	1,419	-
3.2 Recoveries for credit risk	157	-	-
3.3 Reclassification to profit or loss of positive reserves from disposal	15,916	X	-
3.4 Transfers to other equity components (equity securities)	-	178	-
3.5. Other changes	-	-	-
4. Closing balance	**12,588**	**-12,822**	**-**

B.4 Valuation reserves relating to defined-benefit plans: annual changes

	31 Dec. 2021
1. Opening balance	**-47,876**
2. Increases	**2,090**
2.1 Actuarial gains	1,880
2.2. Other changes	210
3. Decreases	**2,645**
3.1 Actuarial losses	2,645
3.2. Other changes	-
4. Closing balance	**-48,431**

Section 2 – Own Funds and supervisory requirements

Reference is made to the information on own funds and capital adequacy contained in sections 2 and 3 of the “Basel 3 Third Pillar” disclosure to the public, which can be found on the website of the Crédit Agricole Italia Banking Group, at https://gruppo.credit-agricole.it/bilanci-ca-italia, concomitantly with the publication of the Annual Report and Financial Statements.

PART G - BUSINESS COMBINATIONS

Section 1 – Business combinations made in the reporting year

In 2021 a 100% shareholding in Credito Valtellinese S.p.A. was acquired. Please, see Part G of the note to the consolidated financial statements for more detailed information on the combination and o the PPA.

Section 2 - Business combinations made after the reporting date

No business combinations were made after the reporting date.

Section 3 – Retrospective adjustments

There were no retrospective adjustments.

PART H - TRANSACTIONS WITH RELATED PARTIES

The closeness of some persons to a company's decision-making centers may compromise the objectivity and impartiality of its decisions, with possible distortions in the allocation of resources, as well as expose the company to risks and damages to itself and to its stakeholders.

This is the matter addressed by CONSOB with its Regulations containing provisions relating to transactions with related parties (adopted by CONSOB with Resolution no. 17221 of 12 March 2010, laying down specific measures for Italian companies listed in Italian regulated markets or in regulated markets of other EU Member States and whose shares are publicly held to a considerable extent, in order to ensure transparency and substantial and procedural fairness of transactions with related parties carried out directly or through subsidiaries.

The regulation issued by the Bank of Italy on 12 December 2011, on risk activities and conflicts of interest with associated persons falls within the scope of the regulatory framework concerning related parties (Article 2391-bis of the Italian Civil Code, Article 53 of the Italian Consolidated Law on Banking (TUB) and CONSOB Regulation No. 17221/10) and has been designed to "*control the risk that the closeness of some persons to the Bank's decision-making centers may compromise the objectivity and impartiality of decisions relating to loan granting and other transactions with the same persons, with possible distortions in the allocation of resources, in the Bank's exposure to risks not adequately measured or controlled, potential damages to depositors and shareholders*". This regulation came into force on 31 December 2012 and, consequently, the Group submitted its the first supervisory reporting on 31 March 2013, as expected by the competent Authorities.

The Crédit Agricole Italia Banking Group had already adopted a Regulation on transactions with related parties implementing the original CONSOB regulation of 2010; afterwards, on 11 December 2012, in accordance with the regulation issued by the Bank of Italy, Crédit Agricole Italia approved the Document "Regulation for Risk Assets and Conflicts of Interests with Parties associated to the Crédit Agricole Italia Banking Group", in order to give the Group a specific internal normative instrument on this matter and to harmonize the various regulations in force; the Document was then updated on 29 July 2014.

On 25 July 2018, the Board of Directors of Crédit Agricole Italia approved the adoption of the new "Regulation on transactions with Associated Persons", which was then adopted by the other Banks and Companies of the Crédit Agricole Italia Banking Group.

Afterwards, with resolution no. 21624 of 10 December 2020 CONSOB amended the Regulation on Transactions with Related Parties as issued with its previous resolution no. 17221 of 12 March 2010. As said amendments entered into force on 1 July 2021, the "Regulation on Transactions with Associated Persons" of the Crédit Agricole Italia Banking Group had to be aligned with them; the Regulation on Transactions with Associated Persons defines and formalizes, in a single normative instrument, the procedures that the Banks and the Companies of the Crédit Agricole Italia Banking Group apply to transactions with associated persons, in compliance with the relevant instructions and rules issued by CONSOB and by the Bank of Italy.

Furthermore, the document implements the amendments introduced with the 33rd update of 23 June 2020 to "Supervisory Provisions for Banks - Risk assets and conflicts of interest with associated persons", whereby a new chapter, Chapter 11, was added to Part III, up to then contained in Circular no. 263/2006, aligning it to the new regulatory framework and, specifically, it excluded, under certain conditions, equity investments in insurance undertakings from the scope of application of prudential limits.

In addition to identifying the related parties and the associated persons of the Crédit Agricole Italia Banking Group, the Regulation on transactions with Associated Persons lays down prudential limits to risk assets with associated persons, sets the procedures to process and approve transactions with related parties, defines specific rules with regard to transactions with related parties made by the companies belonging to the Group and lays down procedures and timeframes for the provision of reporting and appropriate documentation on the transactions (i) to independent directors/Related Party Committee, as well as, where necessary, (ii) to the control bodies.

With regard to controls, the required activities are carried out by different corporate roles and structures, in different capacities and in the different phases of the process, in order to ensure constant compliance with the prudential limits and resolution-making procedures as provided for by the applicable legislation, also pursuing the objective to appropriately prevent and manage potential conflicts of interests that may result from transactions with associated parties.

Related parties

Pursuant to its "Regulation on Transactions with Associated Persons", related parties of the Crédit Agricole Italia Banking Group's banks and supervised intermediaries are persons in the capacity as:

(a) In accordance with the aforementioned Consob Regulation[31], a related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity). Specifically:
   - i. A person or close member of that person's family is related to a reporting entity if that person:
   - ii. Has control or joint control over the reporting entity,
   - iii. Has significant influence over the reporting entity; or
   - iv. Is a member of the key management personnel of the reporting entity, i.e. the Bank and the supervised intermediary of the Banking Group, or of a parent of the reporting entity;

(b) An entity is related to a reporting entity if any of the following conditions applies:
   - i. The entity and the reporting entity are members of the Crédit Agricole Group;
   - ii. The entity is an associate or joint venture of the Bank and/or of the supervised intermediary (or an associate or joint venture of a member of the Crédit Agricole Group);
   - iii. Both entities are a joint venture of the same third party;
   - iv. It is a joint venture of a third entity that is an associate of bank and of the supervised intermediary;
   - v. It is a post-employment defined benefit plan for the benefit of employees of either the bank and/or supervised intermediary or of an entity that is related to them;
   - vi. It is controlled or jointly controlled by a person identified in (a);
   - vii. A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In the definition of related party, an associate includes the subsidiaries of the associate and a joint venture includes the subsidiaries of the joint venture.

In accordance with the Bank of Italy Provisions:

(c) Corporate Officer;

(d) Shareholder/Investor[32];

(e) The person, other than a shareholder/investor, that can appoint, on his/her/its own, one or more members of the Board of Directors, also based on any agreements in whatsoever form or clauses of the Articles of Association dealing with or providing for the exercise of the above rights and powers;

(f) A company or an enterprise, also set up in a legal form other than that of a company, on which a bank or an entity of the Group can exercise control or significant influence.

Connected Persons

Persons connected to a related party are defined as follows:

1. Companies or enterprises, also set up in a legal form other than that of a company, which are controlled by a related party among those set forth at letters a), b), d) and e) of the definition of related party, as well as companies or enterprises, also set up in a legal form other than that of a company, on which one of the related parties as per letter a) of the definition (i.e. Corporate Officer) can exercise significant influence;
2. Persons exercising control on a related party among those listed at letters d) and e) of the relevant definition, as well as entities that are directly or indirectly subject to joint control with the same related party;
3. Close family members of one of the related parties set forth in letters c), d), e), and f) of the relevant definition and the companies or enterprises, also set in a legal form other than that of a company, that are controlled, subject to joint control or significant influence by such related party.

31 The parties as defined by the IAS/IFRS endorsed in accordance with the procedure laid down in Article 6 of Regulation (EC) 1606/2002.

32 Shareholder/Investor": the party that is required to apply for the authorizations under Article 19 et seq. of the Italian Consolidated Law on Banking.

Associated Persons

Associated persons of the Crédit Agricole Italia Banking Group are defined as the set consisting of a related party and of all the persons connected to the same. For application at individual level, the banks and supervised intermediaries belonging to the Group refer to the same perimeter of associated persons as determined by the Parent Company.

1. Information on remuneration of senior managers with strategic responsibilities

In the light of the above-mentioned Regulation, "Managers vested with strategic responsibilities" or "Key management personnel" includes individuals having direct and indirect power and responsibility over the planning, management and control of the operations of Crédit Agricole Italia, including Directors, both executive and non-executive, and the members of control bodies.

The remuneration of Directors and Auditors is established with specific resolutions passed by the General Meeting of Shareholders.

The table below reports the amounts of the man benefits awarded to Directors, Auditors and managers vested with strategic responsibilities.

	31 Dec. 2021
Short-term benefits	10,613
Post-employment benefits Other long-term	247
benefits	-
Employee severance benefits	-
Share-based payments	-

2. Information on transactions with related parties

Transactions with related parties are the transfer of resources, services or bonds between the Company (or companies directly and/or indirectly controlled) and one or more of the related parties, independently of whether payment was agreed or not. Transactions carried out with related parties have followed the specific procedures provided for by the aforementioned Regulation.

TYPE OF RELATED PARTIES	Cash and cash equivalents	Financial assets held for trading	Financial assets through other comprehensive income	Financial assets measured at amortized cost: due from customers	Financial assets measured at amortized cost: due from banks	Financial liabilities measured at amortized cost: due to customers	Financial liabilities measured at amortized cost: due to banks	Guarantees given
Controlling Company	170,508	-	-	-	-	-	990,919	-
Entities exercising significant influence on the Company	-	-	-	-	-	21,961	-	5,971
Subsidiaries	10,378	48	-	2,029,075	2,273,168	579,305	1,738,975	59,726
Associates	-	-	-	11,839	-	10,093	-	135
Directors and Managers with strategic responsibilities	-	-	-	1,871	-	2,066	-	-
Other related parties	7,007	11,502	101	5,905,245	466,960	760,663	306,727	222,331
Total	**187,893**	**11,550**	**101**	**7,948,030**	**2,740,128**	**1,374,088**	**3,036,621**	**288,163**

Main income transactions with related parties

Amounts in thousands of Euro	Net interest income	Dividends and similar income	Net fee and commission income	Personnel expenses
Controlling Company	- 24,898	-	- 677	242
Entities exercising significant influence on the Company	-	-	23	-
Subsidiaries	- 2,588	-	2,563	8,328
Associates	253	-	71	-
Directors and Managers with strategic responsibilities	15	-	141	10,860
Other related parties	37,461	-	394,155	84
Total	**10,243**	**-**	**396,276**	**19,514**

PART I - SHARE-BASED PAYMENTS

QUALITATIVE DISCLOSURES

1. Share-based payments

Crédit Agricole Italia has no agreements in place for payments based on its shares.

The share capital increase by the French Parent Company Crédit Agricole S.A., in favour of all Employees of the Crédit Agricole. Group was completed in December 2021 with the allotment of shares to Employees.

The Employees were given the opportunities to invest in shares of Crédit Agricole S.A. with a 20% discount vs. market value. These shares will be tied for the following five years (until 31 May 2026), at the end of which time each employee may freely dispose of them.

In 2021, this financial transaction entailed a cost equal to the discount applied to the shares subscribed, which had – as a balancing item in accordance with IFRSs – an identical increase in equity through a specific reserve.

QUANTITATIVE DISCLOSURES

The specific reserve recognized in equity as the balancing item of personnel expenses and equal to the discount applied to the shares in Crédit Agricole S.A. subscribed by Crédit Agricole Italia employees, as reported in the previous paragraph, amounts to Euro 38 thousand.

PART L – SEGMENT REPORTING

OPERATIONS AND PROFITABILITY BY BUSINESS SEGMENT

In compliance with IFRS 8 Operating Segments, the figures on operations and profitability by business segment are given using the "management reporting approach".

In particolare, l'elaborazione del Segment Reporting, in osservanza delle disposizioni Banca d'Italia, è stata effettuata, in linea con la reportistica gestionale del Gruppo, utilizzando la metodologia del TIT multiplo (tasso transfer rate) method, integrating also the cost of liquidity.

The data are presented in compliance with the reclassified layouts contained in the management report on operations and compared with 2020, whereas balance sheet data are presented consistently with the statutory layouts.

Crédit Agricole Italia operates through an organizational structure that includes: Retail Banking, Privater Banking and Financial Advisors (F.A.) channels designed to provide services to individuals, households and small businesses, and the Corporate Banking channel designed to provide services to larger-size companies. Therefore, given the features of the Group, the Other channel is of a residual nature and includes the activities pertaining to central departments, with specific reference to governance, as well as, having regard to 2021, non-recurring effects, including integration expenses subsequent to Creval acquisition.

In 2021, the "Retail, Private Banking and F.A," channels generated Operating income of Euro 1,316 million (+3.0%): Net interest income (-5.1%), lower income from trading of financial assets (-2.7%) and Net fee and commission income increasing (+10.7%); the increase in operating costs (+1.6%, +04% net of the higher ordinary contributions to the banking system) was lower than the increase in revenues , with operating income coming to Euro 489 million (+5.5%). Net of the ordinary cost of risk, which came to Euro 124 million (-32.3%) and after taxes, the net profit came to Euro 245 million (+12.7%).

The "Corporate Banking" channel generated operating income of Euro 258 million (+1.2%): Net interest income (-3.9%), lower income from trading of financial assets (-23.0%) and net fee and commission income increasing (+14.0%); operating costs increasing (+1.3% but +0.1% net of the higher ordinary contributions to the banking system), with operating income coming to Euro 200 million (+1.2%). Net of the ordinary cost of risk, which came to Euro 99 million (-45.9%) and after taxes, the net profit came to Euro 68 million (+496.5%).

Assets by segment (point-in-time volumes) consisted of net loans to Customerss; as at 31 December 2021, the assets of the Retail Banking, Private Banking and F.A. channels came to Euro 25,086 million (+3.2%) and accounted for 58% of the aggregate; the assets of the Corporate Banking channel came to Euro 18,136 million (-0.6%) and accounted for the remaining 42%.

Liabilities by segment (point-in-time volumes) consisted of direct funding from Customers; within this aggregate, funding of the Retail, Private Banking and F.A. channel came to Euro 30,723 million (+4.6%), accounting for 79% of the total; the Corporate Banking channel posted a balance of Euro 7,284 million (-6.4%), accounting for 19% of the Total figure; other funding channels 3%.

It is pointed out that unallocated assets and liabilities include all the other balance sheet typical items: exposures in the interbank market, funding through covered bonds, property, plant and equipment and intangible assets used in operations, tax assets and liabilities, specific-purpose provisions and other items.

In accordance with IFRS 8, it is reported that Crédit Agricole Italia business operations are essentially carried out in the Italian national territory, they are not subject to periodic performance reporting to the management with breakdown by foreign geographical area. The Bank did not generate revenues from transactions with any single external customer for amounts exceeding 10% of the income recognized.

SEGMENT REPORTING AS AT 31 DECEMBER 2021

	Retail bnkg, private bnkg and financial advisors	Corporate Banking	Other	Total
External operating income:				
Net interest income	596,921	149,035	2,351	748,307
Net fee and commission income	720,483	99,072	5,272	824,827
Profit (loss) on trading activities	3,033	10,358	37,030	50,421
Dividends	-	-	11,057	11,057
Other net operating income	-4,604	-325	-894	-5,823
Total operating income	**1,315,833**	**258,140**	**54,816**	**1,628,789**
Personnel and administrative expenses and depreciation and amortization	-826,393	-58,413	-316,302	-1,201,108
Operating profit (loss)	**489,440**	**199,727**	**-261,486**	**427,681**
Adjustments to other financial assets	-118,034	-94,529	-291,620	-504,183
Provisioning for risks	-5,470	-4,381	-	-9,851
Total Cost of Risk	**-123,504**	**-98,910**	**-291,620**	**-514,034**
Profit (losses) on equity investments - Profit on disposal of investments	-	-	-71	-71
Profit(loss) by segment	**365,936**	**100,817**	**-553,177**	**-86,424**
Profit before taxes	**365,936**	**100,817**	**-553,177**	**-86,424**
Taxes	-120,823	-33,287	198,867	44,757
Profit for the period (before Creval acquisition effects)	**245,113**	**67,530**	**-354,310**	**-41,667**
Non-recurring effects from Creval acquisition(*)	-	-	-	-30,169
Profit for the FY	**-**	**-**	**-**	**-71,836**
Assets and liabilities				
Assets by segment (customers + intangibles)	25,085,566	18,135,667	15,573	43,236,806
Equity investments in associates	-	-	2,105,245	2,105,245
Unallocated assets	-	-	28,894,271	28,894,271
Total assets	**25,085,566**	**18,135,667**	**31,015,089**	**74,236,322**
Liabilities by segment	30,722,687	7,283,700	1,110,159	39,116,546
Unallocated liabilities	-	-	28,315,779	28,315,779
Total liabilities	**30,722,687**	**7,283,700**	**29,425,938**	**67,432,325**

(*) For further information on the non-recurring effects resulting from Creval acquisition, please see the Profit or Loss section of the Management Report.

SEGMENT REPORTING AS AT 31 DECEMBER 2020

	Retail Bnkg, Private Bnkg and Financial Advisors	Corporate Banking	Other	Total
External operating income:				
Net interest income	629,005	155,031	2,034	786,070
Net fee and commission income	650,760	86,876	5,462	743,098
Profit (loss) on trading activities	3,116	13,454	-2,308	14,262
Dividends	-	-	10,438	10,438
Other net operating income	-5,198	-368	12,715	7,149
Total operating income	**1,277,683**	**254,993**	**28,341**	**1,561,017**
Personnel and administrative expenses and depreciation and amortization	-813,583	-57,651	-163,682	-1,034,916
Operating profit (loss)	**464,100**	**197,342**	**-135,341**	**526,101**
Losses on impairment of other financial assets	-178,644	-178,921	-7,754	-365,319
Provisioning for risks	-3,748	-3,754	-	-7,502
Total Cost of Risk	**-182,392**	**-182,675**	**-7,754**	**-372,821**
Profit (losses) on equity investments - Profit on disposal of investments	-	-	64,605	64,605
Profit(loss) by segment	**281,708**	**14,667**	**-78,490**	**217,885**
Profit before taxes	**281,708**	**14,667**	**-78,490**	**217,885**
Taxes	-64,231	-3,344	17,896	-49,679
Profit for the FY	**217,477**	**11,323**	**-60,594**	**168,206**
Assets and liabilities				
Assets by segment (customers + intangibles)	24,312,864	18,244,053	15,780	42,572,697
Equity investments in associates	-	-	1,078,486	1,078,486
Unallocated assets	-	-	26,663,509	26,663,509
Total assets	**24,312,864**	**18,244,053**	**27,757,775**	**70,314,692**
Liabilities by segment	29,359,510	7,781,345	1,129,964	38,270,819
Unallocated liabilities	-	-	25,528,621	25,528,621
Total liabilities	**29,359,510**	**7,781,345**	**26,658,585**	**63,799,440**

PART M – DISCLOSURE OF LEASES

Section 1 – Lessee

Qualitative disclosures

The additional information on leases required by IFRS16 is given below.

Quantitative disclosures

RIGHT OF USE

Lease type	Right of Use value 1 Jan. 2021	Depreciation for the FY	New contracts	Other changes	Impairment loss	Right of Use value 31 Dec. 2021	Number of contracts 31 Dec. 2021
Buildings used in operations	166,030	- 29,682	23,163	- 5,055	- 720	153,736	526
Land used in operations	172	-	-	-	-	172	1
Buildings used for investment	5,242	- 2,287	2,273	- 863	-	4,365	180
Other property, plant and equipment assets: vehicles	1,231	- 717	1,281	- 35	-	1,760	169
Total	**172,675**	**-32,686**	**26,717**	**-5,953**	**-720**	**160,033**	**876**

Rights of Use are recognized in the Balance Sheet under item 80 “Property, Plant and Equipment”.

LEASE LIABILITY

Lease type	Liabilities 1 Jan. 2021	Interest expenses	New contracts	Cash outflows	Other changes	Remaining liability 31 Dec. 2021	Remaining liability - breakdown of maturities			
							maturity < 1 year	maturity between 1 and 3 years	maturity between 3 and 6 years	maturity beyond 6 years
Buildings and land used in operations	196,625	3,666	22,617	- 34,965	- 5,207	182,736	30,421	45,497	58,247	48,571
Buildings used for investment	5,300	29	2,128	- 2,190	- 865	4,402	1,865	2,155	306	76
Other property, plant and equipment assets: vehicles	1,237	7	1,253	- 696	- 35	1,766	692	946	128	-
Total	**203,162**	**3,702**	**25,998**	**-37,851**	**-6,107**	**188,904**	**32,978**	**48,598**	**58,681**	**48,647**

All contractual cash flows are included in the calculation of lease liabilities.

Lease liabilities are recognized under item 10 of Liabilities in the Balance Sheet, as Financial Liabilities measured at amortized cost.

OTHER DATA

Breakdown of real estate operating lease contracts by geographical area and by annual lease payment bracket

REGION	Lease payments up to 5 thousand	Lease payments from 5 to 50 thousand	Lease payments from €50 thousand to €100 thousand	Lease payments over 100 thousand	Total
EMILIA ROMAGNA	11	194	23	4	232
LOMBARDY	4	81	33	17	135
TUSCANY	6	50	23	9	88
CAMPANIA	3	37	17	7	64
LIGURIA	-	31	20	12	63
PIEDMONT	10	38	9	4	61
LAZIO	-	17	9	21	47
OTHER	-	13	2	2	17
Total	**34**	**461**	**136**	**76**	**707**

Frequency of payment instalment by lease type

Lease type	Instalment frequency	Number of contracts
Properties used in operations	Monthly	50
	Quarterly	425
	Half-yearly	39
	other	13
	Total	**527**
Property used for investment	Quarterly	179
	other	1
	Total	**180**
Vehicles	Monthly	169
	Total	**169**
Totals		**876**

All property lease contracts are linked to the cost-of-living index published by ISTAT (the Italian National Institute of Statistics).

Lease contracts out of the IFRS 16 scope of application (recognition exemptions para. 5 IFRS 16)

Crédit Agricole Italia has applied paragraph 6 of IFRS16 to short-term leases and to leases with the underlying asset having low value.

The table reports the information required under paragraph 53 letter d) of IFRS 16.

Lease type	Short term lease - 2021 payments	Low value lease - 2021 payments
Real estate properties	367	25
Vehicles	108	-
POS	-	6,340
Other	-	92
Total (net of VAT)	**475**	**6,457**

Section 2 – Lessor

QUALITATIVE INFORMATION

The disclosure required by paragraph 97 of IFRS 16 is given below.

Quantitative disclosures

1. Balance Sheet and Income Statement information

Crédit Agricole Italia has operating lease contracts in force only. The leased properties are:

- Recognized in the Balance Sheet under item 80. “Property, plant and equipment”.

2. Finance leases

Crédit Agricole Italia has no finance lease contracts in force.

3. Operating leases

3.1 Classification of payments to be received by time band

TIME BANDS	Lease payments to be received Total 31 Dec. 2021	Lease payments to be received Total 31 Dec. 2020
Up to 1 year	3,711	3,986
From over 1 year to 2 years	3,658	3,976
From over 2 year to 3 years	3,597	3,927
From over 3 year to 4 years	3,349	3,861
From over 4 year to 5 years	3,274	3,617
From over 5 years	5,427	9,082
Total	**23,016**	**28,449**

The payments to be received reported in the table refer to property lease contracts.

There are no variable payments not included in the reported amounts and there are no purchase options on the leased asset.

The reported amounts include Euro 14.5 million regarding lease contracts with subsidiaries.

FINANCIAL STATEMENTS OF THE CONTROLLING COMPANY CRÉDIT AGRICOLE S.A.(*)

Disclosure pursuant to Article 2497-bis of the Italian Civil Code.

ACTIF

	31 Dec. 2020	31 Dec. 2019
Opérations interbancaires et assimilées	211,641	155,186
Caisse, banques centrales	54,426	8,312
Effets publics et valeurs assimilées	15,567	14,867
Créances sur les établissements de crédit	141,648	132,007
Opérations internes au Crédit Agricole	372,327	336,348
Opérations avec la clientèle	4,473	4,439
Opérations sur titres	46,898	37,734
Obligations et autres titres à revenu fixe	46,859	37,688
Actions et autres titres à revenu variable	39	46
Valeurs immobilisées	63,875	64,413
Participations et autres titres détenus à long terme	1,023	950
Parts dans les entreprises liées	62,721	63,334
Immobilisations incorporelles	19	17
Immobilisations corporelles	112	112
Capital souscrit non versé	-	-
Actions propres	11	6
Comptes de régularisation et actifs divers	17,464	18,109
Autres actifs	5,628	5,581
Comptes de régularisation	11,836	12,528
Total actif	**716,689**	**616,235**

(*) For more exhaustive information, plase refer to the website www.credit-agricole.com

PASSIF

	31 Dec. 2020	31 Dec. 2019
Opérations interbancaires et assimilées	218,200	92,565
Banques centrales	24	12
Dettes envers les établissements de crédit	218,176	92,553
Opérations internes au Crédit Agricole	64,624	41,253
Comptes créditeurs de la clientèle	225,851	261,032
Dettes représentées par un titre	103,865	118,946
Comptes de régularisation et passifs divers	25,917	25,791
Autres passifs	12,758	11,729
Comptes de régularisation	13,159	14,062
Provisions et dettes subordonnées	26,245	25,108
Provisions	1,242	1,386
Dettes subordonnées	25,003	23,722
Fonds pour risques bancaires généraux	1,239	1,194
Capitaux propres hors FRBG	50,748	50,346
Capital souscrit	8,750	8,654
Primes d'émission	12,536	12,470
Réserves	14,612	12,597
Écart de réévaluation	-	-
Provisions réglementées et subventions d'investissement	8	12
Report à nouveau	14,597	14,597
Résultat de l'exercice	245	2,016
Total passif	**716,689**	**616,235**

HORS-BILAN DE CRÉDIT AGRICOLE S.A.

	31 Dec. 2020	31 Dec. 2019
Engagements donnés	26,357	21,827
Engagements de financement	8,267	5,296
Engagements de garantie	18,081	16,521
Engagements sur titres	9	10

	31 Dec. 2020	31 Dec. 2019
Engagements reçus	137,758	77,944
Engagements de financement	129,170	65,744
Engagements de garantie	8,588	12,200
Engagements sur titres	-	-

COMPTE DE RESULTAT DE CRÉDIT AGRICOLE S.A.

	31 Dec. 2020	31 Dec. 2019
Intérêts et produits assimilés	9.620	9.698
Intérêts et charges assimilées	(10.856)	(11.261)
Revenus des titres à revenu variable	1.952	2.712
Commissions (produits)	1.177	972
Commissions (charges)	(563)	(596)
Gains ou pertes sur opérations des portefeuilles de négociation	139	(26)
Gains ou pertes sur opérations des portefeuilles de placement et assimilés	61	15
Autres produits d'exploitation bancaire	27	39
Autres charges d'exploitation bancaire	(61)	(52)
Produit net bancaire	1.496	1.501
Charges générales d'exploitation	(770)	(778)
Dotations aux amortissements et aux dépréciations sur immobilisations incorporelles et corporelles	(7)	(7)
Résultat brut d'exploitation	719	716
Coût du risque	(4)	(13)
Résultat d'exploitation	715	703
Résultat net sur actifs immobilisés	(715)	(292)
Résultat courant avant impôt	-	411
Résultat exceptionnel	-	-
Impôt sur les bénéfices	286	1.644
Dotations/reprises de FRBG et provisions réglementées	(41)	(39)
Résultat net de l'exercice	245	2.016

DISCLOSURE OF PUBLIC FUNDING

Public funding transparency requirements are laid down in Article 1, paragraphs 125-129, of Italian Law no. 124/2017 but the wording gave rise to several DOUBTS in terms of interpretation and application. The worries expressed by trade associations (including Assonime, the Italian Association of Joint-stock Companies) were for the most part solve by Article 35 of Italian Decree Law no. 34/2019 (Growth Decree), which, in many cases, clarifies important matters, in order to streamline and rationalize the aforementioned requirements.

The Law establishes the obligation to disclose, in the note to the financial statements as at 31 December 2019 – and, where applicable, in the note to the consolidated financial statements – the amounts of and other information on "grants, subsidies, advantages, contributions or aids, in money of in kind, not given in general and other than considerations, remuneration or compensations, received from public administration bodies and other identified entities" (hereinafter for short "public funding").

Noncompliance with these obligations is punished with a civil fine equal to 1% of the received amounts, with a minimum fine of Euro 2,000 and the ancillary penalty of complying with the disclosure obligation. If the offender does not comply with the set disclosure obligation and does not pay the fine within 90 days of its imposition, it shall be required to return the all the amounts received to the entities that granted them.

In order to prevent accumulation of non-relevant information, the Euro 10,000 threshold has been kept, below which the recipient is not required to disclose any information on the received public funding.

Furthermore, in August 2017 the Italian national State Aid Registry was set up at the Directorate-general for business incentive at the Italian Ministry of Economic Development, where all State aids and small amount aids to businesses shall be entered by those that give or manage such aids.

For the aids to Crédit Agricole Italia, please refer to the "Registry Transparency" section, which is publicly available.

DISCLOSURE OF THE FEES FOR THE AUDIT OF THE ACCOUNTS AND OTHER SERVICES PURSUANT TO ARTICLE 149-DUODECIES OF THE ISSUER REGULATION

FEES DUE FOR	EY S.p.A.	PWC S.p.A.	31 Dec. 2021
Statutory audit of annual accounts	29	687	716
Certification services	166	8	174
Other services	2,567	44	2,611
Total	**2,762**	**739**	**3,501**

ANNEXES

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED UP TO 31 DECEMBER 2021

List of International Accounting Standards and International Financial Reporting Standards whose coordinated text has been adopted with Commission Regulation (EC) No. 1126/2008 of 3 November 2008. Said Regulation was published in the Official Journal of the European Union issue No. L320 of 29 November 2008 and amending Regulation (EC) No. 1725/2003.

The number and date of the EC Regulations endorsing the subsequent amendments and supplements are given next to the relevant item.

List of IAS/IFRS		Endorsing EU Regulation
IFRS 1	First-time adoption of Financial Reporting Standards	1126/2008 mod. 1260/2008 - 1274/2008 - 69/2009 - 70/2009 -254/2009 - 494/2009 - 495/2009 -1136/2009 - 1164/2009 - 550/2010 - 574/2010 - 662/2010 - 149/2011 - 1205/2011 - 475/2012 - 1254/2012 - 1255/2012 - 183/2013 - 301/2013 - 313/2013 - 1174/2013 - 2015/2173 - 2015/2343 - 2015/2441 - 2016/1905 - 2016/2067 - 2017/1986 - 2018/182 - 2018/519 - 2018/1595
IFRS 2	Share-based payments	1126/2008 mod. 1261/2008 - 495/2009 - 243/2010 -244/2010 - 1254/2012 - 1255/2012 - 2015/28 - 2016/2067 - 2018/289 - 2019/2075
IFRS 3	Business Combinations	1126/2008 mod. 495/2009 - 149/2011 - 1254/2012 - 1255/2012 - 1174/2013 - 1361/2014 - 2015/28 - 2016/1905 - 2016/2067 - 2017/1986 - 2019/412 - 2019/2075 - 2020/551
IFRS 4	Insurance contracts	1126/2008 mod. 1274/2008 - 494/2009 - 1165/2009 - 1255/2012 - 2016/1905 - 2016/2067 - 2017/1986 - 2017/1988 - 2020/2097 - 2021/25
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1126/2008 mod. 1274/2008 - 70/2009 - 494/2009 - 1142/2009 - 243/2010 - 475/2012 - 1254/2012 - 1255/2012 - 2015/2343 - 2016/2067
IFRS 6	Exploration for and Evaluation of Mineral Resources	1126/2008 - 2019/2075
IFRS 7	Financial Instruments: disclosures	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 495/2009 - 824/2009 - 1165/2009 - 574/2010 - 149/2011- 1205/2011 - 475/2012 - 1254/2012 - 1255/2012 - 1256/2012 - 1174/2013 - 2015/2343 - 2015/2406 - 2016/2067 - 2017/1986 - 2020/34 - 2021/25
IFRS 8	Operating Segments	1126/2008 mod. 1274/2008 - 243/2010 - 632/2010 - 475/2012 - 2015/28
IFRS 9	Deposited financial Instruments	2016/2067- 2017/1986 - 2018/498 - 2020/34 - 2021/25
IFRS 10	Consolidated Financial Statements	1254/2012 mod. 313/2013 - 1174/2013 - 2016/1703
IFRS 11	Joint Arrangements	1254/2012 mod. 313/2013 - 2015/2173 - 412/2019
IFRS 12	Disclosure of Interests in Other Entities	1254/2012 mod. 313/2013 - 1174/2013 - 2016/1703 - 2018/182
IFRS 13	Fair Value Measurement	1255/2012 mod. 1361/2014 - 2016/2067 - 2017/1986
IFRS 15	Revenue from Contracts with Customers	2016/1905 - 2017/1986 - 2017/1987
IFRS 16	Leases	2017/1986 - 2020/1434 - 2021/25 - 2021/1421
IFRS 17	Insurance Contracts	2036/2021
IAS 1	Presentation of Financial Statements	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 243/2010 - 149/2011 - 475/2012 - 1254/2012 - 1255/2012 - 301/2013 - 2015/2113 -2015/2406 - 2016/1905 - 2016/2067 - 2017/1986 - 2019/2075 - 2019/2104
IAS 2	Inventories	1126/2008 mod. 70/2009 - 1255/2012 - 2016/1905 - 2016/2067 - 2017/1986

List of IAS/IFRS		Endorsing EU Regulation
IAS 7	Statement of Cash Flows	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 494/2009 - 243/2010 - 1254/2012 - 1174/2013 - 2017/1986 - 2017/1990
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012 - 2016/2067 - 2019/2075 - 2019/2104
IAS 10	Events after the Reporting Period	1126/2008 mod. 1274/2008 - 70/2009 - 1142/2009 - 1255/2012 - 2016/2067
IAS 12	Income Taxes	1126/2008 mod. 1274/2008 - 495/2009 - 475/2012- 1254/2012 - 1255/2012 - 1174/2013 - 2016/1905 - 2016/2067 - 2017/1986 - 2017/1989 -2019/412
IAS 16	Property, Plant and Equipment	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 495/2009 - 1255/2012 - 301/2013 - 2015/28 - 2015/2113 - 2015/2231 - 2016/1905 - 2017/1986
IAS 19	Employee Benefits	1126/2008 mod. 1274/2008 - 70/2009 - 475/2012 - 1255/2012 - 2015/29 - 2015/2343 - 2019/402
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1126/2008 mod. 1274/2008 - 70/2009 - 475/2012 - 1255/2012 - 2016/2067
IAS 21	The Effects of Changes in Foreign Exchange Rates	1126/2008 mod. 1274/2008 - 69/2009 - 494/2009 - 149/2011 - 475/2012 - 1254/2012 - 1255/2012 - 2016/2067 - 2017/1986
IAS 23	Borrowing Costs	1126/2008 mod. 1260/2008 - 70/2009 - 2015/2113 - 2016/2067 - 2017/1986 - 2019/412
IAS 24	Related Party Disclosures	1126/2008 mod.1274/2008 - 632/2010 - 475/2012 - 1254/2012 - 1174/2013 - 2015/28
IAS 26	Accounting and Reporting by Retirement Benefit Plans	1126/2008
IAS 27	Separate Financial Statement	1126/2008 mod. 1274/2008 - 69/2009 -70/2009 - 494/2009 - 1254/2012 - 1174/2013 - 2015/2441
IAS 28	Investments in Associates and Joint Ventures	1126/2008 mod. 1274/2008 - 70/2009 - 494/2009 - 495/2009 - 149/2011 - 1254/2012 - 1255/2012 -2015/2441 - 2016/1703 - 2016/2067 - 2018/182 - 2019/237
IAS 29	Financial Reporting in Hyperinflationary Economies	1126/2008 mod. 1274/2008 - 70/2009
IAS 32	Financial Instruments: Presentation	1126/2008 mod. 1274/2008 - 53/2009- 70/2009- 494/2009 - 495/2009 - 1293/2009 - 149/2011 - 475/2012 - 1254/2012 - 1255/2012 - 1256/2012- 301/2013 - 1174/2013 - 2016/1905 - 2016/2067 - 2017/1986
IAS 33	Earnings per share	1126/2008 mod. 1274/2008 - 494/2009 - 495/2009 - 475/2012 - 1254/2012 - 1255/2012 - 2016/2067
IAS 34	Interim Financial Reporting	1126/2008 mod.1274/2008 - 70/2009 - 495/2009 - 149/2011 - 475/2012 - 1255/2012 - 301/2013 - 1174/2013 - 2015/2343 - 2015/2406 - 2016/1905 - 2019/2075
IAS 36	Impairment of assets	1126/2008 mod. 1274/2008 - 69/2009 - 70/2009 - 495/2009 - 243/2010 - 1254/2012 - 1255/2012 - 1374/2013 - 2015/2113 - 2016/1905 - 2016/2067
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1126/2008 mod. 1274/2008 - 495/2009 - 2015/28 - 2016/1905 - 2016/2067 - 2017/1986 - 2019/2075
IAS 38	Intangible assets	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 495/2009 - 243/2010 - 1254/2012 - 1255/2012 - 2015/28 - 2015/2231 - 2016/1905 - 2017/1986 - 2019/2075
IAS 39	Financial Instruments: Recognition and Measurement (except for some provisions concerning hedge accounting)	1126/2008 - 53/2009 - 70/2009 - 494/2009 - 495/2009 - 824/2009 - 839/2009 - 1171/2009 - 243/2010 - 149/2011- 1375/2013 - 1174/2013 - 34/2020 - 25/2021
IAS 40	Investment Property	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012 - 1361/2014 - 2015/2113 - 2016/1905 - 2017/1986 - 2018/400

List of IAS/IFRS		Endorsing EU Regulation
IAS 41	Agriculture	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012 - 2015/2113 - 2017/1986
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1126/2008 mod. 1260/2008 - 1274/2008 - 2017/1986
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	1126/2008 mod. 53/2009 - 1255/2012 - 301/2013 - 2016/2067
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1126/2008 mod. 1254/2012 - 2016/2067
IFRIC 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1126/2008
IFRIC 7	Applying the Restatement Approach under IAS 29. Financial Reporting in Hyperinflationary Economies	1126/2008 mod. 1274/2008
IFRIC 10	Interim Financial Reporting and Impairment	1126/2008 mod. 1274/2008 - 2016/2067
IFRIC 12	Service Concession Arrangements	254/2009 - 2016/1905 -2016/2067 - 2017/1986 - 2019/2075
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008 mod. 1274/2008 - 633/2010 - 475/2012
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	460/2009 mod. 243/2010 - 1254/2012 - 2016/2067
IFRIC 17	Distributions of Non-cash Assets to Owners	1142/2009 mod. 1254/2012 - 1255/2012
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	662/2010 mod. 1255/2012 - 2016/2067 - 2019/2075
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1255/2012 - 2019/2075
IFRIC 21	Levies	634/2014
IFRIC 22	Foreign Currency Transactions and Advance Consideration	2018/519 - 2019/2075
IFRIC 23	Uncertainty over Income Tax Treatments	1595/2018
SIC 7	Introduction of the Euro	1126/2008 mod. 1274/2008 - 494/2009
SIC 10	Government Assistance – No Specific Relation to Operating Activities	1126/2008 mod. 1274/2008
SIC 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	1126/2008 mod. 1274/2008
SIC 29	Service Concession Arrangements: Disclosures	1126/2008 mod. 1274/2008 - 254/2009 - 2017/1986
SIC 32	Intangible Assets – Website Costs	1126/2008 mod. 1274/2008 - 2016/1905 - 2017/1986 - 2019/2075

Source: EFRAG - The EU endorsement process - Position as at 1 February 2022.

TAX INFORMATION ON RESERVES

Tax information on equity reserves

	Reserves and provisions that do not form part of Shareholders' income in case of distribution	Reserves and provisions that form part of the Company's taxable income in case of distribution	Reserves and provisions that form part of the Shareholders' taxable income in case of distribution	Undistributable valuation reserves
Share premium reserve	3,076,244	42,444	-	-
Reserve - Contributions for share capital increase	-	-	-	-
Reserve pursuant to It. Leg. D. 124/93 - Art. 13	-	314	-	-
Legal reserve	-	-	195,847	-
Extraordinary reserve	-	-	368,586	-
Reserve under a tax suspension Realignment under Article 110 D.L. 104/2020 (*)	-	878,095	-	-
Reserve from first time adoption of IAS/IFRS	-	-	-97,651	-
Reserve from tax adjustment from first time adoption of IAS/IFRS for realignment of tax and reporting values	-	-	12,318	-
Valuation reserve for other corridor elimination	-	-	-5,076	-
Reserve from measurement of OCIRE securities	-	-	-	12,588
Reserve from measurement of OCINR securities	-	-	-	-12,823
Reserve from actuarial valuation - employee plan	-	-	-	-48,431
Undistributable extraordinary reserve gains on securities at FV	-	-	-	79
Reserve for share-based payments	1	-	1,825	-
Reserve for free assignation of shares	-	-	1,240	-
Reserve from adjustment of Transfer Purchase Price	-	-	605	-
Reserve for interest on Additional Tier 1 Instruments	-	-	-194,295	-
Reserve for purchases of business units	-	-	233,686	-
Reserve for disposal of business units	-	-	549	-
Reserve from OCINR category securities for sale	-	-	3,070	-
Extraordinary reserve of undistributable dividends on treasury shares	-	-	5	-
IFRS 9FTA reserve	-	-	-347,953	-
Reserve for Carim FTA IAS 19 revised	-	-	-305	-
Contributions for share capital increase	416,897	-	-	-
Merger surplus	-	543,691	-	-
TOTAL	**3,493,142**	**1,464,544**	**172,451**	**-48,587**
Reserve subject to tax deferral arrangements Law 266/2005 included in capital	-	21,391	-	-

(*) Reserve under tax suspension for realignment under Article 110 of Italian Decree Law104/2020. In case of any use other than coverage of losses, the amounts assigned to shareholders, plus the related substitute tax, in accordance with the distributed amount, form part to the taxable income of the Company and of its shareholders.

Shareholders' equity: possible use and distributability (pursuant to Article 2427 – paragraph 7-bis)

Liability items	Amount		Possible uses(*)	Distributable position	Summary of uses in last three years	
					To cover losses	Other uses
Capital	-	979,283	-	-	-	-
o/w for reserve subject to tax deferral arrangements Law 266/2005	21,391	-	-	-	-	-
Equity instruments	-	815,000	-	-	-	-
Share premium reserve	-	3,076,244	A, B, C (4)	3,076,244	-	-
Share premium reserve taxable pursuant to Law 266/2005	-	42,444	A, B (2), C (3)	42,444	-	-
Reserves	-	2,011,528	-	-	-	-
Legal reserve	195,847	-	A (1), B	-	-	-
Extraordinary reserve	368,586	-	A, B, C	368,586	-	-
Tax-suspended reserve for Realignment under Art. 10 DL 104/2020	878,095	-	A, B (6), C	878,095	-	-
Reserve pursuant to It. Leg. D. 124/93 - Art. 13	314	-	A, B, C	314	-	-
2019 retained earnings reserve	233,686		A, B, C	233,686		
Reserve for share-based payments	1,826	-	A, B, C	1,826	-	-
Reserve for free assignation of shares	1,240	-	A, B, C	1,240	-	-
Reserve for adjustment from PPA 173 AT	605	-	A, B, C	605	-	-
Reserve for disposal of business units	549	-	A, B, C	549	-	-
Reserve from OCINR category securities for sale	3,070	-	A, B, C	3,070	-	-
Reserve for interest on AT1 instruments	-194,295	-	A, B, C	-194,295	-	-
Reserve for contributions for share capital increase	416,897		A	416,897		
Reserve from first time adoption of IAS/IFRS	-97,651	-	-	-	-	-
Reserve from tax adjustment from first time adoption of IAS/IFRS for realignment of carrying amounts and tax bases	12,318	-	-	-	-	-
Reserve for FTA IFRS 9	-347,953	-	-	-	-	-
Valuation reserve for other corridor elimination	-5,076	-	-	-	-	-
Reserve for Carim FTA IAS 19 revised	-305	-	-	-	-	-
Undistributable extraordinary reserve gains on securities at FV	79	-	(5)	-	-	-
Extraordinary reserve of undistributable dividends on treasury shares	5	-	-	-	-	-
Merger surplus	543,691	-	A, B, C	543,691	-	-
Valuation reserves	-	-48,666	-	-	-	-
Reserve from measurement of OCIRE securities	12,588	-	-	-	-	-
Reserve from measurement of OCINR securities	-12,823	-	-	-	-	-
Reserve from actuarial valuation - employee severance benefits and defined-benefit pension plan	-48,431	-	-	-	-	-
Loss for the period	-	-71,836	-	-	-	-
TOTAL		**6,803,997**		**5,372,952**	**-**	**-**

(*) A: For capital increase B: To cover losses C: For distribution to Shareholders.

(1) Usable for share capital increase (A) for the portion exceeding one fifth of the share capital.

(2) If the reserve is used to cover losses, no profits may be distributed until such reserve is restored or reduced by the same amount. The reduction must be approved by the Extraordinary Shareholders' Meeting without applying the provisions of the second and third paragraphs of Article 2445 of the Italian Civil Code.

(3) Unless the reserve is transferred to share capital, it may only be reduced with the application of the provisions of Article 2445 paragraphs 2 and 3 of the Italian Civil Code. If distributed, it shall form part of the Company's taxable income.

(4) Distributable when the legal reserve has reached one fifth of the share capital.

(5) Undistributable reserve pursuant to Article 6 d. of Italian Legislative Decree 38/2005.

(6) The reserve may be reduced only if in compliance with paragraphs 2 and 3 of Article 2445 of the Italian Civil Code, i.e. with resolution of the extraordinary General Meeting of Shareholders. Where the reserve is used to cover losses, the formal procedures set out in paragraphs 2 and 3 of Article 2445 of the Italian Civil Code do not have to be followed, but no earnings may be distributed until the reserve is fully restored or reduce by the amount used with resolution passed by the extraordinary General Meeting of Shareholders.

OWNED PROPERTY SUBJECT TO REVALUATION PURSUANT TO SPECIAL LAWS

List of owned property items that have been revaluated and are still recognized by Crédit Agricole Italia, setting forth the revaluation amount pursuant to Article 10 of Italian Law No. 72 of 19 March 1983.

Description	Book value net of revaluations	L. 11.2.62 n. 74	L. 19.2.73 n. 823	L. 2.12.75 n. 576	L. 19.3.83 n. 72	L.3 0.7.90 n. 218	L. 29.12.90 n. 408	L. 30.12.91 n. 413	Merger '94	L. 185/08	Deemid cost	Total cost	Accumulated depreciation as at 31 Dec. 2021	Net book value as at 31 Dec. 2021
PARMA - VIA UNIVERSITÀ	2,502,296	-	510,263	195,089	2,039,910	6,708,770	-	428,631	-	-	-	12,384,960	2,920,622	9,464,338
LA SPEZIA	15,765,779	-	-	401,545	1,603,647	3,118,336	-	1,164,756	-	-	-	22,054,063	10,437,648	11,616,415
PARMA - VIA CAVESTRO	2,445,714	-	385,900	-	1,501,229	3,609,776	-	389,474	-	-	-	8,332,094	2,949,755	5,382,339
LA SPEZIA	1,588,511	-	-	-	203,259	141,229	-	104,793	-	-	-	2,037,791	1,472,870	564,922
LA SPEZIA	2,659,226	-	-	-	-	248,904	-	68,478	-	-	-	2,976,608	1,975,205	1,001,403
PARMA	833,165	-	99,914	-	249,070	983,272	-	378,832	-	-	-	2,544,252	1,534,202	1,010,050
LA SPEZIA	1,849,613	-	-	-	159,356	264,582	-	94,216	-	-	-	2,367,767	1,768,883	598,884
PARMA	1,516,561	-	56,793	3,788	285,627	807,691	-	189,474	-	-	-	2,859,934	1,741,252	1,118,682
LA SPEZIA	1,545,164	-	-	-	231,608	215,178	-	106,104	-	-	-	2,098,053	1,427,072	670,980
PARMA	1,069,304	-	2,406	25,203	112,926	159,997	-	166,015	-	-	-	1,535,850	1,002,334	533,517
SARZANA	570,274	-	-	-	-	75,313	-	20,107	-	-	-	665,694	527,064	138,631
LEVANTO	2,483,104	-	-	-	-	7,353	-	117,929	-	-	-	2,608,386	1,945,858	662,528
PARMA	1,050,093	-	37	-	382,861	887,578	-	319,388	-	-	-	2,639,957	1,511,651	1,128,306
BRUGNATO	594,422	-	-	-	-	127,067	-	43,974	-	-	-	765,462	576,799	188,663
PARMA	647,652	-	15,987	-	186,612	319,851	-	149,334	-	-	-	1,319,437	770,127	549,310
FIVIZZANO	1,049,603	-	-	-	-	61,448	7,445	70,857	-	-	-	1,189,354	818,778	370,576
LA SPEZIA	1,399,721	-	-	-	-	328,874	-	45,497	-	-	-	1,774,092	1,195,680	578,412
LA SPEZIA	961,678	-	-	-	-	331,678	-	9,447	-	-	-	1,302,803	692,169	610,633
PARMA	3,840,176	-	-	-	-	1,954,872	-	607,415	-	-	-	6,402,462	4,374,895	2,027,567
FOLLO	665,545	-	-	-	-	49,667	-	879	-	-	-	716,091	551,291	164,800
PARMA	987,380	-	-	-	-	670,397	-	78,007	-	-	-	1,735,784	942,384	793,400
LERICI	2,482,716	-	-	-	-	286,365	-	81,078	-	-	-	2,850,159	1,863,551	986,608
TALIGNANO	657,722	-	-	-	-	1,710,026	289,767	-	-	-	-	2,657,515	628,013	2,029,501
SAN TERENZO DI LERICI	1,032,406	-	-	-	-	120,382	-	7,718	-	-	-	1,160,507	573,167	587,339
PARMA CA GREEN LIFE	79,877,386	-	-	-	-	22,803,265	42,608	3,941,633	-	-	-	106,664,891	41,741,587	64,923,304
MONTEROSSO AL MARE	520,633	-	-	-	-	126,073	-	3,263	-	-	-	649,968	456,645	193,323
PODERE MARTINELLA	3,847,950	-	-	-	-	42,090	-	-	-	-	-	3,890,039	-	3,890,039
SARZANA	3,472,568	-	-	-	336,412	151,630	-	224,815	-	-	-	4,185,424	3,133,974	1,051,450
ALBARETO	200,945	-	-	-	-	64,005	-	22,958	-	-	-	287,907	201,941	85,966
LA SPEZIA	1,451,543	-	-	-	172,169	127,874	-	85,263	-	-	-	1,836,848	1,363,720	473,129
LICCIANA NARDI	65,192	-	-	-	-	26,585	-	12,575	-	-	-	104,352	27,942	76,410
BASILICANOVA	312,598	-	-	-	57,102	167,520	13,316	147,621	-	-	-	698,157	404,035	294,122
SANTO STEFANO DI MAGRA	378,366	-	-	-	-	150,836	-	6,091	-	-	-	535,293	422,387	112,906
ORTONOVO	850,515	-	-	-	-	19,306	-	25,241	-	-	-	895,062	560,264	334,799
BEDONIA	680,117	-	-	-	-	182,435	-	112,306	-	-	-	974,858	609,732	365,126
LA SPEZIA	150,149	-	-	-	-	41,382	-	9,764	-	-	-	201,295	45,663	155,631
BERCETO	153,751	-	2,161	11,500	61,274	87,586	-	55,926	-	-	-	372,197	230,355	141,842
CALICE AL CORNOVIGLIO	146,464	-	-	-	-	17,175	-	1,980	-	-	-	165,618	118,315	47,303
BORGOTARO	483,002	-	11,389	18,401	95,615	128,117	-	16,994	-	-	-	753,519	485,023	268,496
BOLANO	1,533,990	-	-	-	-	366,774	-	131,993	-	-	-	2,032,757	1,640,746	392,010
BUSSETO	724,786	-	22,360	-	-	468,356	-	100,485	-	-	-	1,315,988	819,663	496,325
LA SPEZIA	5,005,277	-	-	-	-	371,132	-	253,378	-	-	-	5,629,787	3,589,359	2,040,428
LA SPEZIA	4,437,537	-	-	-	-	443,693	-	262,165	-	-	-	5,143,396	3,934,311	1,209,085
CALESTANO	67,333	-	9,321	1,911	47,801	94,609	-	17,398	-	-	-	238,373	142,051	96,322
SAN TERENZO DI LERICI	20,249,025	-	-	-	-	3,287,968	-	1,580,071	-	-	-	25,117,063	9,320,315	15,796,748
COENZO	371,668	-	1,808	-	-	138,121	-	9,465	-	-	-	521,062	321,759	199,303
LICCIANA NARDI ROMA	1,021,071	-	-	-	-	97,505	-	-	-	-	-	1,118,577	839,074	279,502

Description	Book value net of revaluations	L. 11.2.62 n. 74	L. 19.2.73 n. 823	L. 2.12.75 n. 576	L. 19.3.83 n. 72	L.3 0.7.90 n. 218	L. 29.12.90 n. 408	L. 30.12.91 n. 413	Merger '94	L. 185/08	Deemid cost	Total cost	Accumulated depreciation as at 31 Dec. 2021	Net book value as at 31 Dec. 2021
COLLECCHIO	2,161,546	-	-	-	-	288,117	-	191,196	-	-	-	2,640,859	1,432,895	1,207,964
BEVERINO	378,948	-	-	-	-	41,624	-	18,300	-	-	-	438,871	334,158	104,714
COLORNO	1,062,310	-	-	-	-	786,454	-	108,667	-	-	-	1,957,431	1,161,873	795,558
VILLAFRANCA IN LUNIGIANA	1,194,856	-	-	-	-	218,682	-	58,845	-	-	-	1,472,383	1,063,720	408,663
CORNIGLIO	151,514	-	26,353	928	48,146	194,040	-	35,078	-	-	-	456,059	239,754	216,305
BARBARASCO DI TRESANA	803,417	-	-	-	-	80,186	-	47,582	-	-	-	931,185	747,863	183,323
FIDENZA	2,108,296	-	83,677	29,665	215,527	307,531	-	-	-	-	-	2,744,696	1,277,607	1,467,089
LA SPEZIA	1,919,486	-	-	-	-	105,729	-	1,512,010	-	-	-	3,537,225	1,739,122	1,798,104
FIDENZA	625,559	-	-	-	28,659	345,710	-	48,093	-	-	-	1,048,021	614,621	433,400
LA SPEZIALE	1,115,398	-	-	-	-	65,547	-	145,997	-	-	-	1,326,942	878,147	448,794
FONTANELLATO	760,617	-	29,897	-	111,655	379,247	-	15,582	-	-	-	1,296,998	764,787	532,211
SESTA GODANO	705,794	-	-	-	-	13,364	-	41,276	-	-	-	760,434	604,754	155,680
FORNOVO TARO	1,211,968	-	8,156	19,437	-	198,065	-	14,142	-	-	-	1,451,768	878,789	572,979
PORTOVENERE	2,105,641	-	-	-	-	81,023	-	89,171	-	-	-	2,275,835	1,727,723	548,112
LANGHIRANO	1,041,516	-	42,532	12,128	90,543	562,140	-	50,672	-	-	-	1,799,531	755,756	1,043,775
SANTO STEFANO DI MAGRA	7,900	-	-	-	-	900	-	-	-	-	-	8,800	3,925	4,875
MEDESANO	250,004	-	18,132	9,531	108,953	219,782	-	40,468	-	-	-	646,870	346,103	300,767
SARZANA	586,705	-	-	-	-	15,897	-	25,821	-	-	-	628,424	462,174	166,250
MILANO	2,381,404	-	-	-	-	1,547,429	-	157,597	-	-	-	4,086,430	2,787,753	1,298,678
CARRARA	3,242,532	-	-	-	-	43,972	-	112,869	-	-	-	3,399,372	1,648,480	1,750,893
MONCHIO	58,818	-	1,143	5,726	59,171	90,515	-	10,666	-	-	-	226,039	137,356	88,682
VEZZANO LIGURE	1,440,119	-	-	-	-	13,110	-	36,687	-	-	-	1,489,916	1,148,006	341,910
NENO ARDUINI	70,829	-	3,954	2,574	46,044	88,290	-	11,935	-	-	-	223,627	140,449	83,178
LA SPEZIA	740,690	-	-	-	-	-	-	-	-	-	-	740,690	252,656	488,033
NOCETO	808,965	-	14,143	10,558	76,036	108,038	-	28,103	-	-	-	1,045,842	650,722	395,119
ARCOLA	381,369	-	-	-	-	-	-	-	-	-	-	381,369	182,477	198,892
SAN TERENZO DI LERICI	129,783	-	-	-	-	-	-	-	-	-	-	129,783	-	129,783
PALANZANO	76,040	-	974	8,767	46,594	122,582	-	13,092	-	-	-	268,049	169,527	98,523
LA SPEZIA	1,422,796	-	-	-	-	-	-	-	-	-	-	1,422,796	278,682	1,144,114
LA SPEZIA	681,598	-	-	-	-	-	-	-	-	-	-	681,598	247,429	434,169
PELLEGRINO	254,342	-	15,431	2,998	49,259	182,482	-	19,224	-	-	-	523,736	287,314	236,422
CASTELNUOVO MAGRA	512,001	-	-	-	-	-	-	-	-	-	-	512,001	201,344	310,658
PIEVEOTTOVILLE	44,007	-	342	-	45,249	73,623	-	8,525	-	-	-	171,744	109,194	62,551
LA SPEZIA	221,625	-	-	-	-	-	-	-	-	-	-	221,625	83,294	138,331
POLESINE	492,863	-	-	-	-	150,460	-	70,135	-	-	-	713,458	478,548	234,910
AULLA	857,274	-	-	-	-	-	114,140	273,656	-	-	-	1,245,070	916,143	328,927
PONTETARO	781,449	-	19,513	3,367	66,243	93,310	26,289	116,981	-	-	-	1,107,150	650,911	456,240
BAGNONE	100,784	-	10,329	-	-	-	54,274	69,779	-	-	-	235,166	160,774	74,392
ROCCABIANCA	800,352	-	-	-	-	241,824	-	17,912	-	-	-	1,060,088	563,454	496,634
CARRARA	114,959	-	-	-	-	-	64,806	385,522	-	-	-	565,287	418,523	146,764
SALA BAGANZA	173,823	-	46,459	6,907	72,054	323,203	-	59,315	-	-	-	681,760	265,156	416,605
CARRARA	2,874,341	-	-	-	-	-	905,346	222,095	-	-	-	4,001,782	2,565,080	1,436,702
SALSOMAGGIORE	1,667,929	-	60,047	41,818	338,509	424,119	-	16,718	-	-	-	2,549,141	1,550,995	998,146
S,MARIA	64,698	-	3,146	-	58,320	100,472	-	10,200	-	-	-	236,836	155,326	81,510
MASSA	687,111	-	17,556	-	-	-	105,023	557,251	-	-	-	1,366,940	940,939	426,001
S,SECONDO	446,492	-	145	-	105,674	392,743	-	71,430	-	-	-	1,016,483	556,118	460,365
PONTREMOLI	299,245	-	-	-	-	-	20,266	155,726	-	-	-	475,237	411,960	63,277
S,ANDREA BAGNI	223,532	-	1,859	-	-	129,517	-	5,253	-	-	-	360,161	244,378	115,783
VILLAFRANCA IN LUNIGIANA	106,886	-	-	-	-	-	-	-	-	-	-	106,886	46,265	60,621
SISSA	555,176	-	3,353	7,578	-	159,671	-	27,414	-	-	-	753,193	408,404	344,790
SOLIGNANO	55,268	-	4,209	5,424	51,082	97,942	-	9,218	-	-	-	223,143	135,637	87,507
SORAGNA	247,913	-	18,533	17,254	67,759	177,224	-	39,340	-	-	-	568,023	328,865	239,157
SORBOLO	1,384,554	-	-	-	-	651,020	-	62,444	-	-	-	2,098,017	1,476,712	621,305
SUZZARA	1,046,690	-	-	-	-	539,476	-	18,414	-	-	-	1,604,580	1,145,294	459,286

Description	Book value net of revaluations	L. 11.2.62 n. 74	L. 19.2.73 n. 823	L. 2.12.75 n. 576	L. 19.3.83 n. 72	L.3 0.7.90 n. 218	L. 29.12.90 n. 408	L. 30.12.91 n. 413	Merger '94	L. 185/08	Deemid cost	Total cost	Accumulated depreciation as at 31 Dec. 2021	Net book value as at 31 Dec. 2021
TABIANO TERME	68,799	-	757	19,119	85,501	132,004	-	16,618	-	-	-	322,800	222,061	100,738
TRAVERSETOLO	1,298,683	-	23,043	8,221	72,176	259,432	-	84,935	-	-	-	1,746,489	930,678	815,811
SARZANA	183,389	-	-	-	-	1,528	-	-	-	-	-	184,917	140,247	44,670
LA SPEZIA	503,389	-	-	-	-	-	-	-	-	-	-	503,389	331,267	172,122
ZIBELLO	205,556	-	136	-	98,960	278,852	-	6,056	-	-	-	589,560	375,298	214,262
PARMA	527,548	-	-	-	-	131,803	-	54,888	-	-	-	714,239	714,239	-
SPORTELLO	935,911	-	-	-	-	14,843	-	9,560	-	-	-	960,314	523,784	436,530
DI CITTÀ	4,208,279	-	-	-	-	2,518	-	-	-	-	-	4,210,797	2,559,514	1,651,283
LANGHIRANO	414,265	-	-	-	-	138	-	-	-	-	-	414,402	286,322	128,080
PARMA - VIA MISTRALI	4,887,269	-	369,753	377,014	1,508,925	-	897,799	2,460,915	-	-	-	10,501,675	4,597,165	5,904,511
PARMA	1,703,080	-	-	-	140,699	-	1,050,126	295,927	-	-	-	3,189,833	1,726,576	1,463,257
PARMA	1,149,678	-	-	-	179,927	-	498,958	177,237	-	-	-	2,005,800	1,318,614	687,186
LANGHIRANO	57,180	-	34,618	15,494	162,684	-	255,039	217,764	-	-	-	742,779	428,789	313,990
FELINO	817,375	-	35,969	10,329	87,798	-	301,908	220,281	-	-	-	1,473,660	814,835	658,825
SALA BAGANZA	588,872	-	15,749	-	235,765	-	670,239	14,659	-	-	-	1,525,285	868,464	656,821
FONTEVIVO	285,734	-	11,927	20,658	103,291	-	350,998	299,492	-	-	-	1,072,100	531,522	540,579
FONTANELLE	84,888	-	9,533	2,582	45,448	-	151,905	63,487	-	-	-	357,844	217,899	139,945
MEZZANI	32,302	-	5,127	5,210	38,218	-	65,506	53,984	-	-	-	200,348	143,749	56,598
COLLECCHIO	832,482	-	-	-	73,636	-	59,469	641,640	-	-	-	1,607,226	949,578	657,648
LAGRIMONE	181,491	-	-	-	-	-	99,980	-	-	-	-	281,472	241,729	39,742
S, POLO	845,696	-	-	-	-	-	-	11,996	-	-	-	857,692	447,655	410,036
PARMA	564,991	-	-	-	-	-	436,369	70,280	-	-	-	1,071,641	669,708	401,933
AGAZZANO	156,226	-	-	-	72,046	53,139	-	27,352	-	-	-	308,763	119,338	189,425
ALSENO	379,022	-	-	-	51,646	108,998	-	47,211	-	-	-	586,877	320,864	266,013
BETTOLA	136,427	-	-	-	61,975	134,658	-	27,484	-	-	-	360,543	209,255	151,289
BOBBIO	288,159	-	-	-	43,608	112,497	-	20,969	-	-	-	465,233	284,296	180,936
ROMA	461,737	-	-	-	56,810	87,567	-	31,598	-	-	-	637,713	353,248	284,465
CADEO	479,726	-	-	-	-	16,673	-	102,983	-	-	-	599,383	382,752	216,631
CALENDASCO	314,391	-	-	-	-	36,431	-	41,650	-	-	-	392,472	164,475	227,997
ROMA	365,207	-	-	-	98,127	101,462	-	41,257	-	-	-	606,053	315,639	290,414
CASTEL S,GIO	750,045	-	-	-	171,844	413,391	-	88,751	-	-	-	1,424,031	817,853	606,178
CORTEMAGGIORE	314,934	-	-	-	77,469	87,409	-	35,055	-	-	-	514,866	259,906	254,960
FERRIERE	178,073	-	-	-	-	4,523	-	53,147	-	-	-	235,743	178,568	57,175
FIORENZUOLA	625,670	-	-	-	135,487	183,413	-	114,352	-	-	-	1,058,921	493,864	565,057
ROMA	298,660	-	-	-	41,317	23,034	-	29,569	-	-	-	392,580	224,771	167,810
LUGAGNANO VAL	756,011	-	-	-	65,107	28,660	-	26,297	-	-	-	876,076	436,944	439,132
MONTICELLI	494,752	-	-	-	-	-	-	69,145	-	-	-	563,897	353,006	210,891
MORFASSO	213,288	-	-	-	-	-	-	49,730	-	-	-	263,017	202,481	60,536
OTTONE	69,594	-	-	-	15,494	33,085	-	7,709	-	-	-	125,882	68,524	57,358
PIANELLO	464,677	-	-	-	-	60,751	-	9,449	-	-	-	534,877	293,106	241,770
PODENZANO	526,517	-	-	-	67,139	115,376	-	70,923	-	-	-	779,955	459,699	320,255
PONTE DELL'OLIO	513,652	-	-	-	-	172,170	-	99,830	-	-	-	785,652	456,115	329,537
PONTENURE	777,790	-	-	-	-	-	-	68,083	-	-	-	845,873	528,789	317,084
ROTTOFRENO	47,391	-	-	-	56,810	61,128	-	24,581	-	-	-	189,910	125,122	64,788
ANGUISSOLA	294,061	-	-	-	-	1,640	-	38,548	-	-	-	334,249	181,621	152,628
VILLANOVA SULL'ARDA	461,731	-	-	-	-	57,044	-	71,327	-	-	-	590,101	259,295	330,806
ZIANO	48,378	-	-	-	15,494	14,084	-	8,451	-	-	-	86,408	59,611	26,796
ROMA	90,120	-	-	-	20,658	45,381	-	8,838	-	-	-	164,998	90,720	74,278
PIACENZA	4,837,483	-	-	769,851	1,567,362	5,788,954	-	1,952,811	-	-	-	14,916,462	6,102,967	8,813,495
PIACENZA	1,265,827	-	-	-	-	195,554	-	196,597	-	-	-	1,657,979	974,161	683,818
PIACENZA	1,691,330	-	-	-	-	426,870	-	215,624	-	-	-	2,333,824	1,372,527	961,296
CODOGNO	1,335,309	-	-	-	-	171,309	-	217,624	-	-	-	1,724,242	1,202,152	522,090
VIGEVANO	321,399	-	-	7,230	-	163,008	-	17,382	-	-	-	509,020	267,782	241,237
VIGEVANO	354,174	-	-	15,494	-	270,714	-	11,718	-	-	-	652,100	316,463	335,637

Description	Book value net of revaluations	L. 11.2.62 n. 74	L. 19.2.73 n. 823	L. 2.12.75 n. 576	L. 19.3.83 n. 72	L.3 0.7.90 n. 218	L. 29.12.90 n. 408	L. 30.12.91 n. 413	Merger '94	L. 185/08	Deemid cost	Total cost	Accumulated depreciation as at 31 Dec. 2021	Net book value as at 31 Dec. 2021
VIGEVANO	1,888,870	-	-	129,114	1,077,258	1,004,817	-	417,537	-	-	-	4,517,596	1,299,300	3,218,296
CASSOLNOVO	470,139	-	-	10,329	-	91,583	-	21,130	-	-	-	593,181	271,012	322,168
GMBOLO'	416,272	-	-	10,329	-	94,165	-	4,474	-	-	-	525,240	316,313	208,927
PARONA	145,005	-	-	-	-	75,689	-	12,941	-	-	-	233,635	124,989	108,645
TROMELLO	466,710	-	-	-	-	78,092	-	17,078	-	-	-	561,879	267,058	294,821
CAMPARI	665,887	-	-	-	-	22,047	-	32,726	-	-	-	720,660	470,465	250,194
VALENZA	419,421	-	-	55,996	250,688	-	-	90,441	853,142	-	-	1,669,687	837,297	832,391
VINOVO	511,557	-	-	-	-	-	-	20,734	148,416	-	-	680,707	418,415	262,292
MILANO	2,749,633	-	-	-	-	-	-	932,758	278,224	-	-	3,960,615	3,202,184	758,431
MILANO	816,865	-	81,632	-	371,849	-	-	543,908	268,264	-	-	2,082,518	1,299,336	783,183
MILANO	568,916	-	92,969	-	291,282	-	-	439,674	275,121	-	-	1,667,962	1,125,828	542,134
MILANO	707,384	-	41,673	-	127,048	-	-	258,173	351,453	-	-	1,485,732	918,142	567,590
MILANO	581,284	-	103,421	-	335,697	-	-	381,513	161,503	-	-	1,563,418	1,087,734	475,684
MILANO	608,800	-	191,991	-	192,122	-	-	433,140	889,114	-	-	2,315,166	1,564,679	750,487
CASALMAGGIORE	278,021	2,359	22,273	-	-	-	-	36,030	292,244	-	-	630,927	363,962	266,965
CASTELVETRO	71,126	-	5,526	-	-	-	-	17,998	94,559	-	-	189,208	116,024	73,184
CINGIA DE'BOTT	9,619	429	5,941	-	-	-	-	12,612	74,914	-	-	103,516	71,020	32,496
CORTE DE'	138,546	-	713	-	-	-	-	7,370	47,582	-	-	194,210	106,739	87,471
GRUMELLO CREMONESE	156,931	59	2,644	-	-	-	-	9,162	66,174	-	-	234,970	112,602	122,368
ROMA	60,206	-	7,753	-	-	-	-	58,355	51,318	-	-	177,631	130,142	47,489
ROMA	27,673	-	12,488	-	-	-	-	21,534	48,712	-	-	110,408	71,425	38,982
PIZZIGHETTONE	495,894	-	-	-	178,694	-	-	99,878	20,092	-	-	794,558	489,280	305,278
RIVAROLO	394,579	-	1,600	-	-	-	-	90,021	14,886	-	-	501,086	392,796	108,289
ROBECC	138,623	948	8,786	-	-	-	-	15,957	81,443	-	-	245,757	107,036	138,721
S.GIOVANNI I	667,232	664	3,813	-	-	-	-	11,034	54,843	-	-	737,585	419,736	317,850
SESTO CREMONESE	245,616	508	3,370	-	-	-	-	12,890	76,972	-	-	339,357	131,200	208,156
VESCOVATO	76,855	48	12,183	-	-	-	-	17,887	100,177	-	-	207,149	108,619	98,530
LODI	684,980	4,127	113,691	-	-	-	-	259,762	1,051,150	-	-	2,113,711	1,355,738	757,973
CASALPUSTERLENGO	904,504	-	-	-	211,740	-	-	409,979	266,529	-	-	1,792,751	1,291,606	501,145
S.GIULIANO MILANESE	759,784	-	43,900	-	232,406	-	-	369,534	73,368	-	-	1,478,993	949,356	529,636
SANT'ANGELO L	991,652	1,411	13,012	-	-	-	-	66,702	8,769	-	-	1,081,545	492,273	589,272
MANTOVA	5,002,228	-	-	-	-	-	-	1,560,197	321,766	-	-	6,884,191	5,699,729	1,184,461
ASOLA	359,173	1,501	19,641	-	-	-	-	66,395	227,909	-	-	674,619	305,813	368,806
CASTELLUCCHIO	663,468	-	-	-	-	-	-	226,505	49,464	-	-	939,438	692,641	246,796
MARMIROLO	165,914	-	10,252	-	-	-	-	78,068	61,702	-	-	315,935	221,244	94,691
OSTIGLIA	119,895	-	-	-	-	-	-	54,938	77,867	-	-	252,701	161,714	90,987
ROVERBELLA	259,870	-	14,949	-	-	-	-	22,589	155,423	-	-	452,831	203,424	249,407
BELGIOIOSO	196,372	1,151	11,204	-	-	-	-	21,180	229,336	-	-	459,243	255,743	203,500
PARMA	979,441	-	-	-	328,983	-	-	300,316	50,149	-	-	1,658,888	1,097,375	561,513
PARMA	496,776	-	4,692	-	120,851	-	-	82,275	28,618	-	-	733,212	395,286	337,927
CORTEOLONA	47,714	-	9,608	-	-	-	-	20,950	74,440	-	-	152,711	103,809	48,902
ROMA	163,526	-	-	-	-	-	-	53,937	84,966	-	-	302,429	193,510	108,919
CREMA	790,451	4,822	56,297	-	298,140	-	-	628,944	257,319	-	-	2,035,973	1,312,860	723,113
ANNICCO	131,986	1,176	3,176	-	-	-	-	52,652	67,277	-	-	256,269	154,737	101,532
CASALBUTT	78,557	506	31,536	-	-	-	-	57,722	100,940	-	-	269,261	182,116	87,144
PADERNO	70,137	-	4,106	-	-	-	-	14,653	84,481	-	-	173,377	106,568	66,809
PANDINO	466,329	1,731	27,915	-	-	-	-	66,462	159,407	-	-	721,844	305,760	416,083
ROMANENGO	861,724	795	12,932	-	-	-	-	21,601	110,278	-	-	1,007,330	443,239	564,091
SORESINA	510,845	830	35,251	-	-	-	-	97,091	382,504	-	-	1,026,522	552,273	474,249
TRIGOLO	91,789	129	8,539	-	-	-	-	14,433	61,857	-	-	176,747	94,987	81,760
ASILO NIDO AZIENDALE CA GREEN LIFE	2,404,940	-	-	-	-	271,083	-	48,005	-	-	-	2,724,029	722,781	2,001,247
SAN MINIATO	5,506,813	-	-	-	-	-	-	-	-	-	2,349,773	7,856,586	4,937,442	2,919,143
SAN MINIATO	302,318	-	-	-	-	-	-	-	-	14,129	-	316,447	65,295	251,152
CASTELFRANCO DI SOTTO	22,817	-	-	-	-	-	-	-	-	1,984	-	24,801	4,649	20,152

Description	Book value net of revaluations	L. 11.2.62 n. 74	L. 19.2.73 n. 823	L. 2.12.75 n. 576	L. 19.3.83 n. 72	L.3 0.7.90 n. 218	L. 29.12.90 n. 408	L. 30.12.91 n. 413	Merger '94	L. 185/08	Deemid cost	Total cost	Accumulated depreciation as at 31 Dec. 2021	Net book value as at 31 Dec. 2021
PISA	379,040	-	-	-	-	-	-	-	-	32,960	-	412,000	77,229	334,771
SANTA CROCE SULL'ARNO	132,957	-	-	-	-	-	-	-	-	8,400	-	141,357	26,358	114,999
SAN MINIATO	1,697,150	-	-	-	-	-	-	-	-	180,242	-	1,877,392	294,174	1,583,219
SAN MINIATO	14,046	-	-	-	-	-	-	-	-	2,014	-	16,060	4,970	11,091
CAPANNOLI	3,887	-	-	-	-	-	-	-	-	2,118	-	6,006	593	5,413
FUCECCHIO	621,689	-	-	-	-	-	-	-	-	373,900	-	995,589	245,270	750,320
LIVORNO	259,633	-	-	-	-	-	-	-	-	2,006	-	261,639	92,599	169,040
SAN MINIATO	77,495	-	-	-	-	-	-	-	-	3,912	-	81,407	19,141	62,266
CAPANNOLI	273,070	-	-	-	-	-	-	-	-	9,200	-	282,270	79,732	202,539
CASTELFRANCO DI SOTTO	1,069,015	-	-	-	-	-	-	-	-	6,973	-	1,075,988	278,476	797,513
EMPOLI	677,879	-	-	-	-	-	-	-	-	7,800	-	685,678	153,004	532,674
MONTOPOLI VALDARNO	234,828	-	-	-	-	-	-	-	-	3,959	-	238,786	69,909	168,877
MONTOPOLI VALDARNO	647,347	-	-	-	-	-	-	-	-	11,690	-	659,037	157,712	501,325
POGGIBONSI	1,120,752	-	-	-	-	-	-	-	-	16,527	-	1,137,280	317,944	819,336
PONTEDERA	786,313	-	-	-	-	-	-	-	-	47,170	-	833,483	256,314	577,169
PONTEDERA	168,581	-	-	-	-	-	-	-	-	6,677	-	175,258	50,276	124,982
SANTA CROCE SULL'ARNO	423,737	-	-	-	-	-	-	-	-	4,540	-	428,277	113,749	314,527
VINCI	470,184	-	-	-	-	-	-	-	-	6,758	-	476,942	137,934	339,008
MONTELUPO FIORENTINO	543,877	-	-	-	-	-	-	-	-	16,061	-	559,938	138,367	421,572
EMPOLI	1,693,231	-	-	-	-	-	-	-	-	87,894	-	1,781,125	515,019	1,266,106
SAN MINIATO	4,264,813	-	-	-	-	-	-	-	-	450,703	-	4,715,516	1,409,601	3,305,915
SAN MINIATO	893,143	-	-	-	-	-	-	-	-	3,741	-	896,885	248,776	648,109
SAN MINIATO	820,205	-	-	-	-	-	-	-	-	48,006	-	868,211	189,903	678,308
SANTA CROCE SULL'ARNO	2,060,749	-	-	-	-	-	-	-	-	109,129	-	2,169,877	565,159	1,604,719
PONSACCO	973,499	-	-	-	-	-	-	-	-	32,658	-	1,006,157	275,653	730,504
CASTELFIORENTINO	478,919	-	-	-	-	-	-	-	-	14,609	-	493,528	149,826	343,702
CERRETO GUIDI	303,737	-	-	-	-	-	-	-	-	4,601	-	308,338	92,225	216,114
VINCI	1,147,655	-	-	-	-	-	-	-	-	33,544	-	1,181,199	339,659	841,540
PISA	1,387,968	-	-	-	-	-	-	-	-	55,531	-	1,443,498	406,158	1,037,341
PALAIA	212,581	-	-	-	-	-	-	-	-	29,687	-	242,268	69,499	172,769
SANTA MARIA A MONTE	628,997	-	-	-	-	-	-	-	-	15,529	-	644,526	148,354	496,173
FIRENZE	7,046,826	-	-	-	-	-	-	-	-	1,738,055	-	8,784,881	2,540,094	6,244,787
SAN MINIATO	450,066	-	-	-	-	-	-	-	-	157,423	-	607,488	125,308	482,180
CAPANNOLI	11,968	-	-	-	-	-	-	-	-	602	-	12,570	2,562	10,008
CERRETO GUIDI	413,634	-	-	-	-	-	-	-	-	2,413	-	416,047	115,940	300,107
SANTA CROCE SULL'ARNO	519,050	-	-	-	-	-	-	-	-	7,336	-	526,386	146,608	379,779
SAN MINIATO	90,997	-	-	-	-	-	-	-	-	72,103	-	163,100	24,522	138,578
SAN MINIATO	114,428	-	-	-	-	-	-	-	-	9,950	-	124,378	16,584	107,794
SAN MINIATO	187,889	-	-	-	-	-	-	-	-	76,111	-	264,000	37,500	226,500
SAN MINIATO	14,401	-	-	-	-	-	-	-	-	25,599	-	40,000	5,893	34,107
SAN MINIATO	7,233	-	-	-	-	-	-	-	-	57,597	-	64,830	5,012	59,818
PONSACCO	499,784	-	-	-	-	-	-	-	-	81,113	-	580,897	90,128	490,770
SAN MINIATO	908,368	-	-	-	-	-	-	-	-	36,572	-	944,940	100,823	844,117
SAN MINIATO	195,010	-	-	-	-	-	-	-	-	74,990	-	270,000	29,183	240,817
BELLARIA IGEA MARINA	1,651,103	-	-	-	-	-	-	-	-	-	-	1,651,103	363,279	1,287,825
BELLARIA IGEA MARINA	1,936,811	-	-	-	-	-	-	-	-	-	-	1,936,811	285,708	1,651,104
BOLOGNA	492,214	-	-	-	-	-	-	-	-	-	-	492,214	84,938	407,276
BOLOGNA	723,809	-	-	-	-	-	-	-	-	-	-	723,809	210,680	513,129
CASTENASO	540,817	-	-	-	-	-	-	-	-	-	-	540,817	96,544	444,273
CATTOLICA	4,612,697	-	-	-	-	-	-	-	-	-	-	4,612,697	835,462	3,777,236
CORIANO	2,387,592	-	-	-	-	-	-	-	-	-	-	2,387,592	609,007	1,778,584
CESENA	592,107	-	-	-	-	-	-	-	-	-	-	592,107	115,018	477,089
CORIANO	672,587	-	-	-	-	-	-	-	-	-	-	672,587	120,846	551,740
FALCONARA MARITTIMA	328,583	-	-	-	-	-	-	-	-	-	-	328,583	91,319	237,264

Description	Book value net of revaluations	L. 11.2.62 n. 74	L. 19.2.73 n. 823	L. 2.12.75 n. 576	L. 19.3.83 n. 72	L.3 0.7.90 n. 218	L. 29.12.90 n. 408	L. 30.12.91 n. 413	Merger '94	L. 185/08	Deemid cost	Total cost	Accumulated depreciation as at 31 Dec. 2021	Net book value as at 31 Dec. 2021
GRADARA	209,631	-	-	-	-	-	-	-	-	-	-	209,631	59,318	150,313
RIMINI	829,300	-	-	-	-	-	-	-	-	-	-	829,300	195,258	634,042
MELDOLA	119,951	-	-	-	-	-	-	-	-	-	-	119,951	28,796	91,156
MISANO ADRIATICO	1,768,145	-	-	-	-	-	-	-	-	-	-	1,768,145	279,729	1,488,415
MISANO ADRIATICO	307,200	-	-	-	-	-	-	-	-	-	-	307,200	73,720	233,480
MONTESCUDO	381,256	-	-	-	-	-	-	-	-	-	-	381,256	87,024	294,232
MORCIANO DI ROMAGNA	1,161,475	-	-	-	-	-	-	-	-	-	-	1,161,475	152,770	1,008,705
OSIMO	302,944	-	-	-	-	-	-	-	-	-	-	302,944	58,112	244,832
RICCIONE	814,398	-	-	-	-	-	-	-	-	-	-	814,398	126,187	688,211
RICCIONE	760,989	-	-	-	-	-	-	-	-	-	-	760,989	159,145	601,844
RICCIONE	5,224,297	-	-	-	-	-	-	-	-	-	-	5,224,297	609,330	4,614,967
RICCIONE	6,293,651	-	-	-	-	-	-	-	-	-	-	6,293,651	754,534	5,539,118
RICCIONE	4,300,119	-	-	-	-	-	-	-	-	-	-	4,300,119	589,394	3,710,725
RIMINI	9,020,008	-	-	-	-	-	-	-	-	-	-	9,020,008	1,830,550	7,189,458
RIMINI	6,820,358	-	-	-	-	-	-	-	-	-	-	6,820,358	821,378	5,998,980
RIMINI	4,197,284	-	-	-	-	-	-	-	-	-	-	4,197,284	695,977	3,501,307
RIMINI	7,164,770	-	-	-	-	-	-	-	-	-	-	7,164,770	641,997	6,522,773
RIMINI	1,034,626	-	-	-	-	-	-	-	-	-	-	1,034,626	260,680	773,946
RIMINI	24,787,486	-	-	-	-	-	-	-	-	-	-	24,787,486	2,307,372	22,480,114
RIMINI	2,078,128	-	-	-	-	-	-	-	-	-	-	2,078,128	510,645	1,567,483
RIMINI	364,446	-	-	-	-	-	-	-	-	-	-	364,446	98,107	266,339
RIMINI	2,753,854	-	-	-	-	-	-	-	-	-	-	2,753,854	561,414	2,192,440
RIMINI	2,042,145	-	-	-	-	-	-	-	-	-	-	2,042,145	314,396	1,727,748
ROMA	483,281	-	-	-	-	-	-	-	-	-	-	483,281	125,565	357,716
SAN COSTANZO	542,428	-	-	-	-	-	-	-	-	-	-	542,428	226,217	316,211
SAN GIOVANNI IN MARIGNANO	1,820,688	-	-	-	-	-	-	-	-	-	-	1,820,688	400,657	1,420,031
SANTARCANGELO DI ROMAGNA	3,697,599	-	-	-	-	-	-	-	-	-	-	3,697,599	458,152	3,239,447
VERUCCHIO	1,004,584	-	-	-	-	-	-	-	-	-	-	1,004,584	201,506	803,077
VERUCCHIO	1,999,239	-	-	-	-	-	-	-	-	-	-	1,999,239	335,539	1,663,700
VERUCCHIO	4,380,527	-	-	-	-	-	-	-	-	-	-	4,380,527	1,339,176	3,041,350
Total Assets revalued	441,869,466	23,194	3,074,311	2,299,067	18,880,134	73,675,220	6,481,576	33,831,798	8,234,672	3,984,516	2,349,773	594,703,719	253,708,161	340,995,558

Equity investments, assets measured at fair value through equity and assets measured at fair value through profit or loss	Book value net of revaluations	L. 30.7.90 n. 218	Impairment	Measurement OCINR/ FVOBL	Total cost	Net book value as at 31 Dec. 2021
CR.AGRIC. FRIULADRIA	1,192,144,709	-	- 108,158,006		1,083,986,703	1,083,986,703
FIERE DI PARMA	20,483,198	- 416,050	-		20,067,148	20,483,198
CA GROUP SOLUTIONS	35,640,000	-	-		35,640,000	35,640,000
NUOVA MADONNINA ORD	1	-	-		1	1
CRED VALTELLINES ORD	862,288,608	-	-		862,288,608	862,288,608
MONDOMUTUI CARIPARMA	2,280	-	-		2,280	2,280
CALIT SRL	146,300,000	-	- 47,133,000		99,167,000	99,167,000
SLIDERS SRL	1,370,001	-	- 1,370,000		1	1
CARIPARMA OBG SRL	6,000	-	-		6,000	6,000
SOC.AGRIC.LE CICOGNE	2,221,209	-	-		2,221,209	2,221,209
LE VILLAGE BY CA MIL	350,156	-	-		350,156	350,156
SAN GIORGIO IMMOBILI	2,491,238	-	- 2,491,237		1	1
SAN PIERO IMMOBILIAR	719,647	-	- 719,646		1	1
LE VILLAGE BY CA PR	800,000	-	-		800,000	800,000
CAREI	300,000	-	-		300,000	300,000
SAIRGROUP CHF	1	-		-	1	1
KAUP THING EHF ORD	1	-		-	1	1
FIDI TOSCANA	2,549,057	-		- 678,417	2,549,057	1,870,640
CEPIM	756,711	- 44,831		836,606	711,880	1,593,317
SOGEAP	78,124	- 38,911		- 39,798	39,213	38,326
CA RISP VOLTERRA	7,116,003	-		- 3,920,200	7,116,003	3,195,803
CENTRO AGRO-ALIM RIM	405,002	-		8,852	405,002	413,854
MTS SPA N	86,915	-		- 26,939	86,915	59,976
RIMINI TERME SPA	18,076	-		- 10,790	18,076	7,286
TERRE DELL'ETRURIA	349,902	-		- 347,452	349,902	2,450
S.I.C.I. SGR AOR 06	481,281	-		-	481,281	481,281
EDISON ORD	3,457	-		7,332	3,457	10,789
ITALIAN EXHIBITION G	345,779	-		- 193,476	345,779	152,302
RETE FIDI LIGURIA	51,646	-		- 26	51,646	51,620
COOPERARE	1,235,888	-		96,094	1,235,888	1,331,982
CENTROFIDI TERZIARIO	1,194,064	-		87,158	1,194,064	1,281,222
PIACENZA EXPO	989,628	94,063		- 165,172	1,083,691	824,456
FAVENTIA SALES AOR	888,019	-		- 5,024	888,019	882,995
SPEDIA	275,445	-		14,975	275,445	290,420
ISI	67,014	-		- 62,665	67,014	4,349
LUGO IMMOBILIARE AOR	1	-		-	1	1
UNIPOLSAI ORD RA	15,445,574	-		724,388	15,445,574	16,169,962
COSTA EDUTAINMENT	1	-		-	1	1
BANCA D'ITALIA	202,000,000	-		-	202,000,000	202,000,000
SIR AOR	150,000	-		- 43,046	150,000	106,954
BANCOMAT-AZ ORD	1,770	-		38,602	1,770	40,372
ASTALDI-SFP	3,706,453	-		- 741,291	3,706,453	2,965,162
SWIFT	58,411	678		99,019	59,089	157,430
CARRIER 1 INTL GER	1	-		-	1	1
CA INDOSUEZ FIDUCIAR	400,000	-		- 298,739	400,000	101,261
SCHEMA VOLONTARIO	11,645,705	-		- 11,645,704	11,645,705	1
RAETIA SGR SPA	1	-		-	1	1
TERREMERSE SCRL	1,549	-		- 1,280	1,549	269
LUGO NEXT LAB SRL	1,001	-		- 1,000	1,001	1
ESCO CRE SRL QUOTE	2,841	-		- 2,840	2,841	1

Equity investments, assets measured at fair value through equity and assets measured at fair value through profit or loss	Book value net of revaluations	L. 30.7.90 n. 218	Impairment	Measurement OCINR/ FVOBL	Total cost	Net book value as at 31 Dec. 2021
CONS AGR INTERPROV	196,232	-		- 193,882	196,232	2,350
COMP DEL SACRO CUORE	10,650	-		5,695	10,650	16,345
FOND FURIO FARABEGOL	20,001	-		- 20,000	20,001	1
MIC FOND MUSEO INTER	1	-		-	1	1
COSTA 14 SRL AOR	1	-		-	1	1
GRUPPO AZ. LOC. VALL	5,000	-		-	5,000	5,000
QUOTE NEW PALARICCIO	47,740	-		-	47,740	47,740
CONSORZIO CBI SCPA	-	-		72,574	-	72,574
CONS KILOMETRO VERDE	5,000	-		-	5,000	5,000
CONS ROMAGNA INIZIAT	5,164	-		-	5,164	5,164
REALHOUSE SRL	400,000	-		-	400,000	400,000
TELDAFAX AG EURO	1	-		-	1	1
GLITNIR CONCORDATO	16,743	-		- 16,742	16,743	1
IMMOB.OASI NEL PARCO	2,615,007	-		- 112,297	2,615,007	2,502,711
AFFITTO FIRENZE SRL	1	-		-	1	1
CARICESE SRL	297,979	-		- 944	297,979	297,036
CONSORZIO CENTO PERC	1	-		-	1	1
NOVASIM SPA IN LIQ.	1	-		-	1	1
SUTOR MANTELLASSI HO	1	-		-	1	1
FRAER LEASING	5,211,314	-		-	5,211,314	5,211,314
C.A.P. PIACENZA	1	427		-	428	1
CAL CENTRO AGRO-ALIM	1	- 9,296		-	- 9,295	1
TERMOMECCANICA	4,114,485	-		-	4,114,485	4,114,485
BCA POP PUGLIA B ORD	142,139	-		-	142,139	142,139
SOPRIP	1	1,033		-	1,034	1
CAP PAVIA	1	-		-	1	1
GAL LA SPEZIA	1	-		-	1	1
CONSORZIO AGR.PARMA	1	487,535		-	487,536	1
GLITNIR CONCORDATO	1	-		-	1	1
MOONLIGHT CINEMA E T	1	-		-	1	1
TOTAL	**2,528,509,837**	**74,648**	**- 159,871,889**	**- 16,536,429**	**2,368,712,596**	**2,352,101,520**

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and of the Italian National Compensation Fund.
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